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Business finance-2 Assignment.

Qus 1

Qus 2: ~~(A) A disclaimer of Opinion.~~ An Adverse Opinion

Qu 3: ~~(A) A Cashflow statement.~~ Chairman's Report.

Qu 4: (B) II and III

Qu 5: → (a) Realization Concept:
In this concept income (revenue) is stated in the financial statement once it is earned; regardless of when the cashflows are done.

→ Accruals Concept:
In this concept expense (loss) is stated in the statement once occurred; ~~not~~ without considering cashflows.

(b) ~~Case~~

Realization concept.

when people register themselves for purchasing the plans but the transaction will be made in future.

Accruals Concept:
when people claim for the health plans but the company delay the cashflows.

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(5)

Qus 6: Ways of account manipulation are follows:

→ Inappropriate depriciation of tangible assets.
→ Inappropriate ammortisation of intangible assets.
→ Unwanted revaluation of tangible assets.
→ Creating intangible assets of questionable true worth.
→ Inappropriate valuation of inventories.

Qus 7:

(i) No effect.
(ii) No effect.
(iii) As cost of goods increases; hence gross profit decreases.
(iv) Due to depriciation cost of goods decreases; hence gross profit increases.
(v) No effect.

Qus 8: (i) Main roles of regulation in the financial system are:

→ It protects consumers investment.
→ It prevents financial fraud.
→ It limits the risk financial institution can take with inventories money.
→ In case of failure, it is unable to meet its obligations to depositors or other creditors.
→ It prosecute and enforce applicable laws in cases of market misconduct.

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

Que9 (i) The cost concept:
In this concept the value of non-current assets after long term is calculated as non-current ~~into~~ less depriciation less impairment costs.

Going-concern concept:
This concern states that the business will continue indefinately. If company does not follow going concern it means its about to bankrupt.

(ii) The board will choose the most appropriate concept for the unusual transaction.

(iii)

Ans10: (1) Investment Banks:
→ The primary goal for investment bank is to advise businessman and governments on how to met their financial challenges.
→ They have been making huge profits by ~~thinking~~ purchasing assets, pooling and trading them and then stating for a much higher price.
→ Major funds are used ~~up~~ by investment banks by acting as an intermediate b/w a corporation and the financial markets and handling mergers and acquisitions.

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(2) Pension Schemes:
→ They provide protection in the form of lump sums and pensions to dependants in case of death.
→ Private pension plans are funded by contributions from employers and ocasionally employees investing into stocks.
→ Under this scheme, a small portion of the salary is into a saving plans for the future.

(3) Life Insurance Company:
→ It insures an individual against the financial loss in case of death.
→ Major sources of funds are equity, debt and the premiums invested.
→ The major application of sources is for the claims otherwise the amount is invested to grow exponentially.

Ques 11 following limitations and challenges are possible while interpreting the accounts:
(1) Subjectivity:
Although regulations give a lot of guidance, still use a range of different methods to arrive the figures to put in their accounts.

(2) Appropriateness:
figures presented in the accounts may not be the most appropriate for the purposes of a user of the account.

(3) Difference b/w firms:
many users of accounts wish to compare different

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firms, which becomes tough because of different methods of accounting.

Ans 13:

(i) Advantages of Accounting standards are as follows:

- standards reduces variations between the company in order to prepare accounts.
- To avoid manipulation, it forces the companies to disclose more ~~stat~~ information than stated in national laws.
- They allow some degree of flexibility in a way that often legislation does not.

Disadvantages of accounting standards are as follows:

- The set of rules may not be suitable for all the companies.
- Provides more than one choice, which disbalances the conformity b/w the companies.
- Some standards are so standard to be meaningless where are some are too high.

(ii) Various sources are:
→ International Accounting standards
→ IFRS
→ SEBI

(iii) Cashflow statements report the cash paid during the accounting period for non-current assets, raw materials, wages etc. It also includes cash required from owners and lenders.
cashflows are important, but only because the entity needs cash to survive. The cash flow statement, as may help in determining whether the cash balances have increased or decreased and explaining those movements.

Qwo14: :Statement of Profit / Loss:

Particulars	W/N	Amount.
Revenue		1,500,000
less cost of goods	1	(6,78,000)
Gross Profit		822000
less administrative expense	2	(3,000)
less distribution expense ~~Depreciation~~.	3	(235,000)
Operating Profit		584000
finance cost		(10,000)
finance income		0
Profit before tax.		574,000
less tax		(0)
Gain/loss on revaluation		0
Profit After Tax		5,74,000

:Statement of Changes in Equity:

Particulars	Share Capital	Retained Earnings	Reserves.
Opening Balance	2,00,000	2,50,000	1,80,000
~~less~~ P A T	{ }	.574000	500000
Dividend	(45000)		
	155000	824000	680000

Balance sheet:

Particulars	W/N	Amount.
Assets		
Non-current	5	1632000
Current	9	240000
Total Assets.		1872000
Equity and Liabilities		
Equity		
Share Capital		155000
Retained Earnings		824000
Reserves	6	68 00 00 (1047000)
Liability		
Non-current	7	1,45,000
Current	8	[illegible],000 (273000)
Total Equity & Liabilities		187200

Working Note:

Particulars	W/N	Amount
(1) Cost of goods	1	
Cost of inventory consumed		350000
manufacturing wages		175000
factory running cost		1 00 000
Depriciation		53000
		678000
(2) Administrative Expense	2	
Administrative staff wages		3000
		3000
(3) Distribution expense	3	~~3800~~
Cost of marketing		55000
Delivery vehicle running cost		60000
Sale salaries		1,20,000
		235000
(4) Assets.	4	
→ current		
Inventory at 31 march		30,000
Trade recievables		2,10,000
		240000

(5) Non Current Asset.

Particulars	Machinery	Land	Vehicles	Building
Cost	1,50,000	800 000	325000	700000
Accumulated Depriciation	(80000)	(0)	(170000)	(40000)
Current year Depriciation.	(15000)	(0)	(31000)	(7000)
(Total)	55000	800000	124000	653000

Total 1632000

(6) Revaluation Reserves	(6)	~~800000~~
Land		200000
Building		300000
		500000
Liability		
→ Non-current loan repayable	(7)	1,45,000
→ current	(8)	
Bank overdraft		18000
Trade payables.		50000
		68000

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Ques 15: Statement of Profit and Loss.

Particulars	W/N	Amount
Revenue		55000
Add Revenue Due		2000
Revenue corned in Dec.		1000
less manufacturing expence	4	(4041)
Gross Profit		53959
less administrative expense	3	(34790)
Add other income		200
Profit Before Tax		34590
less tax		(3000)
Profit After Tax.		16369.

Working Note

Particulars	W/N	Amount
Current Assets		
Trade receivables	1	15000
Cash		10000
Bill receivables		5000
Inventories.		1000
[illegible] add		2000
Rent		1710
Bill [illegible]		2000
		18410
Current liabilities	2	
Trade payables		3000
Unearned fees		10000-1000=9000
O/s salaries		4000
Tax payables		3000
		19000
Administrative Exp.	3	
office suplies		2000
office rent	(b)	14207
Employee salaries		10000
Electricity Bills		4000
Mobile & Net Bill.		583
Add O/s salaries		4000
		34790

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manufacturing exp closing Inventor Dep	4	(1000) 5041 4041

Non-current Assets (5)

	Laptop	Equipment	Total
Cost	35000	20000	
Dep (a)	~~35000~~ 3208	1833	
	31792	18167	49959.

Calculation of Depriciation.

(a) Laptop $= \frac{35000 - 0}{10} = 3500$

11 month $= 3500 \times \frac{11}{12} = 3208$

Equipment $= \frac{11}{12}\left(\frac{20000-0}{10}\right) = 1833$

(b) Rent

11 month rent $= 1000 + 1000\left(\frac{(1.05^{10}-1)1.05}{1.05-1}\right)$

$= 14207$