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Business Finance Assignment

1. ~~A~~ (D)

2. (D)

3 (C)

4. (C)

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5.

(a) Accrual concept : This concept suggests to recognise the event or the transaction in the books that involve transfer of some value between two parties whether you have actually received the cash or not.

For example : goods were sold but payment yet to be received, according to the accrual concept, even though the cash is yet to be received, the transaction is required to be recorded.

b) Realisation concept : This concept states that unlike the accrual nature, the transactions are only supposed to be recorded when the cash is paid or received.

For example : If the goods were sold and the cash was received from the buyer, then and only then the transaction will be recorded.

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(b) There can be two ways majorly in which a medical insurance company selling medical plans can have the transactions.

Firstly either they can receive the premiums by selling the medical plans throughout the year. And they will have to pay the claims that they receive throughout the year.

Now when the company will try to project the amount of claims they will use the accruall concept and write off those even before they have been made. However they will use the realisation concept while trying to monitor the premiums received throughout the year.

6. Different ways through which accounts can be manipulated are :-

- Recording revenue prematurely.
Lets say the company is supposed to sell a 100 crores worth of goods to another company. But even before the goods are shipped, they have recorded the sales and the profits which lead to manipulated accounts.

- Recording fictious revenue.
Sometimes the company earns interest on their investments and record it as revenue which leads to false figures and misleads the people.

- Increase income with one-time gains.
The companies sell off their fixed assets sometimes, and show it as income earned which is naturally a wrong figure showing false analysis.

7.

(i) cashflow - no change
(ii) cashflow - decrease
(iii) cashflow - ~~dec~~ ~~decrease~~ no change
(iv) cashflow - decrease
(v) no change

8.
(i) The main roles of regulations in the financial system are :-
- To maintain market confidence.
- To maintain the financial stability by contributing to the protection & enhancement of the financial system.
- To ensure consumer protection.

(ii) The regulatory bodies that regulate the indian financial system are :-

- Reserve Bank of India (RBI)
- Security and exchange board of India (SEBI)
- Insurance Regulatory and development Authority of India (IRDAI)
- Pension fund Regulatory & Development Authority (PFRDA)

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

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9.

(i) Cost concept :- This concept states that all the items that are bought or needed should be recorded and retained in the books at its cost.

(ii) Going concern concept : It is an accounting concept that states that a business entity will continue to run its operations in the coming future and will not be forced to discontinue operations.

10.

~~(a) Investment bank ;~~

~~- role : maximize investment returns~~

~~- application - the investors~~ market

	Investment Bank	Pension Scheme	LI company
role	help raise financing	provide protection	protection against events
source	commissions	employer contribution	premiums
application	buying & selling assets	provide annuities	investments

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11 Each country has its own standards of accounts they adhere to. When we make any sort of investment decisions analysing and understanding the books of accounts becomes an important task. When we use the books to compare between companies, it becomes a necessary ~~fo~~ thing for all the companies in comparison to have a standard set of rules and methods. If not, the various conclusions of the accounts would look similar but may have a different point of view.

12\.
(i) It is more complicated to prepare accounts for an insurance company as certain special adjustments have to be made which make the insurance accounting principles unique.

These considerations are made while prepar the accounts of an insurance company.

- The insurers generally assume risk on return for a premium

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- All the statutory accounting principles apply to the insurance.
- The insurance category impacts the accounting principles.
- The liabilities, revenues & expenses are differently classified and accounted.
- purpose of financial statements would be difficult.