

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

School of Finance and Commerce

**Bachelor of Commerce Honours in International Accounting and Finance
Mid Term Examination - May 2024**

**Duration : 90 Minutes
Max Marks : 50**

Sem IV - H1UD404T - Fundamentals of Corporate ReportingGeneral 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) State the criterias for recognition of PPE. K2 (2)
- 2) Show various components that are part of financial reporting. K1 (3)
- 3) A retail store has a policy of refunding purchases by dissatisfied customers, even though it is under no legal obligation to do so. Its policy of making refunds is generally known. Should a provision be made at the year's end? K2 (4)
- 4) Anant Ltd. is a manufacturing company having lots of heavy machines. Some of these machines require major maintenance works and overhauling after some time – some of them after 3 years, or 5 years. In some cases the company need to replace some components of the machines after few years. Explain whether the company should make a provision for major overhauling and replacement of components or not. Give appropriate reason(s) in support of your answer. Also provide alternative solution, in case company can't create a provision. K2 (6)
- 5) An entity purchased an asset for \$20,000 on 1 January 20X3. Straightline depreciation of \$5,000 per annum has been charged, assuming a four-year useful life with no residual value. On 1 January 20X5 the annual review of asset lives was undertaken and the remaining useful life for this asset was estimated at four years. The financial statements for the year ended 31 December 20X5 are being prepared. What is the depreciation charge for the year ended 31 December 20X5? Also, find the depreciation charge for the year ended 31 December 20X4. K3 (6)
- 6) Illustrate the meaning of Investment property. Also indicate different conditions when any property will either not qualify/partially qualify will qualify for identification as an investment property. K3 (9)

7) BMW has 100 automobiles in its inventory at the year-end (December, 2017) costing Rs. 11,00,000 each. New Safety Regulations announced after the year-end (February 7, 2018) have forced prices of automobiles to drop to just Rs. 8,00,000. Its date of authorization of financial statements for issue was 10 February 2013 and the annual general meeting is scheduled on 7 March 2013. Is this an Adjusting Event or Non-Adjusting Event after the Reporting Date? Also state its accounting treatment.

K4 (8)

8) Mahajan Ltd., a manufacturing company, has its accounting year being ended on 31 March. Its date of authorization of financial statements for issue was 21 May. The scheduled date for annual general meeting is 17 June. The following events occurred as follows: (a) The stock held by company was completely damaged because of a fire explosion took place on 12 January. On this date the carrying cost of the inventory is Rs. 10,00,000. Due to this incidence, the operations of the entity were severally interrupted. Moreover, the entity expects to face losses for coming few years. (b) A particular type of inventory held by Mahajan Ltd. In the north-west region of the country at cost price of Rs. 12,20,000 at 31 March in the statement of financial position. The entity sold 30% of this inventory for Rs. 3,00,000 on 15 April. (c) The government introduced tax changes on 20 April, due to which the tax liability recorded by entity on 31 March, will increase by Rs. 6,00,000. Identify events as adjusting/non-adjusting events providing appropriate reasons in support of your answer. Also enlist its treatment in financial statements, if any.

K4 (12)

OR

Kyle Co purchased an investment property some year ago and carries it under the fair value model. At 1 January 20X1, the property had a fair value in Kyle Co's financial statements of \$12 million. On 1 July 20X1 Kyle Co decided to move into the property and use it for its own business. At this date the asset had a fair value of \$14 million and a remaining useful life of 14 years. What amount should be recorded in Kyle Co's financial statements for the year ended 31 December 20X1 if: a. Cost model is being adopted; and b. Fair value model is being adopted.

K4 (12)