

Prabodhan Education Society's
Vidya Prabodhini College of Commerce, Edu., Comp. and Mgmt., Parvari Goa
TYBCOM SEMESTER END ASSESSMENT JANUARY 2022

Financial Reporting DSE 4 (UCOD113)

Semester: V

Duration: 2 Hours

Max Marks: 80

Instructions:

- Question No. 1 is compulsory.
- Attempt ANY 3 questions from Question no. 2 to Question no. 6.
- Each question carries 20 marks.
- Mention working note required wherever necessary.

Q1. A) S & D Co. Ltd has recognized ₹ 7,00,000 on accrual basis, income from dividend on securities and units of mutual funds of the face value of ₹ 40 lakhs held by it as at the end of the year ending 31st March 2018. The dividends were declared at the rate of 10% on 15th June 2018. The dividend was proposed on 10th May 2017 by the declaring company. The company has recorded the income during the year 2017-18.

Was the treatment correct?

Comment on recognition of income as per AS 9.

(5 Marks)

B) A computer costing ₹ 80,000 is depreciated on straight line basis assuming 10 years working life and nil residual value for three years. The estimates of remaining useful life after third year reassessed at 5 years. Calculate the depreciation as per AS 10 'Property Plant and Equipment'.

(5 Marks)

C) M Ltd. obtained a loan from a bank for ₹ 120 lakhs on 01-04-2016. It was utilized as follows:

Particulars	Amount (₹ in lakhs)
Construction of a shed	50
Purchase of a machinery	40
Working Capital	20
Advance for purchase of truck	10

Construction of shed was completed in March 2017. The machinery was installed on the same date. Delivery truck was not received. Total interest charged by the bank for the year ending 31-03-2017 was 18 lakhs. Show the treatment of interest. **(5 Marks)**

D) The profit before tax of TLC Co. Ltd is ₹ 940000. Corporate tax rate is 30%. The company has paid 40000 as a dividend to its preference shareholders. The company has 40000 equity shares of ₹ 100 each. You are required to calculate Earnings Per Share of the company. **(5 Marks)**

Q2. A) A company acquired a machine on 1.4.2015 for ₹ 1000000. The company charged depreciation upto 2017-18 on straight line basis with estimated working life of 10 years and scrap value of ₹ 100000.

From 2018-19 the company decided to change depreciation method at 20% on reducing balance method. Compute the amount of depreciation to be debited to profit and loss account for the year ended 2018-19. **(10 Marks)**

B) What is IFRS? Explain the need for IFRS. **(10 Marks)**

Q3. A) SAMPLE Pvt has identified the following segments:

Particulars	Soap	Shampoo	Handwash	Hand Sanitizer	Total
External Sales	140	180	30	80	430
Segment Results	120	-140	-120	80	-60
Segment Assets	80	30	130	140	380

Decide on reportable segment **(10 Marks)**

B) S & M Pvt Ltd engaged in manufacturing business furnished the following Profit and Loss statement for the year ended 31st March 2015. You are required to prepare valued added statement: **(10 Marks)**

Particulars	Notes	₹	₹
Income			
Sales			8900
Other income			550
			9450
Expenditure			
Production and operation expenses	a	6400	
Administration expenses	b	460	
Interest	c	290	
Depreciation		170	7320
Profit before taxes			2130
Provision for taxes			270
Profit after tax			1860
Balance as per the balance sheet			170
			2030
Transferred to general reserve		470	
Dividend paid		920	1390
Surplus carried to balance sheet			640

Notes:

a) Production and operation expenses

Consumption of raw materials	₹ 2944
Consumption of stores	₹ 580
Salaries and wages	₹ 832
Cess and local taxes	₹ 960
Other manufacturing expenses	₹ 1084
	₹ 6400

- b) Administration expense include salaries, commission to directors – ₹ 124.
Provision for doubtful debts ₹ 88
- c) Interest on loan from ICICI bank for working capital ₹ 88
Interest on loan from IDFC bank for fixed loan ₹ 100
Interest on loan from Axis Bank for fixed loan ₹ 82
Interest on debentures ₹ 20
- d) Cess and local taxes include excise duty which is ₹ 560

Q4. A) Distinguish between Indian GAAP and US GAAP (10 Marks)

B) From the following details with regard to Deccan Pharma Ltd calculate value of human resource of skilled and unskilled employees according to the Lev and Schwartz model (10 Marks)

Sr. No.	Particulars	Skilled	Unskilled
1	Annual average earnings of an employee till the date of retirement	₹ 1,50,000	₹ 1,00,000
2	Age of retirement	63 years	65 years
3	Discount rate	15%	15%
4	No of employees in the group	40	40
5	Average age	60 years	63 years

Q5. A) Elaborate on qualitative characteristics of financial reporting (10 Marks)

B) Explain the users of financial reports (10 Marks)

Q6. Write short note on **ANY FOUR** of the following (4x5 =20 Marks)

- Objectives of financial reporting
- Components of financial reporting
- Significance of accounting standard
- Generally accepted accounting principles
- IFRS adoption and convergence
- Concept of fair value