Business Finance - II

Q.1 D

Q.2 C

Q.3 C

Q.4 B

Q.5

→a) Realization Concept :

Income is acknowledged when it is recieved. As a result there is no need to wait untill the customer settles his/her bill. This eliminates the volatility in recorded income that could ~~off~~ occur if all was paid in for cash.

Accrual's concept :

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

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

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

Q.6

→ Accounting techniques may be used to improve a company reputation to make it look bigger than it is. Manipulation can include inflating current operating income or decreasing current operating income. The latter may be facilitated through the use of executive bonuses linked to future results.

In principle, one of the explanations for the audit procedures that may contribute to such mis-statements : incorrect depreciation of tangible assets, incorrect amortization of intangible assets.

Q.7

→ i) Gross profit & cashflow won't be affected.
ii) Gross profit won't be affected & cashflow will be decrease
iii) Gross profit will increase & cashflow won't be affected.
iv) Gross profit & cashflow won't be affected.
v) Both won't be affected.

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Q8.
i) The IASB's role:

The International accounting standards Board (IASB) is an organization that creates, publishes & revises accounting standards.
The principles of IASB are known as international financial report standards (IFRSs).

International accounting principles apply to corporations & other types of organisations that prepare accounts in order to provide a truthful & fair image. The IASB does not have the power to compel compliance with it's 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 reason for it.

The IASB works with national accounting standard setters in a variety of countries to ensure that it's standards are implemented in accordance with internationals & national developments International accounting principles have aided in the improvements & standardisation of financial statements around the world.

ii) SEBI, RBI, IRDAI.

iii) a) RBI
b) ASIC.

c) IRDAI
d) SEBI.
e) SEBI, govt.
f) SEBI.
g) FINRA
h) govt.

Q.3

→ For a long time, the cost principle has been viewed
i) 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 it's current form forever. This concept serves as justification for the cost concept's weakness. 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.

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Q.10

→ Investment Bank :

it serves 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.

Q.11

→ Pension scheme :

Investment of contribution as per investment guidelines prescribed by the authority.

Scheme portfolio construction maintains books and records of it's operations. reporting to the authority at periodical intervals.

Public disclosure premiums, investment return from debt funds. & equities.

Q.12

→ 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 & 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.