

SARASWAT VIDYALAYA'S  
SRIDORA CACULO COLLEGE OF COMMERCE & MGMT. STUDIES  
T. Y. B. COM SEMESTER V EXAMINATION (CBCS), JANUARY, 2021  
ACCOUNTING MAJOR 4: FINANCIAL REPORTING

**Duration: 2 hours**

**Max marks: 80**

- Instructions: 1) Question No. 1 is compulsory  
2) Attempt any 3 questions from question no. 2 to 6  
3) Each question carries 20 marks  
4) Working notes should form part of your answer

Que. 1) a) Reliance Ltd obtained a loan for Rs. 50 lakhs on 15<sup>th</sup> April, 2018 from HDFC Bank Ltd to be utilised as under:

Sr. No	Particulars	Amount (Rs. in lakhs)
1	Construction of factory shed	10
2	Purchase of machinery	20
3	Working capital	10
4	Advance for purchase of truck	10

In March 2019, construction of factory shed was completed and machinery which was ready for its intended use, was installed. Delivery of truck was received in the next financial year. Total interest of Rs. 5,00,000 was charged by the bank for the financial year ending 31/3/2019. Show treatment of interest under AS 16. **(5 marks)**

b) The net profit of Aruna Ltd before interest and tax is Rs. 3,50,000, the company has paid Rs. 30,000 as interest. the tax to be calculated @ 30%. The company has declared dividend on preference shares @ 10% (1000 preference shares @ 100 each). The company has 21,400 equity shares of Rs. 10 each. Calculate EPS. **(5 marks)**

c) A computer costing Rs. 1,20,000 is depreciated on straight line basis assuming 10 years working life and nil residual value for 3 years. The estimate of remaining useful life after 3 years was assumed at 5 years. Calculate depreciation as per provisions of AS 10 **(5 marks)**

d) The following transactions are available of Tata Ltd for the year ended 31/3/2020

Sr. No	Particulars	Amount
1	Goods were sold on 20/3/2020 but at the request of the buyer these goods were delivered on 10/4/2020.	Rs. 60,000
2	On 15/1/2020 goods were sent on consignment basis of which 30% of the goods unsold are lying with the consignee as on 31/3/2020	Rs. 1,50,000
3	Goods were sold to a buyer on installation and inspection basis on 20/3/2020. The goods were installed at the buyers place on 1/4/2020.	Rs. 80,000
4	Received order from Sima Ltd on 25/5/2020 for certain quantity of goods	Rs. 10,000

You are required to advise the accountant of Tata Ltd on the amount to be recognised as revenue as per provisions of AS- 9- Revenue Recognition. Also, determine the total revenue of Tata Ltd at the end of 31/3/2020. **(5 marks)**

Que. 2 a) Watson Ltd.. Furnishes the following Profit and Loss Statements:

Profit and loss Statements for the year ended 31 <sup>st</sup> March, 2020			
Particulars	Note No.	Amount (Rs)	Amount (Rs)
<b>Income</b>			
Turnover	1	28,525	
Other Income		756	
			29,281
<b>Expenditure</b>			
Operating expenses	2	25,658	
Interest on 8% debentures		1,157	
Interest on bank overdraft	3	93	
Excise duty		1,718	
			28,626
<b>Profit before depreciation</b>			655
Less: Depreciation			255
<b>Profit before tax</b>			400
Less: Provision for taxation	4		275
<b>Profit after tax</b>			125
Less: Transfer to fixed assets replacement reserve			25
			100
Less: Dividend paid			45
<b>Retained Profit</b>			55

Notes:

- Turnover represents value of goods sold after deducting sales tax and discounts
  - Operating cost includes Rs. 10,247 as wages, salaries and other benefits to employees
  - The bank overdraft is treated as temporary source of finance
  - Provision for tax includes Rs. 45 to be transferred to deferred tax account
- Prepare value added statement for the year ended 31<sup>st</sup> March, 2020 and reconcile total value added with profit before taxation. (10 marks)

b) Vector Ltd. has three divisions Cars, bikes and cycles. Turnover, of the company is given below:

Particulars	Amount (Rs)
<b>Segment cars</b>	
Sales to Bikes	45,750
Domestic sales	900
Export sales to Germany	61,350
	1,08,000
<b>Segment bikes</b>	
Sales to cycles	450
Export sales to Bangladesh	3,000
	3,450
<b>Segment cycles</b>	
Export sales to China	2,700



Financial results and net assets are:

Particulars	Head Office (Rs.)	Segments		
		Cars (Rs.)	Bikes (Rs.)	Cycles (Rs.)
Financial Expenses		60	75	15
General expenses allocated to division (Head Office)		720	360	360
Operating profit/ Loss before tax		2400	300	-120
Non- Current Liabilities	570	300	150	1800
Fixed Assets	750	3000	600	1800
Net Current Assets	720	1800	600	1350

Prepare a segment report for Vector Ltd

(10 marks)

Que. 3. a) Explain the differences between IFRS, Ind AS and AS

(10 marks)

b) On 1<sup>st</sup> October 2016, X Ltd began the construction of a new factory. Cost relating to the factory are as follows:

	Rs. (In '000)
• Purchase of land	10,000
• Cost of dismantling the existing structure on the site	500
• Purchase of materials to construct the factory	6000
• Production overheads directly related to construction	1200
• Allocated general administrative overheads	600
• Architects and consultants fees directly related to construction	400
• Cost of relocating the staff	3200
• Interest on loan to partly finance factory construction	1200
• Cost relating to the formal opening of the factory	200
• Plant and machinery purchased for use in the factory	6000

- The factory took 8 months to complete.
- The production overheads were incurred in the eight months ended 31<sup>st</sup> May 2017. They included an abnormal costs Rs. 2,00,000 caused by the need to rectify damage caused by a gas leak.
- X Ltd received a loan of Rs. 120 Lakhs on 1<sup>st</sup> October 2016. The building meets the definition of qualifying asset. The loan carries a rate of interest of 10 % per annum. Determine the cost of the asset as per Ind AS 16: PPE, to be included in Balance Sheet giving reasons for inclusions and exclusions of costs.

(10 marks)

Que. 4 a) From the following details provided by Akash Industries, compute total value of human resource of skilled and unskilled group of employees according to the Lev and Schwartz model. (10 marks)

Sr. No	Particulars	Skilled	Unskilled
1	Annual average earning of an employee till the retirement age	3,00,000	2,00,000
2	Age of retirement	68 years	65 years
3	Discount rate	15%	15%
4	No of employees in the group	50	40
5	Average age	65 years	63 years

b) Explain the various accounting concepts (10 marks)

Que. 5 a) Describe the essential qualitative characteristics of a financial report (10 marks)

b) Discuss on the regulatory framework of Indian financial reporting system (10 marks)

Que. 6 Answer any four of the following in 350-400 words.

(5\*4=20 marks)

- Write a note on AS 18- Related party disclosures
- What are Guidance notes
- Describe the users of financial statements
- What is meant by Disclosures? Explain its motives
- Write a note on Accounting standards
- Write a note on interim financial reporting