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Assignment.
Unit 1 & 2

Kaishangi Trivedi.
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1] B

2.) C

3.] C

4.] D

5. a. Realisation concept : Income is ~~reco~~ recognised as & when it is earned. It is not necessary to wait for the customer to settle ~~the bill~~ their bill. The fluctuations in reported income which might arise if everything is recorded on a cash ~~of~~ basis can be avoided.

~~B~~ Accrual concept : Expenses are recognised as and when they are incurred, regardless of ~~when~~ whether the amount has been paid for.

b) In health insurance the company would record the income from the number of policies sold as soon as they are sold. But they will ~~but~~ not record the amount from the premiums they will receive in the future as there ~~is~~ are chances of ~~'lapsi~~ policies lapsing. ~~For the~~ The company would record the expenses for the incurred but not reported (IBNR) ~~clai~~ claims.

7.

(i) ~~Gross Profit remains the same~~

~~There is addition of 1000 crores in the~~ cash flow statment.

Because of Revaluation. the depreciation charged for the year will be charged on the new valuation of the asset hence in this case it will increase leading to increase in ~~COS~~ cost of sales and then Gross profit will decrease.

Cashflows. will ~~remain~~

(ii) No chages to Gross profit.

~~FII~~ The operating cashflows will ~~g~~ decrease by 1000 crores.

(iii) There will be an increase of 500 crores in ~~profit~~ gross profit.

Cashflow:

Nochange in cashflow

(iv) The gross profit will degrease by. 250 crores because depreciation will be added to cost of sales which will be subtracted from revenue to give gross profit.

v) ~~It was decided to ~~a~~ write of 200~~ - Cashflow - No change

Net Profit - ~~Dcre~~

The ~~of~~ Cashflow from financing activities will decrease by ₹200 crores.

8.1) Financial regulation is a form of regulation/ supervision which makes the financial institution follow certain rules & regulations & guidelines to maintain the integrity & financial stability of the financial system

Functions of financial regulator.

1) Protective function: to protect the interest of the investors & the financial participants.
   - checking price rigging.
   - prevent insider trading.
   - Promote fair prices
   - ~~Protect~~ Prohibit unfair trade practices.

2) Regulatory functions: to keep a check on the functioning of ~~to~~ the business in the financial market
   - Regulation of takeover of companies
   - Performing & exercising power.
   - Conducting enquiries & audit exchanges.

3) Development Function.
   - Imparting training to intermediaries...
   - Carry out research work.
   - Encouraging self regulatory organisations

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(iii) ~~a) Banks~~ : regulatory authority : ~~Reserve B.~~

(iii) regulatory authority:

a) Bank — Reserve Bank of India

b) Superannuation fund — Pension Reserve regulatory & Development Authority (PFRDA)

c) General Insurance comp— IRDAI (Insurance Regulatory & development Authority India)

e) Stock Broker — Security & exchange Board of India

d) Mutual fund — Security & exchange board of India

f) Market for listed securities — SEBI

g) Foreign Exchange dealer — RBI

h) Money changes — RBI

9) i) Cost Concept.

Under this concepts the non-current assests appear in the financial position at their original cost less depriciation to date, subject to a possible impairment write-down. This concept does not take into account the ~~decrea~~ changes in purchasing power of money

(ii) Going Concern Concept:

It is usually assumed that the business will go on indefinitely for ever in its present form. This acts as a justification for the flaws of the cost concept

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Because there is little harm in reporting irrelevant values if the asset concerned are unlikely to be sold in the immediate future.

(iii) ~~By~~ (i) Optimistic accounting ~~will~~ may lead to overstating the companies profits and strength.

(ii) Because the book value of the company is high ~~the~~ some investors might think that the company is profitable and would want to invest in it ~~but after some~~

(iii) There ~~is a~~ ~~to~~ might be a high probability that not all the optimistic expected values will come through meaning ~~the~~ the ~~profit~~ high figure stated for profit will not be the actual figure

(iv) This will creat a sense of distrust ~~to~~ amount the equity investors and ~~may~~ many may want to sell of their shares and invest in some other company. The share prices might ~~to~~ decrease in place of ~~(v) Hence~~ increase also the reputation of the ~~com~~ company may be tarnished.

(v) Therefore it is important to ~~the~~ state the lowest reasonable figure for profits & highest reasonable figure for liabilities

10. a) The role of investment banking is to help financial institutions to meet their financial challenges.
Investment Banking helps their clients with financing, trading, researching, wealth mangement, assest management, IPOs etc.

~~Sources of funds~~
b) Pension schemes: Role: They are established by employees to facilitate and to organise the employees retirement funds.
Sources of fund: Employers. Application of funds: To provide a return to the employees at their retairement.

c) Life Insurance Company:
Role: Life Insurance company sells insurance policy to the people.
Source of fund: customers
Application of fun - ~~&~~ Financing policies providing ~~claim~~ return income claim.

12) i) The underlying contracts fall out of the accounting period and are uncertain in size
(ii) Premature transfer of profit to shareholders may endanger the financial stability of the company & the ability to meet future liabilities.

(i) 1) Reserves
2) Investment income
3) Realised capital gain

11) General insurance and life insurance company accounts are difficult to ~~intercept~~ interpret because of the different regulations that regulate them. There are many things that have to be taken into consideration while evaluating them. They have a discount risk that not other companies have. The regulator has a lot of power in controlling the companies.

Q.13.

Advantages :-

(i) The eliminate variation between companies in the way they prepare accounts.

(ii) They oblige companies to disclose more information than required by national laws.

(iii) They provide some degree of flexibility in a way legislation cannot.

(iv) In the discussion leading ~~of~~ up to an standard being issued there are debates ~~to~~ that take place which are about accounting practices.

Dis advantages :-

(i) ~~St~~ Some standards are either to detailed or too ~~generally~~ general.

(ii) Standards often allow more than one alternative treatment which ~~negt~~ negates the attempt to make sure ~~that~~ conformity b/w companies.

(iii) The set of rule contained may not be appropriate for all companies in ~~at~~ all circumstance

(iv) Standard setters may not always be entirely objective. for example: some standard in the past have been subjected to pressures from the govern

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(ii) a) Financial accounting standards board & issues the Generally accepted accounting Principles (GAAP)

~~b) International Standards for F~~

b) International Financial Reporting standards (IFRS) issued by Indian Accounting Standards Board (IASB)

c) Accounting Standards Boards (ASB) ~~or~~ issues Indian accounting standard (Ind-AS)

(iii) a) The statement of comprehensive income and the statement of financial position fail to show the movement in cash balances.

b) This is unfortunate because even if company ~~seem~~ is profitable it will collapse if it isn't sufficiently liquid,

c) The bank balance & the final balance is shown in the statement of financial position however it does not give insight to the readers about the major causes of changes. More structured description of cash flows is required

(iv) (d) Several entries in the statement of P & L like depreciation do not involve a payment or ~~a~~ receipt of cash. The statement of profit & loss recognises credit sales and purchases before cash ~~enters or hands~~ exchanges. It is possible for a company to trade profitably & still run into liquidity ~~to~~ problems

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Q.14.

(i) Statement of Comprehensive Income for the year ended 31/3/2019

Particulars	Notes	Amount.
Revenue.		1500 000
- Cost of Sales	(5)	(647000)
Gross Profit		853000
- Administrative Expenses	(1)	(3000)
- Distributive Expenses	(2)	(266000)
Operating profit		584000
- Financial costs	(6)	(10000)
Profit Before taxes		574 000
tax		172200
		401800

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(ii) Statement of changes in Equity.

	Share Capital	Retained Earnings	Revaulaiation Reserve
	200,000	~~180,000~~ 250,000	180,000
div. paid		(45000)	
+ current year PAT		~~42~~800	
		574000	
	200000	779000	180000

(iii) Statement of financial position as on 31st March 2019.

Particulars	Notenumber	Amount
Non-Current Assets	(4)	1632000
Current Assets	(8)	240000
		1872000
Equit & Liabilities		
Equity		200000
Retained earning.		7790000
Revaluation Reserve		180000
Non-Current liability	(7)	145000
Current liability.	(3)	61000
		1872000

1) Administrative Expenses.

Administrative staff wages 3000

2) Distribution Expenses

Cost of Marketing	~~55000~~	53 000
delivery vehicles running cost		60000
Sales salary		120,000
delivery vehicles depreciation		~~124000~~ 31000
		260000

3) Current Liability.

Band over draft 18000
Trade payables 50,000
~~Hosing ment~~ 68000

4) Non-Currents Assets

	Buildings	Delivery vehicle	Land	Machinery
cost	700000	325,000	800,000	150000
depreciation	40000	170,000		80000
	(700,000 x 1%)	(325 000 − 170000) x20%		~~[illegible]~~ (150000 x10%)
	4000	31000		16000
	653000	124000	800,000	55000

5) Cost of Sales :

cost of inventories consumed.	350,000
Factory' Running costs	100,000
manufacturing wages	175,000
building depreciation	~~7000~~
~~Delivery vehicle depreciation~~	~~124000~~
Machinery depriciation	15000
	647000

6) Financial cost

Interest 10000

7) Non-Current liability.

~~LHS~~ loan repayable 145000

8) Current asset

Trade receivables. 210,000

closing inventory 30000

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Statement of Comprehensive Income

Particulars	Note no.	Amount $
Revenue		58000
− Administrative expenses	(17)	(23794)
− Distribution expenses		—
Operating profit		34206
+ financial income	(6)	2000
Profit before tax		36206
− tax		3000
Profit after tax		33206

Statement of changes in equity.

	Share capital	Retained earnings
	32000	
− Dr.		(5000)
profit		33206
	32000	28206

	Note no.	Amount
Assests		
Non- Current Assests:	(4)	495000
Current Assest .	(2)	19000
		68500
Equity		32000
~~Non Cur~~ Retained earning		28206
Non- Current Liability		₹
Current liability	(3)	174011
		68500

Q.13

1) 12 monthly payments . ~~1597~~ 15917
first month payment = 1000
month 2 payment. 1000 × (1+5%)
12 months rent = 1000 × $S_{\overline{11}|}$ @ 5%
~~55.0.364~~ = 1000 × 14.2068
= 14206

1) Administrative Expenses
Office supplies 2000
Employees' salaries 10000
Office Building Rent 15917
Office electricity bill 2000
Mobile internet bill 583
Laptop depreciation (~~3000~~) 3500
Office equipment depreciation ~~1000~~ 2000
Prepaid rent (14206)

~~239~~ 23794

2) Current Assets
Trade Receivables 1500
Cash 1000
Bills receivables 5000
~~Unearned fees~~ ~~10000~~
Closing inventory (~~1200~~) 1000
Bills receivable 5200
fee revenue 2000
Prepaid rent 1711

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3) Current Liability.

~~Office Building Rent~~ 15917
~~Office Electricity Bill~~

Trade Payables 8000
Employee salaries 4000
Income tax 3000
~~12 M month Office rent~~ ~~17103~~
unearned fees 10000
~~Une~~ Earned fees (1000)

4) Non-Current Assets

	Laptop	Office Equipment
cost	35000	20000
deprecn	$\left(\frac{35000}{10}\right) = 3500$	$\left(\frac{20000}{10}\right) = 2000$
net value	~~330~~ 31500	18000

5) Revenue earned : ~~Fees~~

Fees earned 55000 Earned 1000
Fees due 2000 $\boxed{58000}$

6) ~~5)~~ Financial income
Interest 200

~~6) Revenue~~