Business Finance Assignment - 2.

1) C) I, II, III, & IV Only.

2) C) An adverse opinion

3) C) Chairman's Report.

4) A) II Only.

6) a) Realization Concept :- In this concept, income is recog-nized as and when it is earned rather than earned money being received by the customer.

Accrual Concept :- Expenses are recorded as and when they are incurred and not when they are originally paid. Avoiding random allocations of costs.

b) The earned premium for the year is calculated by ~~considering~~ considering the earned portion of the total written premium is an application of realization concept.

The incurred claims for a financial year considers the paid claim during the year & O/s claim reserves for known and unknown claims for next financial year.

6) Different ways through which accounts can be manipulated are:-

i) inappropriate depriciation of tangible assets
ii) inappropriate ammortization of intangible assets
iii) inappropriate valuation of Inventories
iv) inappropriate valuation of liabilities
v) Unwanted revaluation of tangible assets.
vi) ~~Omi~~ Omitting contingent liabilities.
vii) ~~Probability~~ prebooking of anticipated sales revenues.

7)

	Gross Profit	Cash flow.
i)	No Change	No Change.
ii)	No Change.	Decreases.
iii)	No Change.	No Change.
iv)	Decreases	No Change.
v)	No Changes.	No Change.

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8) i) Main roles of financial regulators are as follows:-

a) To establish market confidence in the financial system

b) To contribution in the protection and enhancement of stability of financial ~~sta~~ system.

c) To secure the appropriate degree ~~of~~ consumer protection.

ii) Regulatory bodies that regulate the Indian Financial system are as follows:-

a) Reserve Bank of India.

b) Securities Exchange Board of India.

c) Pensions fund Regulatory & Developement authority

d) Insurance Regulatory and ~~Develo~~ Developement Authority of India.

iii) a) RBI

b) PFRDA

c) IRDAI

d) SEBI

e) AMFI

f) SEBI

g) FEDAI - foreign exchange dealers assosciation at India.

h) RBI

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9Y i) ~~Concept~~ Cost Concept.

Under this concept, non-current assets generally appear in the statement of the financial position at the original cost less depriciation.

ii) Going Concern Concept

Under this concept it is assumed it is assumed that business will continue indefinetly.

Going Concern acts as justification for cost concept as it considers the assets to be sold in the near future so, a bit irrelevant figures of assets in the books wont matter.

iii) The Prudence concept tells the prepares of financial statements to avoid presenting an unruly optimistic set of results.
Lowest value of profits ~~realisable~~ ~~reali~~ realisable and the highest value of liabilities incurring should be taken into account. This leaves very little room for false sense of security by over stating company's strengths.

10) a) Investment Bank

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

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

Application of funds:- Investing the money received from customers in equities, bonds in the market judiciously to get better returns.

b) Pension Scheme:

Role:- To provide annuity products to people after retirement as income support.

Source of Funds:- Premiums collected from customers during their time of employment.

Applications of funds:- Investing and growing the premiums received and to provide annuities to customers

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c) Life Insurance Company.

Role:- To provide lumpsum amount to the policyholders' family incase of death of policy-holder.

Source of funds :- Premiums collected from the policyholders.

Applications of funds:- To provide the said amount to the family of the policyholder at his /her death

11) Challenges in ~~imp~~ Interpretation of accounts
i) Different treatments of incomes.
ii) Different treatments of depriciation.
iii) Non-Uniformity
iv) Uncomparable.

12) i) The preparation of insurance company is complicated due to following reasons,
a) The underlying contracts fall due outside the accounting periods and are uncertain in size.
b) Premature tranfer of ~~money~~ profit to shareholders may endanger the financial stability of the company and the ability to meet future liabilities.

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ii) It includes every income & expense from the insurance business.

Earned Premium
+ Investment Gain.
+ Realised Capital Gains.
(–) Claims incurred.
(–) Operating Expenses.

Balance

13) i) **Advantages:-**
- They reduce variations between Companies.
- They oblige Companies to disclose more information about the company.
- They allow some degree of flexibility that legislation does not.

Disadvantages:-
- They set standardised rules which may not be appropriate for all companies in all circumstances.
- Standards often allow more than one testement, negating the conformity.

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Q.14 (i)

ABC Limited Income Statement for the year ended 31st March 2019.

Revenue	15,00,000
Cost of Sales	(6,47,000)
Gross Profit	{8,53,000}
Administrative Staff	(3000)
Distribution Cost	(2,66,000)
	5,84,000
Interest	(10,000)
Profit for the year	5,74,000

ii) ABC Ltd. statement of changes in equity. for the year ended 31st March, 20

	Share Capital	Revaluation Revenue	Retained ~~earnin~~ earnings	Total
Op. balance	2,00,000	180,000	2,50,000	6,30,00
Revaluation	–	5,40,000	–	5,40,00
Profit for the year	–	–	5,40,000	5,74,00
Dividend paid	–	–	(45,000)	(45000)
Closing balance	2,00,000	7,20,000	7,79,000	16,99,00

Assets
Laptops
(-) Depⁿ
Office Equipment
(-) Depⁿ
Office Supplies
... to receivable

2000
200
62,368

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iii) ABC Statement of Financial position at 31st March, 2019.

No	
Non. Current Assets	
Plant, property & equipment	16,72,000
Current Assets:	
Inventory	30,000
Trade ~~Payable~~ Receivable	2,10,100
Total Assets	19,12,000
Equity liabilities	
Equity.	
Share Capital	2,00,000
Revaluation Reserve	7,20,000
Retained earnings	7,79,000
	16,99,000
Non Current Liabilities	
Loan	1,45,000
Current liability.	
Trade Payables	50,000
Bank	18,000
	68,000
Total Equity & Liabilities	19,12,000

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Notes.

1) Property Plant & Equipment

Cost / Valuation	Land	Building	Machinery	Vehicles	Total
Op. Balance	6,00,000	4,00,000	1,50,000	3,25,000	14,75,000
Revaluation	2,00,000	3,00,000	–	–	5,00,000
Closing Balance	8,00,000	7,00,000	1,50,000	3,25,000	19,75,000

2) Depriciation.

Cost / Valuation	Land	Building	Machinery	Vehicles	Total.
Op. balance	(–)	40,000	80,000	170,000	2,90,00
Revaluation	(–)	(+40,000)	(–)	(–)	(40,000
Closing balance	(–)	7000	15,000	31,000	53,000
		7000	95,000	2,01,000	3,03,000
Net Book Value	8,00,000	(–)	55000	124000	16,72,00

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34 Cost of Sales

Cost of Inventory Consumed	3,50,000
Factory running cost	1,00,000
Manufacturing wages	1,75,000
Depn of Building	7,000
Depn of Machinery	15,000
	6,47,000

Cost of Distribution

Advertising	55,000
Delivery Vehicle Running Costs	60,000
Sales Salaries	1,20,000
Depn of vehicles	31,000
	2,66,000

Q.15) P/L for the year ended 31/12/2019

Revenue		Amount (IN ₹)
Fee Revenue Earned		58,000
Invest Income		200
Total		58,200
Employee's Salaries	(14,000)	
Office Supplies	(1,000)	
Office Electricity	(4,000)	
Mobile & Internet	(583)	
Depriciation :-		
Laptops	(3,208)	
Office Equipment	(1833)	
Office Rent	(14,207)	
Income Tax	(3000)	
Total	(41,832)	
Total Profit		16,368 ₹

Calculation

→ Fee Revenue = 55000 + 2000 + 1000 = 58000

→ Emp. Salaries = 10,000 + 4000 = 14000

→ Office Supplies = 2000 − 1000 = 1000

→ Office Rent = 15917 − $(1000 \times (1.05)^{11})$ = 14207

Depriciation

Laptops = $35000 \times \frac{1}{10} \times \frac{11}{12}$ = 3208

Office equipment = $20,000 \times \frac{1}{10} \times \frac{11}{12}$ = 1833

Balance Sheet as on 31st December, 2019

Assets		
Laptops.	3500	
(-) Dep^n	(3208)	31792.
Office Equipment	2000	
(-) Dep^n	(1833)	18167
Office Supplies		1000
Trade receivable		1500
Cash		1000
Bills receivables		5000
Office Rent		1710
Revenue Receivable		2000
Interest receivable.		200
Total Assets		62,368
Liabilities		~~3000~~
Trade payables		~~9000~~ 3000
Unearned Fees		~~4000~~ 9000
Employees payable		~~3000~~ 4000
Income Tax		~~32000~~ 3000
Share Capital		~~11368~~ 32000
Retained earning		11368
Total Liability		62,368