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Roll no. 53.
Section B.

Assignment - 2 (PRS-2)

Q1.) Which of the following errors in recording transactions has an impact on profitability?

I. Purchase of a new machinery in the last month of the financial year was not recorded at all.
II. Cash paid to one of ~~all~~ the suppliers recorded as being paid to buy a depreciable asset
III. Loan taken from bank at the start of the year not being recorded at all.
IV. Amount collected from one of the customers to whom goods were sold on credit being recorded as additional sales made.

Ans. C) I. II. and IV.

Q2.)
Ans. C) an adverse option.

Q3.)
Ans. C) Chairman's report.

Q4.)
Ans. A) II only.

Q.5.)
Ans. (a) Realization -
- Income is recognized as and when it is earned, it is not necessary to wait. Until the customer settles ~~in~~ bim his/her
This avoids the fluctuation in reported income which might arise if everything was accred.
- It may also create the impression that the business is performing well when, in fact, it is in danger of ~~earning~~ running out of cash.

Accrual.
- Expense are recognised as and when they are incurred, regardless whether the amount had been paid or not.
- Again this avoids the random allocation of cost to period depending on whether the hill happen have to be paid or not.

(b) Realisation -
- The premium of year can be counted ever if the policy holder has choose to pay the premium quarterly to income of whole year will be mentioned.

Accural:
The fund which they kept reserve, so as when they claim incurred, they or pay excess, claim incurred but not reported.

Q6.) Ans. Types by which accur can be manipulated.

(i) Inappropriate depreciation of tangible asset
(ii) Inappropriate accural of intangible asset.
(iii) Inappropriate valuation of the ~~incentrium~~.
(iv) Inappropriate valuation of the future liabilities.
(v) Omitty contigent liability.
(vi) Probablity of anticipated sales revenue.

Q7.)
Ans. (i) Increase
(ii) Decrease
(iii) Increase
(iv) Decrease
(v) Decrease.

Q8.)
Ans. (i) The main roles of regulation in Financial Statement is -
- Market Confidence - to maintain confidence in financial statement.
- Financial Stability - Contributing to protect & enhancement of stability of the financial statement.
- Consumer Protection - Securing appropriate degree of protection for consumers.

(ii) Accounting Standard Board (ISB).

(iii) (a) RBI
(b) RBI
(c) IRDAI
(d) SEBI
(e) SEBI
(f) SEBI
(g) RBI
(h) RBI

Q9.)

Ans (i) Cost Concept -

Under this non-current asset are generally appear in the statement of financial position at their original cost less depreciation to date, subject to a possible impairson write down.

The cost of concept is being gradually phased out to provide more scope for realism in the financial statement eg. tangible non-current assets such as property, plant are shown at this fair market value not set historical value.

Going Concern Concept.

Assured that a business will continue indefinite in its reset form to increase cost concept.

(ii) Going to prudence concept tells the prepare ~~for~~ of the financial statement to avoid presently on unduly optimistics set of results, lowest value of profit reliable to the highest value of liability incuring should be taken into account. Thus leave very little run for ~~take~~ fake sense of security by overtaking company strength.

Q10.)

Ans. (a) Investment Bank -

Role - To create wealth for the people depositing their money in their banks.

Source of funds - The money deposited by the customers ~~th~~ in the look for good returns.

App of funds - Investing money from customers in equities bonds in the market do earn better returns.

(b) Pension Scheme -

Role - To provide annuity products to people after retirement.

Source of funds - Premiums collected from customers during their time of employment.

App of funds - Investing and growing the earning from customers to provide annuities to customers.

(c) Life Insurance Company. -

Role - To provide a particular amount of claims to the customers after their death.

Source of funds - Premiums collected from the policyholders

App of funds - To provide the said amount to the beneficiary of the policyholders.

Q11.)

Ans. Limitation in interpretation of accounts of these companies are -

(a) Both ~~the~~ of them are regulated by different regulators. So they may have difference in approach of making accounts.

(b) One is a general insurance company and the other is life insurance company so they are Encomparable.

Q12.)

Ans. (i) The preparation of insurance company is complicated due to following reasons.

* The underlying contracts fall due outside the accounting period and are uncertain in size.
* Premature transfer of profit to shareholding may endanger the financial stability of the company and the ability to meet future liabilities.

(ii) Technical accounts include every income & expense from the insurance business.

Earned premiums (net of reinsurance)
+ Investment income
+ Realized capital gains.
- Claims increased as benefit payable.
- Net operating expenses incurred.

Balance on revenue statement.

Q13.)

Ans. (i) Advantages

* They eliminate or atleast reduce variations between companies in the way they prepare accounts.
* They oblige companies to disclose more information than that required by national law.
* They allow some degree of flexibility in a way that legislation often does not.

Disadvantages-

* The sets of ~~rates~~ rules contained in the standards may not be appropriate to all companies in all circumstances
* Some standards are so general as to be meaningless while others are far too detailed.
* Standards often allow more than one alternative treatment which negates the attempt to ensure conformity between companies.

(ii) Sources of regulations are:-

* International Financial Reporting Standards.
* Principles, concepts and conventions.
* National company law.
* Good practice by leading companies.
* Stock exchange requirements.
* Other legislation.

(iii) The additional information provided by the cashflow statements are-

* Actual cashflow movements of the company.
* Actual cash profits of the company.
* The cashflow for different activities of the company.

Q14)

Ans. The Income Statement for the year 2018-2019.

	WN	Amount
Revenue		15,00,000
- Cost of sales		(6,40,000)
Gross Profits		850000
- Distribution Cost.		(266000)
- Admin Cost.		(10000)
Operating Profit		584000
- Finance Cost.		(10000)
PBT		574000
- Tax Expense		
PAT		574000

The statement for changes in Equity for the year 2018-19.

	Share Capital	Other Reserves	Retained Earnings
O.P.	200000	180000	250000
Earnings			574000
Dividend Paid		200000	(45000)
Reval		300000	
	200000	680000	779000

The balance sheet as of the date 31st March 2019.

	WN	Amount
Assets		
NCA		1632000
CA		240000
Total Assets		1872000
Equity & Liability		
Equity		
Share Capital		200000
Retained Earnings		779000
Other reserves		680000
Liabilities		
NCL		145000
CL		68000
		1872000

1 Admin Cost

Admin staff wages 3000

2 Distribution Cost

Cost of Marketing	55000
Delivery Cost	60000
Sales gol	120000
~~Distribution~~	235000

③ CL →

Bank Overdraft	18000
Trade payables	50000

④ NCA →

Buildings	400000 + 300000
Building depreciation	(40000) + (7000)
Delivery vehicles	325000
Delivery vehicles depreciation	(170000) + (31000)
Land	600000 + 200000
Machinery	150000
Machinery deprec.	(80000) + (15000)
	1632000

⑤ Cost of Sales

Cost of inventory consumed.	350000
factory cost	100000
Manufacturing wages	175000
	15000

⑥ Finance Cost

Interest	10000

7 CA

Inventory	30000
Trade Receivables	210000

8 NCL

Loan	145000

Q15.)
Ans.

	WN	Amount
Revenue		55000+2000
- Cost of Sales		
Gross Profit		57000
- Admin Cost		27500
- Distribution cost		~~29500~~ 0
O.P. Profits.		29500
- Finance cost.		
+ Finance Income		200
PBT		29700
- Tax Expense		3000
PAT		26700

	Share Capital	Retained Earnings
Opening Bal.	32000	0
Profits		26700
		(5000)
Clg	32000	21700

	W/N	Amount
Assets		55000
NCA		
CA		18500
Total Assets		73500
Equ. Liabilities		
Equity		
Share Capital		32000
ROE		21700
Liabilities		
NCL		0
CL		7000

① ~~Admin Cost~~ NCA →

Laptop	35000
Off. Eq.	20000

② CA →

Off. Supply	2000
Trade Re	1500
Cash	1000
Unearned Rev.	10000
" "	2000
bills receivable	5000

③ Admin cost →

Building rent	15917
Salaries	10000
Elec. Bill	4000
Mobile Int. bill	583
Opp. Supp.	2000
Inventory	(1000)

④ CL →

Trade paya. 3000.