Business Finance Assignment

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 recognised as & when it is earned rather than money being received by the customer.

Accruals concept - Expense are recorded as & 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 & 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

6) Different ways through which accounts can be manipulated are:

i) ~~inap~~ inappropriate depreciation of tangible assets

ii) inappropriate ammortisation of intangible assets

iii) Omitting contingent liabilities.

iv) prebooking of anticipated sales revenue.

v) Inappropriate valuation of future liabilities.

7)

	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:

a) To establish market confidence in the financial system.

b) To secure the appropriate degree of consumer protection.

iii) Regulatory bodies that regulate the Indian Financial System are:

i) Reserve Bank Of India
ii) Securities Exchange Board of India
iii) Pensions Fund Regulatory & Development Authority.

iv) a) RBI
b) FRDA
c) IRDAI
d) SEBI
e) AMFD
~~f) RBI~~

a) i) Cost Concept
Under this concept, non current assets generally appear in statement of the financial position at original cost less depreciation.

ii) Going Concern Concept.

Here the business will continue indefinitely.
Going concern acts as justification for cost concept as it considers the assets to be sold in the near future so a bit irrelevant figures of assets in books would matter.

ii) The Prudence concept tells the financial statement to avoid primarily on unduly optimistic set of results. Lowest value of profits realisable & highest value of liabilities incurring should be taken into account.

10) a) Investment Bank.

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

Source of Funds - The money deposited by the customers in look for good returns.

Application of Funds. - Investing money received from the customers in equities, bonds in the market judiciously to get better returns.

b) Pension Scheme.

Role - To provide annuity products to people after retirement

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

Application of funds - Provide annuities to customers

c) Life Insurence Company

Role - To provide lumpsum amount to the policyholders family incase of death of policyholder

Source - Premium collected from policyholder

Application - To provide the said amount to the family of the policyholder at his / her death.

11) Challenges to interpret accounts will be:

i) Different treatment of incomes
ii) Different treatments of depreciation
iii) Non ~~of~~ uniformity

12) i) The preparation of insurance company is complicated because

a) The underlying contracts fall due outside the accounting period & are uncertain in size

b) Premature transfer of profit shareholders may endanger the financial stability & ability to meet future liabilities.

ii) Technical account includes every income & expense from insurance business.

Earned premium
+ Investment gain
(−) Claims Incurred
(−) ~~Oper~~ Operating Expenses

b) i) Advantages

i) They reduce variations b/w companies

ii) The discussion process during focuses attention on particular areas of debate.

iii) They oblige companies to disclose more information than required by laws.

Disadvantages

i) Some standards are very general whereas some are far ~~too~~ too detailed

ii) Standards often allow more than one treatment, negatives the conformity b/w Companies.

iii) Standard setting may be brought by govt. pressure or industry lobbying

14) Wn -1 Admin exp
adm staff wages 3000

Wn-2 distrib exp
Cost of marketing 55000
deliv vehicle 60000

Wn-3 CL
Overdraft 18000
Trade Pay 50000
2000
6000

Wn-4 WCA

M	Cost	Building	deliv vehicle	Land
150000		400000	325000	600000
(80000)	depre	(40000)	(170000)	
(15000)		(400)	(31000)	
55000	Revied	700000	124000	800000

Wn-6 fin exp
Int 10000

Wn-5 COS
COI consumed 350000
Factory Running Cost 100000
Mfg wages 175000
SV salary 120000
745000
depre 5000
795000

Wn-7 CA
Chg in rent 30000
Trade receive 21000

Wn-8 NCL
Loan 145000

Revenue	1500000
COS	795000
	755000
Gross Profit	
Operating Income	—
admin exp	(3000)
distrib exp	(115000)
Operating Profit	637000
Fin exp	(10000)
Fin income	—
PBT	627000
Tax	
PAT	577000
OCI	
Gain from reval	544000

	Sh Cap	Reserves	RE
OP →	200000	180000	250000
Div Paid			(45000)
PAT			~~627000~~ 5770
OCI		544000	
			~~832000~~
			782000

NCA	1679000
CA	240000
	1919000
Sh Cap	200000
Reserves	724000
RE	782000
NCL	145000
NCL	68000
	~~1919000~~