Assignment 2

Q1) B) All of the above.

Q2) c) An adverse opinion.

Q3) c) Chairman's Report

Q4) A) II only

Q5)

(a) Realization concept explains that income is recognised as and when it is 'earned' and until the customer settles their bills. This is done to avoid fluctuation in the income which might arise if everything is accounted for a cash basis.

Accrual concepts similarly say that expenses are recognised when they are incurred regardless of wether they are paid or not.

(b) In a health insurance, we can see the use of the realisation concept when the premiums are being earned. When ~~when~~ the premiums are being charged in a particular year the chances of a claim coming the same year are not 100%. While the claims could be recorded when they are actually reported and given out.

Q7)

(i) This will cause no-effects on the gross profit and cashflow statements.

(ii) This will cause ~~decrease~~ no change in the gross profit and will also reduce cashflow in the company.

This could increase the gross profit and also the would increase the cashflows.

(iv) This would cause no change to the ~~gross profit or~~ cashflow of the company but could decrease the gross profits.

(v) This could cause no change in the gross profit but will reduce the cashflow of the company.

Q8) I

(i) Financial regulation is a form of regulation or supervision, which subjects financial institutions to certain requirements, restrictions and guidelines, aiming to maintain the stability and integrity of the financial system. The objective of financial regulations are →

* market confidence → to maintain confidence in the financial system.
* financial stability → contribution to the protection and enhancement of stability of the financial system.
* consumer protection → securing the appropriate degree of protection for consumer

(ii) SEBI (Securities and Exchange Board of India)
RBI (Reserve Bank of India)
IRDAI (Insurance Regulatory & Development Authority of India)
PFRDA (Pension Fund Regulatory & Development Authority)

(iii) Banks - RBI
Superannuation Products - PFRDA
General Insurance - IRDAI
Stock brokers - SEBI
Mutual Funds - SEBI

Market for listed companies - SEBI
Foreign Exchange dealers - RBI
Money changers - RBI

Q9)

(i) The cost concept, the NCA always appear in statement of financial position at their original cost less depriciation to date. The going concern concept states that it is a assumption that the business will continue indefinitely in its present form.

(ii) The board of directors can select the effect which is somewhat similar to the transaction that has been occured and mention a note stating no accurate accounting standards covers this transaction so this our assumption.

(iii) This may not be true as the concept of prudence state that there should everything recorded at market price or cost price which ever is lower.

Q6) Different ways through which accounts can be manipulated are →

* inappropiate depriciation of tangible assets.
* inappropiate ammortisation of intangible assets.
* inappropiate valuation of inventory.
* inappropiate valuation of future liabilities
* omitting contingent liabilities.
* prebooking of anticipated sales revenue.

Q14) The Income Statement for the year 2018 - 19

	WN	AMOUNT
Revenue		1500000
- Cost of Sales		640000
Gross Profits		860000
- Distribution Cost		266000
- Admin Cost		~~594000~~ 10000
Operating Profit		584000
- Finance Cost		- 10000
PBT		574000
- Tax Expense		
PAT		574000

The Statement for changes in Equity for the year 2018-19

	Share Capital	Other Reserves	Retained Earnings
Op	200000	180000	250000
Earning			574000
Dividend Paid		~~200000~~ ~~193000~~ ~~200000~~	(45000)
Reval		300000	
	200000	680000	779000

The Balance Sheet as of the date 31st March 2019

	W N	Amount
Assets		
NCA		1632000
CA		240000
Total Assets		1872000
Equity & Liability Equity		
Share Capital Retained Earnings Other reserves		200000 779000 680000
Liabilities		
NCL		145000
CL		68000
		1872000

(1) Admin Cost →

Admin staff wages	3000
	7000

(2) Distribution Cost →

Cost of Marketing	55000
Delivery Cost	60000
Sales sal.	120000
	31000

(3) CL →

Bank Overdraft	18000
Trade paybles	50000

(4) NCA →

Buildings	400000 + 300000
Building (depr)	(40000) + (7000)
Delivery vehicles	325000
" " (depr)	(170000) (31000)
~~Inventory~~ Land	600000 + 200000
Machinery	150000
" " (depr)	(80000) (15000)
	1632000

(5) Cost of sales →

Cost of inventory consumed	350000
Factory Cost	100000

⑤ ~~Adj Inventory~~	~~(30000)~~
	175000
Manuf. wages	15000

⑥ Finance Cost →

Interest	10000

⑦ CA →

Inventory	30000
Trade Rec.	210000

⑧ NCL →

Loan	145000

Q10)

ⓐ Investment Bank →

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

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

App. of funds - Investing money from customers in equities, bonds in the market to earn better returns.

ⓑ Pension Scheme →

Role - To provide annuity products to people after retirement

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

App. of funds – Investing and growing the earning from customers to provide annuities to customers.

(c) Life Insurance Company →
Role – To provide a particular amout of claims to the customers after their death.
Source of funds – Premiums collected from the policyholders
App. of funds – To provide the said amount to the benificary of the policyholder.

Q11) Limitation in interpretation of accounts of these companies are →

* Both of them are regulated by different regulators. So, they may have difference in approach of making accounts.

* One is a general insurance company and the other is life insurance company so they are incomparable.

Q12)
(i) The preparation of insurance company is complicated due to following reasons →

* The underlying contracts fall due outside the accounting period and are uncertain in size.

* Premature transfer of profit to shareholding may endanger the financial stability of the company and the ability to meet future liabilities.

(ii) Technical accounts include every income & expense from the insurance business.

Earned premiums (net of reinsurance)
+ Investment income
+ Realized capital gains
- Claims incurred (net of reinsurance) or benefits payable
- Net operating expenses incurred.

Balance on revenue statement.

Q13)

(i) Advantages →

* They eliminate or atleast reduce variations between companies in the way they prepare accounts.

* They oblige companies to disclose more information than that required by national laws.

* They allow some degree of flexibility in a way that legislation often does not.

Disadvantages →

* The sets of rules contained in the standards may not be appropriate to all companies in all circumstances.

* Some standards are so general as to be meaningless while ~~others~~ others are far too detailed.

* Standards often allow more than one alternative treatment, which negates the attempt to ensure

conformity between companies

(ii) Sources of regulations are →

* International Financial Reporting Standards
* Principles, concepts and conventions
* National company laws
* Good pratice by leading companies
* Stock exchange requirements
* Other legislation

(iii) The additional information provided by the cashflow statements are →

* Actual cashflow movements of the company
* Actual cash profits of the company
* The cashflow for different activities of the company

Q15)

	WN	Amount
Revenue		55000 + 2000
− Cost of Sales		[illegible]
Gross Profit		~~[illegible]~~ 57000
− Admin Cost		~~[illegible]~~ 27500
− Dist^n Cost		0
Op. Profits		29500
− Finan cost		
+ Finance Income		+ 200
PBT		29700
− Tax Expense		3000
PAT		26700

	Share Capital	Retained Earning
Opening Bal	32000	0
Profits		26700
		(5000)
Clg	32000	21700

	WN	Amount
Assets		55000
NCA		
CA		18500
		[illegible]
Total Assets		73500
Eq. Liabilities		
Equity		
Share Capital		32000
RoE		21700
Liabilities		
NCL		0
Cl		7000

NCA

(1) Admin Cost →

Laptop	35000
Off. Eq	20000
Off. Supp	2000
Building Rent	
	48907

(2) CA →

Off. Supp	2000
Trade Re	1500
Cash	1000
Unearned Fees	10000
" "	2000
bills recievable	5000

(3) Admin Cost →

Building Rent	15,917
Salaries	10000
Electricity bill	4000
Mobile. Int bill	583
Off. Supp	2000
Inventory	(1000)

(4) CL →

Trade payables	3000