Name : Ronit Shah

Date:

Group/ Class & Div. : B

Roll No.: 67

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Subject : Business Finance - 2

Topic : Unit 1 and 2

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Assignment - 2

1) D

2) C

3) ~~B~~ A

4) A

5) a) There are many accounting concepts. Realisation concept states that Income is recognised as and when it is earned. It is not, necessary to wait until the customer settles his or her bill.
~~Non~~ Not only this, Accrual concept means that Expenses are recognised as and when they are incurred regardless of whether the amount has been paid.

b) A Health Insurance sells one year medical plans throughout the year. Realization concept helps in preparing accounts as when the policy is named in the policy holder's name at that time, we will consider that income is Recognised and we will be put in books of accounts.
Not only this, Accrual concept will be utilized in preparing accounts as policyholder can make payments which can be ~~full or~~ part payment but payment for the year will be ~~case~~ considered ~~by~~ because of this ~~case~~ concept.

7) i) Gross profit will increase and cashflow will decrease

ii) Gross Profit will ~~decrease~~ increase and cashflow will decrease

iii) Gross Profit will increase and cashflow will increase

iv) Gross profit will decrease and cashflow will increase

v) Gross profit will increase and cashflow will decrease

Your mountain is waiting, so get on your way.

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8) i) There are many roles of regulation. The main roles of regulation in the financial system is to maintain market confidence in the financial system. Along with this, they ~~create~~ contribute to the protection and enhancement of financial stability of the financial system. Not only this, Financial Regulation helps in securing the appropriate degree of consumer protection.

ii) There are many Regulatory bodies which Regulate the Indian Financial system. The types of Regulatory bodies are:

a) Reserve Bank of India
b) Securities and Exchange Board of India
c) Insurance Regulatory and Development Authority of India
d) Pension Fund Regulatory and Development Authority

iii) The Regulatory bodies responsible for supervising are:

i) Reserve Bank of India is responsible for Banks
ii) Pension Fund Regulatory and Development Authority for SuperAnnuation products.
iii) Insurance Regulatory and Development Authority of India is responsible for General Insurance companies.
iv) Securities and Exchange Board of India for Stock Brokers
v) Securities and Exchange Board of India for Mutual Funds.
vi) Securities and Exchange Board of India is responsible for Market for Listed securities.
vii) Reserve Bank of India for Foreign Exchange dealers
viii) Reserve Bank of India for Money changers

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9)i) cost concept means non current assets should be at their original cost less depreciation to date. which will help to show them at their fair value rather than their historical costs.
Not only this, Going concern ~~cos~~ concept means that it is assumed that a business will continue indefinitely in its present form.

ii) Board of Directors can go about selecting consistency concept where Accounting Policies should not be changed from one year to next and if any changes made should be highlighted and their impact explained.

~~iii)~~ii) There are many General and Life insurance companies. when looking to invest in such ~~bus~~ companies, it is good to see and interpret their accounts. However, There are some limitations also.
There can be subjective issue as both of the companies are regulated by different regulators which may have different ways to prepare an account which can be a limitation. ~~No~~ Apart from this, before investing in such companies we compare them to select and understand which company is better but there is a problem that both companies are different having different approach.
one is General Insurance company and other one is Life Insurance So comparing them is difficult.

9)iii) Optimistic accounting Policies may not be true as ~~t~~ this will not follow Prudence concept which states that everything should be recorded at market price or cost price, whichever is lower. this helps ~~-~~ and states that expenses and Liabilities can be overstated but Income and Assets should be Understated

14) Working Note

1) Administrative expenses :

Administrative staff wages -	3000
~~Sales salaries~~	~~3000~~
	~~120000~~
	~~123000~~

2) Cost of Sales :

cost of Inventory consumed	-		350000
Factory running costs	-	~~350000~~	100000
Manufacturing wages	-	~~100000~~	175000
Depreciation of buildings	-	~~175000~~	7000
Depreciation of machinery	-		15000
			647000

3) ~~.......~~ Distribution cost :

		~~55000~~	
Advertising cost	-	~~60000~~	55000
~~Dele~~ Delivery vehicle running costs	-	~~120000~~	60000
Sales salaries	-	~~31000~~	120000
Depreciation of vehicles	-		31000
			266000

4) Current Liability :

Trade payables	-	50000
Bank overdraft	-	18000
		68000

5) Non-Current Liability :

Loan	-	145000
		145000

6) Current Assets :
Inventory - 30000
Trade Receivables - 210000
240000

7) Non-Current Assets : 1672000

8) Finance costs :
Interest - 10000
10000

9)

	Land	Building	Machinery	Vehicles	Total
Opening balance	600000	400000	150000	325000	1475000
Revaluation	200000	300000			500000
Depreciation					
Opening balance		40000	80000	170000	
Charge for year		7000	15000	31000	53000
Revaluation		(40000)			(40000)
Net Book value	800000	693000	55000	124000	1672000

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14)

Income statement for the year ended 31st march 2019

	Working Note	Amount
Revenue		1500000
(-) cost of sales	2	(647000)
Gross profit		853000
(-) Administrative expenses	1	(3000)
		850000
(-) Distribution cost	3	(266000)
operating profit		584000
(-) Finance costs	8	(10000)
Profit for the year		574000

Statement of changes in equity for the year ended 31st march 2019

	Share capital	Revaluation Reserve	Retained Earnings	Total
opening balance	200000	180000	250000	630000
Revaluation		540000		540000
Profit for the year			574000	574000
Dividend			(45000)	(45000)
Closing balance	200000	720000	779000	169900

(4)

Statement of financial position as at 31st March 2019

	Working Note	Amount
Non-Current Assets	7	1672000
Current Assets	6	240000
Total Assets		1912000
Equity and Liabilities		
Equity		
Share capital		200000
Revaluation Reserve		720000
Retained Earnings		779000
Non current Liability	5	145000
Current Liability	4	68000
Total Equity and Liabilities		1912000

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6) there are some ways through which accounts can be manipulated. Companies could charge higher Depreciation which helps them to ~~under overstate~~ understate Assets and Net profit is reduced. This leads to a reduction in Taxable income which favours to companies as they have to pay Lower tax. Not only this, companies can use ~~historical cost~~ cost concept in their favour. In this, cost is recorded at the historical price. For eg, Companies can ~~use~~ record historical cost of property instead of current Market price. This helps them in understating their Non-Current Assets as well as there can be appreciation which would be as per the historical cost leading to Less profits in comparison to the one with Fair value. This helps in manipulation of accounts.

10) a) The role of Investment Bank is to carry out investment activities like mutual funds, derivatives, etc. The source of funds is from the ~~people who~~ clients who pay them money. Then, the money is collected and pool of funds is created. Afterwards, Application of funds is to ~~investment~~ invest the money and after a set period, the money is distributed among the clients from which the Investment Bank takes its fee which is income for them.

10)b) The role of pension scheme is to provide annuity or some amount to the ~~r~~etired people. Sources of funds for them is the premium they receive from the person or a lumpsum amount and it is collected till the retirement or a given period of time to the person. Application of funds for them is to invest the premium amount and keep it compounding which helps to give annuity to the retired person.

c) The Role of ~~a~~ Life Insurance company is to protect all individuals and assure themselves of a certain sum of money in the future to take care of unforeseen events or happenings. Source of funds for them is the premiums ~~are~~ paid by the insured person. Application of funds for them is to invest the premium ~~received~~ amount which is received and pay the ~~~~ amount when claim ~~~~ arrives.

12) i) Preparing insurance companies accounts is more complicated as compared to Normal company accounts. This is because the underlying contracts or liabilities fall due outside the accounting period and are uncertain in size. Along with this, premature transfer of profit to shareholders may endanger the financial stability of the company and the ability to meet future liabilities.

ii) Technical account ~~collects~~ includes operating costs, costs of acquiring contracts, change in deferred acquisition costs and Administrative expenses, Less deduction for any reinsurance commissions receivable.

Subject : Topic :

13) i) There are Advantages and Disadvantages of compliance with International Accounting standards. These standards helps to eliminate or reduce, variations between companies in the way they prepare Accounts. Along with this, the discussion process leading up to a standard being issued focuses attention on particular areas for debate about accounting practice. Not only this, these standards oblige companies to disclose more information than that required by National Laws. ~~However~~ Adding up, These standards allow some degree of flexibility in a way that legislation often does not. However, the sets of rules contained in the standards may not be appropriate to all companies in all circumstances. Not only this, standard setting may not be entirely objective as well as standards often allow more than one alternative treatment which negates the attempt to ensure conformity between companies. Some standards are so general as to be meaningless while others are far too detailed. Although, there are advantages and disadvantages, International Accounting standards, have greatly improved Accounting practice of companies.

Use your tal

13)ii) There are various sources of regulations that influence the preparation of financial statements for companies, which are :

a) International Financial Reporting standards
b) Principles, concepts and conventions
c) National company Laws
d) Good practice by Leading companies
e) stock exchange requirements
f) Other Legislation

13)iii) cashflow statements provide additional information which is not available in the statement of financial position and statement of comprehensive Income, as they do not provide a sufficient insight into movements in cash balances because of which even profitable companies can collapse ~~is~~ if they are not sufficiently liquid and very few business could survive a prolonged cash outflow.

Group/ Class & Div. :

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15) Working Note

1) Current Liability :

Trade payables –	3000
Tax payables –	3000
outstanding salaries –	~~6000~~ 4000
outstanding Rent –	~~10002~~ 14207

2) Cost of sales :

office supplies –	2000
Office Building Rent –	30124
Office Electricity Bill –	4000
(-) Inventory of supplies	~~36124~~ (1000)
Depreciation on Laptop and Equipment –	(5041)

3) Administrative Expenses :

Employees salaries –	10000
mobile and Internet Bill –	583
outstanding salaries –	4000
	14583

4) Finance Income :

Interest Received – 200

5) Revenue :

Unearned Fees –	10000
Fee Revenue Earned –	55000
outstanding Fee –	2000
(-) Unearned Fees received –	(1000)
	66000

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15)

6) current Assets:

Trade Receivables	–	1500
cash	–	1000
Bills Receivables	–	5000
Inventory of supplies	–	1000
outstanding ~~outstanding~~ Fee Revenue	–	2000
unearned Fee Received	–	~~(1000)~~ 1000
outstanding Interest Income	–	200
		11700

7)

	Laptops	office Equipment	Total
opening balance	35000	20000	55000
Depreciation charge for the year	(3208)	(1833)	(5041)
Net Book value	31792	18167	49959

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15)

Statement of ~~Cont~~ comprehensive Income for the year ended 31 Dec 2019

	Working Note	Amount
Revenue	5	66000
(-) cost of sales	2	(30083)
Gross profit		35917
(-) Administrative expenses	3	(14583)
operating Profit		21334
(+) Finance Income	4	200
Profit before Tax		21534
(-) Tax Expense		(3000)
Profit for the year		18534

Statement of changes in equity as on 31 December 2019

	Share capital	Retained Earnings	Total
opening balance	32000		32000
profit for the year		18534	18534
	32000	18534	50534
Dividend		(5000)	(5000)
closing balance	32000	13534	45534

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15)

Statement of Financial Position as on 31 December 2019

	Working Note	Amount
Non Current Assets	7	49959
Current Assets	6	11700
-		69741
Equity and Liabilities		
Equity		
Share Capital		32000
Retained Earnings		13534
Current Liability	1	24207
Total Equity and Liabilities		69741