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Business Finance Assignment.

Ganesh Chaudhary Roll no: 10.

1. C. I, II & IV only.
2. C. an adverse opinion.
3. C. Chairman's report.
4. A. II only.

5. a) Realization Concept - In this concept, income is recognized as and when it is earned rather than money being received by the customer, ~~and same for expenses~~.
Accruals concept - Expenses are recorded as and when they are incurred and not when they are originally paid. Avoiding random allocation of costs.

b) The earned premium for the year is calculated by considering 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 for a financial year considers the paid claim during the year & outstanding claim reserves for known & unknown claims for the next financial year.

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

i] inappropriate depreciation of tangible assets.
ii] inappropriate ammortisation of intaggible assets.
iii] inappropriate valuation of inventories.
iv] inappropriate valuation of future liabilities.
v] unwarranted revaluation of tangible assets.
vi] Omitting contingent liabilities.
vii] prebooking of anticipated sales revenues.

7. ~~i] Gross Profit - No change~~
~~Cashflow - No change.~~
~~ii] Gross~~

	Gross Profit	Cashflow
i)	No change	No change.
ii)	No change	Decreases.
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 contribut in the protection and enhancement of stability of the financial system.
c]. To secure the appropriate degree of consumer protection.

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ii] Regulatory bodies that regulate the Indian Financial system are as follows:-

- Reserve Bank of India.
- Securities Exchange Board of India.
- Pensions Fund Regulatory & Development authority.
- Insurance Regulatory & Development Authority of India.

iii] a) RBI
b) PFRDA
c) IRDAI
d) SEBI
e) ~~SEBI~~ AMFI
f) SEBI
g) FEDAI - Foreign exchange dealers association of India
h). RBI

a i] 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 indefinetly.

Going Concern acts as justification for Cost concept as it considers the assets to be sold in the near future so a ~~little~~ bit irrelevant figures of assets in the books won't matter.

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10 - iii). The Prudence concept tells the preparers of financial statements to avoid presenting an unduly optimistic set of results. Lowest value of ~~___~~ profits realisable and the highest value of liabilities incurring should be taken into account. This leaves very little room for fake sense of security by overstating company's strengths.

10.

a) Investment Bank.

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

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 ~~support to old-age~~ provide 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.

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c) Life Insurance Company

Role :- To provide lumpsum amount to the policyholder's family incase of death of the policyholder.

Source of funds :- Premiums collected from the policyholders.

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 size.

b] Premature transfer of profit to shareholders may endanger the financial stability of the company and the ability to meet future liabilities.

13. ii] Technical account includes every income & expense from the insurance business.

Earned premium.
+ Investment gain
+ Realised capital gains.
(-) Claims incurred
(-) Operating Expenses.

Balance.

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13. i]

Advantages:-

- They reduce variations between companies
- The discussion process leading to standard being issued focusses attention on particular areas for debate.
- They oblige companies to disclose more information than required by laws.
- They allow some degree of ~~too~~ flexibility that legislation does not.

Disadvantages:-

- They set of standardised rules may not be appropriate for all companies in all circumstances.
- Standard-setting may be brought by govt. pressure or industry lobbying.
- standards often allow more than one treatment, negating the conformity between companies.
- Some standards are very general whereas some are far too detailed.

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14. Income Statement for the year ending 2018-19.

~~Revenue~~	WN	Amt (₹)
Revenue		1500000
(-) Cost of Sales		(795000)
Gross Profit		755000
(-) Admin Expenses		(3000)
(-) Marketing Expenses		(115000)
Operating Profit		637000
(-) Financial Expenses		(10,000)
Profit Before Tax		627000
(-) Tax		
Profit after Tax		577000

Changes in Equity.

	Reserves	Share Capital	Retained Earn..
Opening	180000	200000	250000
+/-	544000		
Dividend paid			(45,000)
Add: PAT			577000
Closing	724000	200000	782000

Statement of Financial Position as on 31/03/2019.

	WN	Amt (₹)
Assets.		
Non-Current Assets.		1679000
Current Assets.		240000
Total Assets.		1919000
Equity & Liability		
Shareholder's Funds.		200000
Retained Earnings.		782000
Reserves.		724000
Non-Current Liability.		145000
Current Liability.		~~68000~~ 68000
Total Liability.		1919000

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Working Notes.

1]. Administrative Exp.

Staff Wages 3000.

2]. Marketing Exp.

Cost of Marketing 55,000.

3]. Current Liability

Bank Overdraft 18,000.

4] Non-Current Asset.

	Building.	Delivery Vehicles.	Land.
Cost.	4,00,000	3,25,000.	6,00,000.
(–) Depreciation.	40,000	1,70,000	