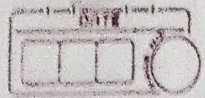


Business Finance



1. c) I, II, IV

2. A) Disclaimer of opinion

3. c) chairman's report

4. D) I, II, III

5. a) Realization concept

Income and profit should be recognized as and when it is earned.

Accrual concept

Expenses are recognized as and when it is incurred.

b) the premium of the no. of policies sold is considered regardless of the actual premium earned in the year. → realization concept

the claims incurred during the financial year are considered paid regardless of the paid claims ~~and~~

→ Accrual concept

6. Different ways through which accounts can be manipulated :-

1) unwanted depreciation of tangible assets

2) unwanted amortization of intangible assets

3) improper valuation of inventories

4) unwarranted revaluation of tangible assets

5) creating intangible assets of

questionable true worth

6) omitting contingent liabilities

No change

21

No change

Decreases

2)

No change

No change

31

No change

no change

4)

Decreases

No change

51

No change

11. Ca

i)

i) Main roles of regulation in the financial system.

1) Maintain

public confidence

2) Premole

public
stability of the financial system

3) protect

stability
investors

4) Maintain

- international confidence
- egregious behaviour

5) ~~Deflex~~ Pr

Internal
fraudulent behaviour

ii)

The Reserve Bank of India supervision

1) It is monetary authority

2) ~~the~~ Regulator and supervisor
Financial system
Financial manager

3) Foreign exchange management

4) Issuance of currency

5) Regulator & Supervisor of System, Payment and Settlement System

Securities and Exchange Board of India

4) Formulate code of conduct & training

guidelines for proper functioning of intermediaries and businesses

reg. security markets

Protects the interest of security market participants

Formulates, implements & monitors exercising
exercising powers

- Regulates credit rating agencies
- Prohibits insider trading and unfair trade practices

Praxis

IRDAI

- 1) Issue certificate of registration, manage registration
- 2) Protect interest of policyholders
- 3) Specifies code of conduct for insurance intermediaries, agents, surveyors, loss assessors
- 4) Promotes and regulates firms that deal in insurance and reinsurance.

Pension Fund Regulatory and Development Authority (PFRDA)

- 1) creates investment standard for pension funds
- 2) Resolves Protects interests of pension fund subscriber
- 3) Investigating intermediaries and other participants for other malpractices.

- iii)
- a) Banks - RBI
 - b) Superannuation products - ~~PFRDA~~ IRDAI.
 - c) General Insurance - IRDAI
 - d) Stock Brokers - ~~SEBI~~ SEBI
 - e) Mutual Funds - SEBI
 - f) Market for listed securities - SEBI
 - g) Foreign exchange dealers - ~~SEBI~~ RBI
 - h) Money changers - ~~SEBI~~ RBI

i) Cost concept

The noncurrent assets should be valued at cost less depreciation using concern concept.

The accounts should be prepared under the assumption that the business will continue indefinitely in its present form.

ii) Key guiding principles for setting accounting policies for unusual transactions are:-

a) There is a general requirement that the financial statements give a true and fair view.

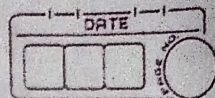
b) The guidance provided by Accounting Regulations Board should be considered.

c) The director might consider looking at the treatment laid down by standards for similar balances.

iii) The stock market examines information carefully to ensure that it doesn't misprice securities.

If shares are overpriced, then there will be misuse of overprice companies to gain profit by selling shares.

∴ Market will push down these shares.



10. Investment Bank
Role :- Advise companies and help them raise finance
Application of :-

Application of funds :- Receive fees for advice, underwriting commission, fund management, etc
Borrow money by running bank accounts and issuing certificates of deposit.

Source of funds :- Invest in bills and provide loans and leases to companies

Pension scheme

Role: channel savings for retirement into long term capital markets
A.O.F.: contribution

A.O.F. : contribution from employers, employees
S.O.F. : Typical funds invest.

S.O.F. :- Typical funds invests in equity, longer dated loan, securities, real estate, etc.

Life Insurance company is

Role: pool mortality and investment risks
into long term capital market by
channeling savings

A.O.F. :- Premium Income from policy holders

S.O.F. :- Typical funds in mixture of equities and short and long fixed bearing interest securities also securities and property

12. ~~express~~ i) the insurance companies have accounts complicated than normal companies due to

- 1) insurance contracts with policyholders fall outside accounting period and are uncertain in size
- 2) premature transfer of profit to shareholders may endanger the financial stability of company and ability to meet future liabilities

ii) unexpired risk reserves

reserves kept to cover claims and expenses expected to emerge from an unexpired portion of the insurance cover in the future period.

outstanding claim reserves

reserves kept to cover claim & expenses for all outstanding claims not settled.

13. Advantages of compliance with International accounting standards -

- 1) Reduce variation and improve ability to compare financial statements across companies
- 2) the discussion process leading up to the decision obliges companies to disclose more information than required by national laws
- 3) Allow some degree of flexibility

Disadvantages of International accounting standards - 1) Set of rules may not be appropriate to all companies in all situations. Standard setting might not be entirely object. some standards are general while some are too detailed

i) Sources of regulations influencing the preparation of financial statements for companies :-

- 1) Principles in ~~acc~~ accounting
- 2) National company laws
- 3) Practices followed by leading companies
- 4) National companies laws.

ii) Additional information available from cashflow statements :

- 1) It business operations have led to net cash inflow or outflow
- 2) It summarizes change in financial position since last year.