

31. Dyan Ltd has a plant under construction which is being financed with Rs.65,00,000 of debt, Rs.20,00,000 of which is a construction loan directly on the plant. The rest is financed out of the general debt of the company. The company will use the plant when it is completed. The debt structure of the firm is as follows:

Construction loan @12%	20,00,000
Long term debentures @10%	50,00,000
Long-term subordinated debentures @11%	25,00,000

The debentures and the sub-ordinated debentures were issued at the same time.

Calculate the following:

- The interest payable during the year
- Interest payable on the amount utilised on the construction of the plant
- The capitalised interest cost to be recorded as an asset on the statement of financial position, according to Ind AS 23.
- The amount of interest expense that should be recorded on the statement of comprehensive income.

**(2 x 15 = 30 Marks)**

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**16U575**

(Pages: 4)

Name: .....

Reg. No.....

**FIFTH SEMESTER B.Com. DEGREE EXAMINATION, NOVEMBER 2018**

(CUCBCSS-UG)

**CC15U BC5 B10 - FINANCIAL REPORTING**

(Commerce - Core Course)

(2015 Admission onwards)

Time: Three Hours

Maximum: 80 Marks

**Part A**

Answer *all* questions. Each question carries 1 mark.

I. Choose the correct answer from the following:

- Accounting profession of India is governed by.....
  - ICAI
  - Govt. Of India
  - Ministry of Corporate Affairs
  - ASB
- Inventories must be measured at:
  - Cost
  - Lower of cost and fair value less cost to complete and sell
  - Lower of cost and estimated selling price less cost to complete and sell
  - None of these
- Which of the following is not an example of a potential ordinary share?
  - Standard preference share
  - Stock warrant
  - Convertible preference share
  - Convertible debt
- Useful life of an intangible asset with finite useful life is reviewed at .....
  - Every year
  - The end of the useful life
  - In case any changes in accounting estimated
  - None of the above.
- Consideration which varies upon certain future events which may or may not occur is called .....
  - Variable consideration
  - Agreed price
  - Future consideration
  - None of these

II. Fill in the Blanks:

- IASB was established in the year .....
- GAAP stands for .....
- Amortization of an Intangible asset is recognized in .....
- Land related to agricultural activities comes under the scope of “ Ind AS .....”
- Accumulated profits held by an entity are called .....

**(10 x 1 = 10 Marks)**

**Part B**

Answer any *eight* questions. Each question carries 2 marks.

11. Define IFRS
12. What do you mean by reversal of impairment of loss?
13. Define contingent asset.
14. What is biological asset? Give examples.
15. What do you mean by accounting estimates?
16. What is a non-current financial liability?
17. What is stand alone price?
18. What is diluted earning per share?
19. What are the factors considered when estimating the useful life of a depreciable asset?
20. What is recognition of financial elements? (8 x 2 = 16 Marks)

**Part C**

Answer any *six* questions. Each question carries 4 marks.

21. What is IFRS convergence? What are the benefits of IFRS convergence?
22. How is an intangible asset with finite useful life amortised as per Ind AS 38?
23. Differentiate between financial lease and operating lease with suitable examples.
24. What are the advantages and disadvantages of accounting standards?
25. On 1<sup>st</sup> January 2016 a company borrowed Rs.1,50,000 to finance the production of two assets, both of which were expected to take a year to build. Production started during 2016. The loan facility was drawn down on 1<sup>st</sup> January 2016, and was utilized as follows, with the remaining funds invested temporarily.

	Asset A (in Rs.)	Asset B (in Rs.)
1 <sup>st</sup> January 2016	25,000	50,000
1 <sup>st</sup> July 2016	25,000	50,000

The loan rate was 9% and the company can invest surplus funds at 7%.

Ignoring compounded interest, what are the borrowing costs which may be capitalized for each of the assets and consequently what is the cost of each asset as at 31<sup>st</sup> December 2016?

26. On 15<sup>th</sup> December 2015, a machine manufacturer sold an item of machinery it manufactured on 13<sup>th</sup> August 2015 to a customer for Rs.8,00,000 cash. The cost of machine was Rs.5,50,000. The customer took immediate delivery. Pass necessary entries to record the transaction.
27. On 1<sup>st</sup> April 2016, in order to fulfill an urgent order from a customer, fuel retailer X received 1,80,000 litres of motor fuel in city A from another fuel retailer Y in exchange for 1,80,000 liters of its motor fuel in city B. Motor fuel costs Rs.60 per litre.  
How much revenue will be recognized by both X and Y as per IFRS 15?

28. Fab Ltd had the following financial data for the year ended 31<sup>st</sup> March 2017.

Particulars	Amount (in Rs.)
Capital expenditures	75,00,000
Dividends declared	1,20,000
Net Income	17,00,000
Common stock issued	33,00,000
Increase in accounts received	12,00,000
Depreciation and amortisation	3,50,000
Proceeds from sale of assets	6,00,000
Gain on sale of assets	50,000

Based on the above, what is the ending cash balance at 31<sup>st</sup> March, 2017, assuming an opening cash balance of Rs.47,00,000 ?

(6 x 4 = 24 Marks)

**Part D**

Answer any *two* questions. Each question carries 15 marks.

29. Define accounting standards. What are the advantages and disadvantages of accounting standards?
30. Suppose today April 2016. You are a financial analyst at Bangalore, a top management firm. Your supervisor has asked you to analyse ABC Ltd. and XYZ Ltd. based on their earnings per share.  
Both the companies are listed on BSE. Stock prices of ABC Ltd. and XYZ Ltd. as at 31<sup>st</sup> March 2016 were Rs.40 and Rs.70 respectively. ABC Ltd. financial statements for the year ended 31<sup>st</sup> March 2016 are available which report an EPS of Rs.2.50 per share. While complete financial statements for XYZ Ltd. are not yet available, the company has reported its net income for the year ended 31<sup>st</sup> March 2016, which is 95 lakh. Following additional public information is available from the company's investor relation website
  - (a) The company had 20,00,000 shares of common stock as at 1<sup>st</sup> April 2015
  - (b) On June 2015, the company issued 5,00,000 additional shares
  - (c) On 31<sup>st</sup> December 2015, the company bought back 2,50,000 shares
  - (d) The company had a preferred stock of 50 lakh throughout the year which carries dividends at 8%.

Calculate EPS for XYZ Ltd and calculate P/E ratio for both companies.

(3)

**Turn Over**