

School of Finance and Commerce

**Bachelor of Commerce Honours in International Accounting and Finance
Semester End Examination - Jun 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

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|----|---|-------|
| 1) | State accounting treatment of revaluation of PPE. | K1(2) |
| 2) | State significance of Ratios Analysis for Business entities. | K2(4) |
| 3) | An entity sells goods with a warranty covering customers for the cost of repairs of any defects that are discovered within the first two months after purchase. Past experience suggests that 88% of the goods sold will have no defects, 7% will have minor defects and 5% will have major defects. If minor defects were detected in all products sold, the cost of repairs would be \$24,000. If major defects were detected in all products sold, the cost would be \$200,000. What amount of provision should be made? | K2(6) |
| 4) | Examine the given information and interpret the following income statement of Vasudev Ltd. through a common-size 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

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|----|---|--------|
| 5) | Briefly discuss about liquidity ratios and its relevance. | K3(9) |
| 6) | “Current ratio ensures depicting of the true liquidity position of business concerns”. In support of the given statement, explain | K5(10) |

various current ratios that businesses calculate and the relevance of these ratios.

- 7) Celine, a manufacturing entity, purchases a property for \$1 million on 1 January 20X1 for its investment potential. The land element of the cost is believed to be \$600,000, and the buildings element is expected to have a useful life of 50 years. At 31 December 20X1, local property indices suggest that the fair value of the property has risen to \$1.1 million. Required: Show how the property would be presented in the financial statements as at 31 December 20X1 if Celine adopts: (a) the cost model; (b) the fair value model. K4(12)
- 8) Enlist various reasons for which financial reporting holds importance to every stakeholder. K5(15)
- 9) "Financial Reporting holds importance for each and every stakeholder for multiple reasons & purposes." Examine the statement and explain various points that highlight the importance of financial reporting. K5(15)
- 10) The financial statements of Black Barn Company are given below: K6(18)

Income Statement (20X9)

Particulars	Amount (Rs.'000)
Sales	80,00
Cost of goods sold	52,60
Gross Profit	27,40
Selling & Admin. Exp.	15,00
Operating Profit	12,40
Interest Paid	1,40
Income before Tax	11,00
Tax paid	4,40
Net Income	6,60

Balance Sheet

Liabilities	20X9	20X8	Assets	20X9	20X8
	Amount (Rs.'000)	Amount (Rs.'000)		Amount (Rs.'000)	Amount (Rs.'000)
B/P	8,00	7,20	Cash		
Bank Loan	6,00	1,00	B/R	200	50
Bonds Payable	9,00	10,00	Inventory	12,00	9,50
Eq. Shares	3,00	3,00	Fixed Assets	18,40	15,00
Retained Earnings	38,40	33,80		32,00	30,00
	64,40	55,00		64,40	55,00

Calculate following ratios for 20X8 and 20X9:

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|-------------------------------|-------------------------------|
| 1. Current ratio | 1. Fixed Asset turnover ratio |
| 1. Average collection period | 1. Inventory turnover ratio |
| 1. Total Asset turnover ratio | 1. Return on equity ratio |