

School of Finance and Commerce

Bachelor of Commerce Honours in International Accounting and Finance Semester End Examination - Aug 2024

Duration : 180 Minutes
Max Marks : 100

Sem IV - H1UD404T - Fundamentals of Corporate Reporting

General Instructions

Answer to the specific question asked

Draw neat, labelled diagrams wherever necessary

Approved data hand books are allowed subject to verification by the Invigilator

- 1) Define investment property. K1(2)
- 2) "Financial Statement Analysis, though useful, has got certain limitations". Explain the statement. K2(4)
- 3) ABC has been sued for the damages caused, but just before the year-end the lawyers believe that the chance of losing the case is remote and thus no provision has been created. On 15 February, the court approved Rs. 1 million damages against ABC. How should this event be recognized in the financial statements? K2(6)
- 4) The company's major warehouse and the inventory it contained, was completely damaged because of a fire explosion took place on 12 January 2013. The warehouse and the inventory were to have a carrying value of \$20 million and \$12 million respectively on this date. The company is expected to recover up to maximum of \$18 million as it has not updated its insurance cover. The operations of the entity were severally interrupted and the entity expects to face losses for coming few years. State whether provision need to be created or not and the amount for the same, if any. K3(9)
- 5) Examine the given information and interpret the following income statement of Vasudev Ltd. through a comparative income statement: K3(9)

Particulars	2020 (Amt. in Rs.)	2021 (Amt. in Rs.)
Net Sales	15,00,000	23,00,000
Less: Cost of goods sold	8,50,000	12,75,000
Gross Profit	6,50,000	10,25,000
Less: Operating Expenses		
General & Administrative expenses	1,70,000	1,72,000
Selling expenses	1,60,000	1,80,000
Profits before Interest & Taxes	3,20,000	6,73,000
Less: Interest on Borrowings	25,000	1,80,000
Profit before Tax	2,95,000	4,93,000
Less: Income Tax	70,000	1,00,000
Profit after Tax	2,25,000	3,93,000

- 6) Explain the relevance of financial analysis to the following parties: K5(10)

1. Management; 2. Trade Union; 3. Suppliers and Creditors; 4. Lenders; and 5. Employees
- 7) From the following information analyse & interpret the performance of Copernicus Corp.: K4(12)

Type of Ratio	Copernicus Corp.	Industry Average
Current ratio	2: 1	3: 2
Quick ratio	0.5: 1	1: 1
Gross profit ratio	75 %	70 %
Net profit ratio	35 %	40 %
Operating Ratio	40 %	35 %

- 8) "Adoption of IFRS facilitates Cross Border Capital Allocation." Justify the statement by providing valid reasons. K5(15)
- 9) From the following information: K5(15)

1. Prepare Common size statements & interpret it;
2. Prepare Comparative statements & interpret it

Income Statement

for the year ending 30 December, 2017 & 2018

Particulars	2017		2018	
	Details	Amount	Details	Amount
Sales		1920000		2180,000
Cost of Sales:				
Direct Material Cost	780,000		920,000	
Direct Wages	510,000		390,000	
Factory Overheads	110,000	1400,000	220,000	1530,000
Gross Profit				
Expenses:				
Administrative Cost	120,000		145,000	
Distribution Cost	80,000	200,000	115,000	260,000
Net Profit		320,000		390,000

Balance Sheet

as at 30 December, 2017 & 2018

Particulars	2017		2018	
	Details	Amount	Details	Amount
Non-Current Assets:				
Freehold Premises	400,000		400,000	
Plant & Machinery	200,000		395,000	
Fixtures & Fittings	120,000	720,000	100,000	895,000
Current Assets:				
Inventory	200,000		250,000	
Trade Receivables	130,000		166,000	
Bank Balance	30,000		-	
Cash in Hand	10,000	370,000	4,000	420,000
		1090,000		1315,000
Equity:				
Capital	900,000		940,000	
Net Profit for the Year	320,000		340,000	
(Less): Drawings	(280,000)	940,000	(160,000)	1120,000
Current Liabilities:				
Trade Payables	150,000		160,000	
Bank Overdraft	-	150,000	35,000	195,000
		1090,000		1315,000

- 10) "The objective of financial reporting is to provide information about the financial position, performance and changes in financial position of an enterprise that is useful to a wide range of users in making economic decisions." In the light of the above statement discuss in detail various statements that a company is required to prepare and the objectives behind financial reporting. K6(18)