Business Finance - 2 Assignment

Q1. D) II & IV
Q2. A. A disclaimer of opinion.
Q3. A. cashflow statement.
Q4. B. II and III

Q.5> Realization concept:

In this concept Revenue (Income) is Stated in the financial Statement once it's earned not ~~on~~ after the transaction is done.

Accruals concept :-

In this concept expances is stated in the financial Statement once it's deducted not after the transaction is done

Q 6> Accounting method can be used to enhance the image of a firm and make it look better than actual it is.

Different method of manipulation of accounts are as follows.

→ Inflated current oprating income
e.g → Increase in book sale
Decrease in expances.

→ Reduce current oprating income
e.g → Increasing expances.

→ Inapropriate depri, ammotization or valuation of assets.

→ Prebooking of anticipiated sales revenue.
→ Inappropriate Valuation of future liability.
→ omating contigent liability.

Q7) 1) There is no change in gross profit & cash flow
2) Gross profit won't change the cash flow will decrease
3)
4) Cash flow & Gross profit won't change.
5) NO change.

Q8) i) The major Role of financial Authoritgies are as follows.
→ It helps in maintaining market confidence
→ It contributes towerds protection and inhancement of staibility of the financiall System.
→ It help in secure the appropriate degree of protection for coustemers.

ii) Indian financial System is Regulated by
1) Reserved Bank of India
2) Securities and exchange Board of India
3) Insurance Regulatory and developement authority of India.
4) pension fund Regulatory and developement ~~ar~~ ~~at~~ authority of India.

iii) 1) RBI
2) PFRDA
3) IRDAI
4) SEBI
5) IRDAI
6) SEBI
7) RBI
8) RBI

Que 9) i) The cost concept
The cost concept has been presented as one of the cornerstone of accounting for a very long time, under this method non-current ~~liability~~ asset genrally appeer in the statement of financial ~~statement~~ position at their original cost less depriciation to date.
This concept has been gradually Phased out to provide more scope for ~~ratio~~ realization in financial statement. There has been a movement from the cost of fair value approch.

The going concern concept:—
In this usally assume that the business will continue in its present from indefiniteedy. The concept acts as a justification for the limitation imposed by the cost concept because there is a little harm in seprating irrelavent figures for the value if the assets concerned are unlikely to the sold in immediate future.

ii) Since the unuseual transitition is not Covered any accounting Standerd, the Board of directions can choose the most convient & appropriate method that has close pronimity to the other concepts.

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que 10) →

a) Investment Banks:—

i) the primary goal for Investment banks is to advise business and government on how to met this financial challanges.

ii) They have been making hudge profit by ~~pro viding~~ purchisng assets & financing them & the selling for a much higher ~~profit~~ price.

iii) Major fund's are used up by investment Banks by acting as intermidiate b/w a co-orpration & the financial markets and handling margeres & acquisitions.

b) Pension schems.

i) They provide protection in the form of funds sums & pensions to dependents in the servants of a ~~[illegible]~~ diath

ii) Privet pension plans are funded by Constribution from employes & occasional employees investing into stocks & loans

iii) under this scheme, a small portion of the balance invested into a obsignated savings plan for the future

c) life Insurance Campany

i) It insure an individual againsts the financi loss in case of delth

ii) major towards of funds are equity deaths and the premiuse invested.

iii) The major application of sources is for the claims otherwise the amount is invested to grow expanantially

Q11> Some limitation and challanges are as follows:

1> Subjectivity -:
Although regulations gives a lot of evidance to firms still use a range of different method to arrive at the figures to put in this accounts.

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

3> Difference b/w firms :-
many users of accounts wish to compare Differene firms, which becomes tough because of different method of accounting

Q12> Insurance companies are subject to the same supporting requirements as others type of limited companies In the cost of other business, a statement of financial statemet of profit & loss are required, Benifit is relatively simple idea for most busines but in case of insurance company, when a policy is sold, premiums are collected for future liabilities. The company incures distribut & admin costs. Howeve the company does not know how much profit it can make at this stage because the policy will continues for several years during which the company might have to pay the claims, incure additional costs, pay premiums to reinsurance company To accounts for these potential cashflow a conditions approches is needed

ques(3) → International Accounting Standard board is a Body that develops issues and withdraws accounting standerds.

1) Adventages :-

i) They reduce, variation between companies in the way that prepare accounts.
ii) They oblige companies to disclose more information than that required by the national laws
iii) They allows some degree of flexibility in a way legislation often does not
iv) The discussion process leading up to a standerd being ~~in~~ issued fouses attension on a perticular areas for dibate about accounting practice.

2) Disadvantages :-

i) The set of rule in standerd may not be applicable to all the companies.
ii) Standerd setting may not be applicable to all the companies
iii) Standerd often allows more than one alternati treatment
iv) some standerds are so genral $ as $ to be meaningless.

ii) various sources of Regulation that influence the prepration of financial statement are

i) International Accounting Standards
ii) IFRS
iii) SEBI

iii) Cashflow statement report the cash paid during the accounting period for non-current assets, raw materials, wedges etc. It also includs cash received from owners and lenders.

Cash flow are important but only because the entity needs cash to ~~serivive~~ servive, The cash flow statement are useful when compared to other statement as they help in determining weather the cash balances have ~~Incurre~~ increased or decreased & explaing those movements.

Q14)

Income Statement

for ~~the~~ the year ended 31 March 2019

Particulars	W/N	Amount	~~totle~~ total
Revenue		1500,000	
less cost of good Sold	4	(678000)	822000
Gross profit			
less Distribution expances	2	(235000)	
less Adminiatative exp.	1	(3000)	(238000)
Oprating Profit			~~1191000~~
financial cost	6		(10000)
Profit After tax			~~1181000~~
			574000

Statement of changes in equity

Particulars	W/N	Share capital	Retained earning	Reserves
opening		200,000	250,000	180,000
Div. paid		(45000)		
Revaluation	6			500 000
		155000	~~1431000~~ 824000	680000

Balance Sheet as on 31 March 2019

Perticulars	W/N	Amount
Assets		
Non current ~~liability~~ assets	~~8~~ 9	1632000
current ~~liability~~ assets.	~~3~~ 7	240000
		1872000
equity + liability		
equity	~~4~~ 5	
- Share capital		155000
- Retained earning		824000
- Reserves		680000
liability		
- Non-current liability	8	145000
- current liability	3	68000
		1872000

Working Notes :-

Perticulars.	W/N	Amount
→ Administrative Expanses	1	
Admin staff wedges		3,000
		3000
→ Cost of Sale ~~Good Sold~~	2	
4 ~~Cost of Marketing~~	~~3~~	~~55,000~~
cost of Inventory consumed		350,000
Factory running cost		100,000
Manuf. wedges.		175000
	625,000	~~630000~~
→ Current liability	3	
Bank overdraft		18,000
Trade payable		50,000
		68,000
→ Distributicon.	4	
Delivery vehicle Running cost		60,000
Sales Salories		120000
cost of Marketing		55~~180~~,000
		235,000
→ Equity	5	
Divident Paid		45000
Share capital		200,000
		245000
→ Financial cost	6	
Intreast		10,000
		10000

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Non Current Asset 9

	Buildings	vehicles	Land	Machinery
cost	400,000	325,000	800,000	150000
Depri	(40,000)	(170,000)	0	(80000)
CY DP	(7000)	(31000)		(15000)
Total	653000	124000	800000	55000

→ Current Asset 7

Inventories.	30,000
Trade receivables	210,000
	240000

→ Non current liability 8

Loan (Repayable 2024)	145,000
	145000

→ ~~Non~~ Revaluation Reserve 10

land	200000
Building	300000
	500000

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Profit & loss Statement for the year ended Dec, 31, 2019

Particulars	W/N	Amount	Total
~~Reserve~~ Revenue		55000	
Add - Revenue due		2000	
Revenue earned in Dec		1000	
less manufactoring exp.	4	(4041)	
Gross profit			53959
Less Administrative Exp.	3	(34790)	
		200	
Profit before tax			(34590)
Tax expense			(3000)
			16369

Statement of Changes in equity

Particulars	Share capital	Retained earning
opening	32000	
Loss div. paid	(5000)	
Add Profit		16369
	27000	16369

Financial position
as on 31 Dec, 2019

Particulars	W/N	Amount
Assets		
- Non current Assets	5	49959
- current Assets	1	12410
		62369
equity & liability		
equity		
- Share capital		27000
- Retained earning		16369
liability		
- Non current liab.		–
- current liability	2	19000
		~~623~~ 62369

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Working Notes.

Particulars	W/1	Amount	
Current Assets	1	~~1500~~	
Trade Receivables		1500	
cash		1000	
Bills Receivables		5000	
Invent		1000	
Fel Devenue Ane		2000	
Rent paid in Advance		1710	
Bill intrest		200	⇒ 12410
Current liability	2		
Trade payable		3000	
unearned fees		10000 − 1000 − 9000	
ops salaries		4000	
Tax payables		3000	
			19000
Administrative expances	3		
office supplies		2000	
office Rent		14207	
employees salaries		10000	
electricity bill		4000	
mobile & elect bill		583	
Add ops Salaries		4000	
			34790
manufactoring expances	4		
Closing Inven		(1000)	
Deb.		5041	
			4041

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(5)

Non current Assets

		laptop	equipment	Total
Cost		35000	20000	
Dep.	(a)	3208	1833	
		31792	18167	49959

calculation of depriciation

a) laptop $\Rightarrow$ $\frac{35000-0}{10} = 3500$

11 months Dep $= 3500 \times \frac{11}{12} = 3208$

equipment $= \frac{11}{12}\left[\frac{20000-0}{10}\right] = 1833$

b) Rent

11 months Rent $\Rightarrow$ $1000 + 1000\left[\frac{(1.05^{10}-1)1.05}{1.05-1}\right]$

$= 14207$