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Roll No:- 31
Business Finance
Assignment 1

Q1)D

Q2)C

Q3)C

Q4)B

Q5)A) Realization Concept:- Income is acknowledged when it is 'received.' As a result, there is no need to wait until the customer settles his or her bill. This eliminates the volatility in recorded income that could occur if all was paid for in cash. It can also give the impression that the company is doing well when, in reality, it is about to run out of cash.

Accruals Concept:- Expenses are recorded when they are incurred, regardless of whether they are charged. Again, this prevents the arbitrary distribution of costs to times based on whether or not the bill was paid.

B) In the accrual concept the premiums which will be paid to the company will be put under the accounts receivable, found in the current assets section of the balance sheet and the claims will be put under accounts receivable found in the liabilities section.

In the realization concept the sum of all premiums will be a liability as they are unearned revenue and on each date on which the premiums are expected the value of the premium will be deducted from the liability and will be moved into revenue.

Q6) Accounting techniques may be used to improve a company's reputation to make it seem greater than it is. Manipulation can include inflating current operating income (via a rise in booked revenue or a reduction in expenses) or decreasing current operating income (in order to increase future earnings). The latter may be facilitated through the use of executive bonuses linked to future results. In principle, one of the explanations for the audit process is to avoid such manipulation from happening. Accounting procedures that may contribute to such misstatements include: incorrect depreciation of tangible assets, incorrect amortization of intangible assets, and incorrect inventory valuation inappropriate valuation of future liabilities (including pension provisions) unwarranted revaluation of tangible assets creating intangible assets of questionable true worth omitting contingent liabilities 'pre booking' of anticipated sales revenues.

Q7) i) Gross profit and cash flow won't be affected.

ii) Gross profit won't be affected and cash flow will decrease.

iii) Gross profit will increase and cash flow won't be affected.

iv) Gross profit and cash flow won't be affected.

v) Gross profit and cash flow won't be affected.

Q8) The IASB's Role The International Accounting Standards Board (IASB) is an organisation that creates, publishes, and revises accounting standards. The IASB's principles are known as International Financial Reporting Standards (IFRSs). International accounting principles apply to corporations and other types of organisations that prepare accounts in order to provide a truthful and fair image. The IASB does not have the power to compel compliance with its accounting principles. Many countries, however, require publicly traded companies' financial statements to be prepared in compliance with IFRSs, as well as to include information on any material deviation from those requirements and the reasons for it (where applicable). For example, beginning on January 1, 2005, all publicly traded UK limited companies were required to use International Accounting Standards for consolidated accounts. Many UK businesses have chosen to use international standards rather than UK standards, because these are the ones that are likely to be followed in practice. The rest of this section follows the terminology and structure of international standards. The IASB works with national accounting standard setters in a variety of countries to ensure that its standards are implemented in accordance with international and national developments. International accounting principles have aided in the improvement and standardisation of financial statements around the world.

ii) SEBI, RBI, IRDAI

iii)a) RBI

ASIC

IRDAI d)SEBI

e)SEBI, govt f)SEBI g)FINRA
h)govt

Q9)For a long time, the cost principle has been viewed as one of the pillars of accounting. Non-current assets are normally reported in the statement of financial condition at their original expense less depreciation to date, subject to a potential impairment write-down under that concept. The going concern principle entails the assumption that a company can remain in its current form forever. This concept serves as justification for the cost concept's weaknesses since there is no risk in disclosing historical figures for value if the assets involved are unlikely to be sold in the near future.

ii) If the transaction isn't covered in any accounting concepts then the BOD can decide to choose the most convenient method that has close proximity to the other concepts.

Q10) Investment Bank:- Investment banks serve as a connection between large corporations and investors. The role is to advise companies and governments on how to deal with financial difficulties. Financing, analysis, trading and sales, wealth management, asset management, IPOs, mergers, securitized products, hedging, and other services are provided by investment banks to their clients. equity financing, mezzanine financing, and specialist financing. To invest in companies, ipos, currencies etc

Pension scheme:- Investment of contributions as per investment guidelines prescribed by the Authority. Scheme portfolio construction. Maintains books and records of its operations. Reporting to the Authority at periodical intervals. Public disclosure. Premiums, investment returns from debt funds and equities. Distribution of pensions, investing in other funds, investment in r&d

Life insurance company:- Insurance facilitates spreading of risk from the insured to the insurer. Premiums, investment returns from debt funds and equities.

Q12)i) Insurance companies are subject to the same reporting requirements as other types of limited companies. In the case of other businesses, a statement of financial condition and a statement of profit or loss are required. Benefit is a relatively simple idea for most businesses. A business makes a profit when it sells an item of stock for more than it costs to produce. Benefit is a difficult term to grasp for an insurance firm. When a policy is sold, the policyholder pays a premium to the company, and the company incurs distribution and administration costs. However, the company does not know how much profit it can make at this stage because the policy will continue for several years, during which time the company may have to pay claims, incur costs, and pay additional premiums. To account for these potential cash flows, the corporation will establish an estimated liability (a reserve) in its balance sheet. To avoid making too much profit at the start of the policy, a cautious approach to estimating this can be used.

Q13) The advantages of international standards:- Such requirements minimise or remove differences in how businesses manufacture accounts, allowing for cross-company comparisons. When developing the criteria, special attention is paid to specific areas of the accounts, and the ensuing discussion will help ensure an acceptable approach. International standards should force companies to disclose more information than they would otherwise. Flexibility can be provided by standards in ways that legislation does not.

The disadvantages of international standards:- The requirements are most likely based on a typical company and may not be applicable to all businesses in all cases. The standards might not be objective, for example, if some business associations lobbied for the standards to be written in a certain way. The standards may allow for flexibility in approach, which makes comparing company accounts more difficult. The level of detail in the standards might be insufficient, either too high or too low.

ii)IASB. IFRS

iii) The profit and loss statement and the statement of financial condition do not include enough information about cash flow movements. This is bad because even successful businesses can fail if they do not have enough liquid assets. As a result, the cashflow statement is essential to complement the profit and loss statement and the statement of financial condition. Of course, the bank balance is disclosed in the statement of financial status. It is simple to determine if the balance has improved

since the previous year's end. It is, however, difficult to identify the major causes of such changes. Shareholders and other readers require a more structured description of the cashflows. The cashflow statement is intended to answer the following types of question: Why has the bank overdraft increased, despite the company having had a profitable year? Is the company capable of generating cash, as opposed to profit, from its trading activities? What was done with the loan which was taken out during the year? Cashflow statements show where the money has come from, and where it has gone. They ignore the accruals concept. It is, however, difficult to pinpoint the root causes of such shifts. A more formal overview of the cashflows is needed by shareholders and other readers. The cashflow statement is designed to provide answers to the following types of questions: Why has the company's bank overdraft risen after a successful year? Is the organisation able to generate cash rather than benefit from its trading activities? What happened to the loan that was taken out during the year? Cashflow statements indicate where money came from and where it went. They disregard the principle of accruals.

14.

Income statement for the year ended 31st march 2019

Revenue	150,000
Cost of sales	
Gross profit	
Other operating income	
Distribution costs	55,000
Administration expenses	3,000
Operating profit	
Finance income	
Finance costs	
Profit before tax	
Tax expense	
Profit for the year	
Other comprehensive income	
Gain on revaluation	
Total comprehensive income	
Earning per share for profit attributable to equity holders.	

<u>Cost of sales</u>	
Raw materials	350,000
less: Increase in inventories	

Salaries/wages	
Depreciation	
Building	40,000
Vehicles	170,000
Delivery costs	60,000

A statement of changes in equity

	Attributable to equity holders of the company			
	Share capital	Other reserves	Retained earnings	Total equity
Balance as on 1st April 2018				
Fair value gains and (losses), net of tax:				
Land and buildings				
Depreciation transfer, land and buildings.		40,000 170,000		
Net income/(expense) recognized directly in equity.				
Profit for the year				
Total recognized income for 2019				
Dividends Paid				
Issue of Share capital				
Balance at 31st March 2019				

Statement of financial position as on 31st march 2019

ASSETS	
<i>Non-current assets</i>	
Delivery vehicles	325,000
Building	400,000

Intangible assets	
Current assets	
Inventories	
Trade receivables	
Other current assets	
Cash	
Total assets	
EQUITY AND LIABILITIES	
Share capital	
Other reserves	
Retained earnings	
Total equity	
Non-current liabilities	
Long term borrowings	
Long term provisions	

Total non current liabilities	
Current liabilities	
Trade and other payables	
Short-term borrowings	
Current portion of long-term borrowings	
Current tax payables	
Bank overdrafts	18,000
Short -term provisions	
Total current liabilities	
Total liabilities	

Total equity and liabilities	

15.

Profit and loss account for the year ended 31st march 2019

Revenue	150,000
Cost of sales	
Gross profit	
Other operating income	
Distribution costs	55,000
Administration expenses	3,000
Operating profit	
Finance income	

Finance costs	
Profit before tax	
Tax expense	
Profit for the year	
Other comprehensive income	
Gain on revaluation	
Total comprehensive income	
Earning per share for profit attributable to equity holders.	

Statement of financial position as on 31st march 2019

ASSETS	
Non-current assets	
Property, plant and equipment	
Intangible assets	

Current assets	
Inventories	
Trade receivables	
Other current assets	
Cash	
Total assets	
EQUITY AND LIABILITIES	
Share capital	
Other reserves	
Retained earnings	
Total equity	

Non-current liabilities	
Long term borrowings	
Long term provisions	
Total non current liabilities	
Current liabilities	
Trade and other payables	
Short-term borrowings	
Current portion of long-term borrowings	
Current tax payables	
Short -term provisions	
Total current liabilities	
Total liabilities	
Total equity and liabilities	

