

D 11118

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Name.....

Reg. No.....

FIFTH SEMESTER B.Com. DEGREE EXAMINATION, NOVEMBER 2016

(CUCBCSS—UG)

BCM 5B 10—FINANCIAL REPORTING

Time : Three Hours

Maximum : 80 Marks

Part A

Answer all the questions.

Each question carries 1 mark.

1. Which of the following is the fundamental assumption of financial statements as per the IASB conceptual framework ?
 - (a) Going concern.
 - (b) Materiality.
 - (c) Substance over form.
 - (d) Relevance
2. Which of the following IAS deals with Income Tax ?
 - (a) IAS 12.
 - (b) IAS 29.
 - (c) IAS 36.
 - (d) IAS 7.
3. Which of the following is not the outcome of biological transformation according to IAS 41 ?
 - (a) Growth.
 - (b) Procreation.
 - (c) Harvest.
 - (d) Degeneration.
4. In which of the following situations the Net Realisable Value of an item of inventory is likely to be lower than Cost :
 - (a) Product cost of item decreases.
 - (b) Item becomes obsolete.
 - (c) Selling price of the item increases.
 - (d) Demand for the item increases.
5. The IFRS that considers Revenue from contracts with customers :
 - (a) IFRS 2.
 - (b) IFRS 15.
 - (c) IFRS 8.
 - (d) IAS 34.
6. Ind AS 7 requires dividend paid to be classified as an item of _____ activity.

Turn over

7. According to IAS 23, borrowing cost directly attributable to acquire a qualifying asset is to be _____.
8. The impairment loss is the amount by which _____ amount of an asset exceeds its recoverable amount.
9. An identifiable non-monetary asset without physical substance is called _____.
10. A liability of uncertain timing or amount is called _____.

(10 × 1 = 10 marks)

Part B

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

11. Brief the meaning of IFRS ?
12. Mention the methods of depreciation allowed in the measurement of PPE as per Ind AS 16.
13. What is meant by amortization as per IAS-38 ?
14. Cite the scope of IAS 12.
15. Point out the purpose of statement of cash flows.
16. How the finance lease is initially recognized in the accounts of lessee ?
17. Show the categories of Employee Benefits as per IAS 19.
18. List the complete set of financial statements as per IAS 1.
19. Define Accounting Policies.
20. What is carrying amount ?

(8 × 2 = 16 marks)

Part C

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

21. What are the advantages of setting of Accounting Standards ?
22. Briefly discuss the objectives and uses of financial statements.
23. How will you value the inventory per kg. of finished goods consisted of : Material cost Rs. 100 per kg.; Direct Labour cost Rs. 20 per kg.; Direct variable production overhead Rs. 10 per kg.; Fixed production charges for the year on normal capacity of One lakh kgs. is Rs. 10 lakhs. 2,000 kgs. of finished goods are on stock at the year end.
24. On 1-10-2015 AB Ltd. made an issue of 1,00,000 equity shares . The company's accounting year ends on 31st December. Relevant information for the year 2015 is given below :

		31-12-2014	31-12-2015
		Rs.	Rs.
Number of shares as at	...	80,00,000	90,00,000
Profit as per tax and			
Preference dividend	...	40,00,000	45,00,000

Compute EPS for 2014 and 2015.

25. The components of the cost of a major item of equipment are given below :
- Purchase price Rs. 7,00,000, import duties Rs. 1,20,000 ; VAT (refundable) Rs. 60,000 ; Site Preparation Rs. 40,000 ; Installation Rs. 30,000 ; Testing Rs. 10,000 ; Initial losses before asset reaches planned performance Rs. 50,000 ; Discounted cost- of dismantling and removal at the end of useful life Rs. 40,000. Compute the cost of the asset to be recognised as per IAS 16- Property Plant and Equipment.
26. Define borrowing cost and mention the core principle of its recognition.
27. When a provision is recognized as per IAS 37 ?
28. Show a scheme of accounting entries in the books of lessee for a finance lease ?
(6 × 4 = 24 marks)

Part D

Answer any two questions.
Each question carries 15 marks.

29. Explain the objectives, underlying assumptions, and qualitative characteristics of financial statements as stated in conceptual framework for financial reporting.
30. The following is the Trail Balance of ABC Ltd. as at 31-03-16

		(Rs. 000)
	Dr.	Cr.
Leasehold Property at Valuation 1-4-2015	50,000	
Plant and Equipment at cost	76,600	
Plant and Equipment -Accumulated Depreciation as at 1-4-15		24,600
Closing Inventory as at 31-3-16	20,000	
Trade Receivables	43,000	
Bank		1,300
Trade Payables		24,700
Revenue		3,00,000
Cost of sales	2,00,000	
Distribution Expenses	10,000	
Administration Expenses	25,000	
Interest on bank borrowings	1,800	
Dividend paid	10,000	
Retained earnings at 1-4-15		20,000
Deferred Tax		5,800
Leasehold Property Revaluation Reserve		10,000
Equity Share Capital (Rs. 10 shares)		50,000
Total	4,36,400	4,36,400

Turn over

Following Notes are relevant :

- (a) The leasehold Property had a remaining life of 20 years at 1-4-15. The company's policy is to revalue its property at each year end. At 31-3-16 the property was valued at Rs. 43 million.
- (b) On 1-4-15 an item of plant was sold for Rs. 2.5 million cash. The proceeds have been treated as sales revenue by the company. The Plant is still included in the above trail balance at its cost Rs. 8 million and accumulated depreciation of Rs. 4 million (to the date of sale). All plant is depreciated at 20 per cent per annum using the reducing balance method. Depreciation on Property and Plant is to be charged to cost of sales.
- (c) The directors have estimated the provision for income tax for the year ended 31-3-16 at Rs. 12 million. The required deferred tax provision is at 31-3-16 is Rs. 6 million.

You are required to prepare :

- (i) Statement of Profit or loss and other Comprehensive income for the year ended 31-3-16.
- (ii) Statement of Changes in Equity for the year ended 31-3-16.
- (iii) Statement of Financial Position as at 31-3-16.

31. AB Ltd, a merchandising company commenced its operations on 1-4-2015. The following is the Statement of profit and loss for the year ended 31-3-2016.

	(Rs. 000)	(Rs. 000)
	Dr.	Cr.
By Sales	...	10,000
Purchases	... 8,000	
Closing stock	... (2,000)	
Cost of goods sold		(6,000)
Gross Margin		4,000
Operating Expenses (including Depreciation Rs. 500)	...	(2,500)
Interest received	...	200
Interest paid	...	(100)
Profit Before Tax	...	1,600
Income tax expense	...	600
Net profit	...	1,000

Following additional information is provided :

- (a) As on 31 -3-16 Rs. 10,00,000 were due from customers.
- (b) As on 31-3-16 Rs. 10,00,000 were due to creditors for goods and Rs. 5,00,000 were due to creditors for services.
- (c) Income tax expense includes Rs. 2,00,000 deferred tax expense , and total amount of current tax liability has already been paid as advance tax. Calculate the amount of net cash flow statement for the year 2015-16 according to IND AS 7.

(2 × 15 = 30 marks)