BF - Assignment

C 2) C 3) C 4) A

i) Realization Concept - In this concept, income is recog as and when it is earned rather than money being received by the customer

ii) Accruals Concept :- Expenses are recorded as and when they are incurred and when they are originally paid avoiding random allocation of cost

b) The earned premium for the year is calculated by the earned portion of the total written premium in the year and carried forward unexpired risk premium is an application of realization concept.
The incurred claims to be for a financial year considers the paid claim during the year & outstanding claim reserves for known & unknown claim for the next financial year.

Different ways through which accounts can be manipulated are

i) inappropriate depreciation of tangible asset
ii) inappropriate ammortization of intangible asset
iii) inappropriate valuation of inventories
iv) Omitting contingent liabilities
v) Unwarranted revaluation of tangible assets

classmate

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7)

	Gross Profit	Cashflow
i)	No change	No change
ii)	No change	Decrease
iii)	No change	No change
iv)	Decreases	No change
v)	No change	No change

8 i) Main roles of financial regulators are as follows
a) To establish market confidence in the financial system
b) To contribute in the protection and enhancement of stability
c) To secure the appropriate degree of consumer protection

ii) Regulatory bodies that regulate the Indian financial system are as follows:-
→ Reserve Bank of India
→ Securities Exchange Board of India
→ Pension Fund Regulatory & Development authority
→ Insurance Regulatory & Development Authority of India

iii) a) RBI
b) PFRDA
c) IRDAI
d) SEBI
e) AMFI
f) SEBI
g) FEDAI
h) RBI

9) Cost Concept
Under this concept, non-current assets generally appear in the statement of the financial position at the original cost less depreciation.

ii) Going Concern Concept
Under this concept it is assumed that business will continue indefinitely
Going concern acts as justification for cost concept as it considers the assets to be sold in the ~~next~~ near future so a bit irrelevant figures of assets in the books won't matter.
iii) The Prudence concept tells the purposes of financial statements to avoid presenting an unduly optimistic set of results. Lowest value of profits reliable and highest value of liabilities incurring should be taken into account.

10) Investment Bank:-
Role: To create wealth for the people depositing their money in the bank
Source of funds: The money deposited by the customers in the look for good returns.
Application of funds:- Investing the money received from the customers in equities, bonds in the market judiciously to get better returns

b) Pension Scheme:-
Role: To annuity products to people after retirement as income support.

Source of funds : Premiums collected from customers during their time of employment.
Application of funds: Investing and growing the premiums received and to provide annuities to customers

c) Life Insurance Company
Role :- To provide lumpsum amount to the policyholder family in case of death of the policyholder
Source of funds :- Premiums collected from the policy holders.
Application of funds :- To provide the said amount to the family of the policyholder at his/her death

11) Challenges to interpret the accounts will be as follows :-
i) Different treatments of incomes
ii) Different treatments of depreciation
iii) Non- uniformity
iv) Uncomparable.

12 i) The preparation of insurance company is complicated due to following reasons :-
a) The underlying contracts fall due outside the accounting period and are uncertain in nature
b) Premature transfer of profit to shareholders may endanger the financial stability of the company and the ability to meet future liabilities

ii) Technical account includes every income & expense from the insurance business

Earned premium
+ Investment gain
+ Realised capital gains
(−) Claims incurred
~~(−) Operating Expenses~~
(−) Operating Expenses
Balance

13 i) Advantages :-
→ They reduce variations b/w companies
→ They oblige companies to disclose more information than required by laws
→ The discussion process leading to standard bring issues focusses attention.
→ They allow some degree of flexibility that legislation does not.

Disadvantages :-

→ They set of standardised rule may not be appropriate for all companies in all circumstances
→ Standard setting may be brought by govt pressure or industry ~~too~~ lobbying.
→ Standards often allow more than one treatment, negative the conformity b/w companies.
→ Some standards are very general whereas some are ~~too~~ far too detailed

~~Stmt~~ for Comprehensive Income Stmt

	$	
Revenue	1500,000	
− COS	(745,000)	
Gross Profit	755000	
− Admin Expen	(3000)	
− Distⁿ Expen	(115000)	
Operating Profit	637000	
− Fin Exp's	10 000	
P BT	627000	
Tax Exp	877000	
PAT	844000	

Stmt of Changes in Equity

	Share Capital	Retained Earnings	Reserve
			180,000
O/P	200,000	250,000	
+/−			
Div Paid		(48,000)	544,000
PAT		377000	
		782000	724000

i) A/C Administrative

Wages	3000

ii) CL

Bank OD - 18,000
Trade Pay - 50,000
68,000

iii) COS

Cof Inventory	350000
Manuf Wages	170000
Sales Salary	120,000
Factory running cost	100,000
Depre	50,000
	795,000

iv) NCA

Cost	Building	Land	Delivery Vehicle
	400,000	600,000	325,000
-Acc Depre	(40,000)	~~145,000~~	170,000
Final	700,000	800,000	325 - 170
	10% of 40,000		= 185000
	(4000)		x 20%
			(31,000)

v) NCL

Loan	145000

vi) Fin Exp

Interest	40,000

vii) CA

Clsg Inventory	30,000
Trade Receivables	210,000
	240,000

viii) Distn Exp

Cost of marketing	55,000
Delivery vehicle running	60,000
	115000

NCA 1679000
CA 240,000

Sh cap 200,000
Reserves 729000
Retained Earning 782000
1706000

Machinery Cost
180,000

NCL 145000
CL 68000
1919000

(80,000)
(15000)
~~55,000~~ 85,000

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