

**T.Y.B.com Semester V (CBCS) Ordinance**  
**EXAMINATION OCTOBER 2019**  
**Accounting Major 4 : Financial Reporting**

[Duration : Two Hours]

[Total Marks:80]

**Instructions:**

- 1) Question No.1 is compulsory.
- 2) Attempt any 3 questions from Questions no.2 to Questions No.6.
- 3) Each question carries 20 marks.
- 4) Mention working note required wherever necessary.

Q.1 a) ABP Ltd. Provides the following information:

Net profit for the year 2017: Rs 1,40,000

Net profit for the year 2018: Rs. 2,75,000

Date	Particulars	No of shares
1-1-18	No. of shares outstanding at the beginning of the year	8,100 shares
30-4-18	Issue of fresh shares for cash	2,700 shares
1-11-18	Buy back of shares	1,350 shares
31-12-18	Balance at the end of the year	9,450 shares

You are required to calculate the restated EPS for the year ended 31-12-2017 and the Basic EPS for the year ended 31-12-2018. (5 marks)

b) The following transactions are available of Sun Pharma Ltd. For the year ended 31-3-2019:

Sr.No	Particulars	Amount
1.	On 25-3-19 Goods sold to client but at request of the client these were delivered on 5-5-19	Rs. 90,000
2.	On 15-1-19 Goods sold on consignment basis of which 20% of goods remained unsold with consignee as on 31-3-19	Rs. 2,25,000
3.	On 28-3-19 the company made cash sales and offered a trade discount of 5% on cash sales to its client	Rs. 11,70,000 (Gross)

You are required to advise the accountant of Sun Pharma with valid reasons on the amount to be recognized as revenue in the above cases as per the provisions of AS-9-“Revenue Recognition”. Also determine the total revenue of Sun Pharma at the end of 31-3-2019. (5 marks)

c) Tate motors obtained a loan for Rs. 1,80,00,000 cr on 1-4-2018 from Kotak Mahindra Bank and it was utilized as under:

Sr. No.	Particulars	Amount (Rs.)
1.	Construction of factory premises (construction came to a halt for a period 3 months on account of heavy rainfall)	75,00,000
2.	Working capital	30,00,000
3.	Machinery	60,00,000
4.	Advance for purchase of crane	15,00,000

On 31-3-2019, the construction of factory was completed. The machinery was ready for its intended use at the time of its purchase. Delivery of crane was not received. Total interest charged by the bank was Rs. 27, 00,000 for the year ending 31-3-19. (5 marks)

You are required to show the treatment of interest as per the provisions of AS-16 and also explain the what is meant by qualifying assets.

- d) Mahindra & Mahindra ltd. Began the construction of a new plant on 1-4-2018 and obtained a special loan of Rs. 6,00,000 to finance the construction of the plant. The rate of interest on the load was 10%. The expenditure incurred by the company on the project was as follows:

Data	Amount (Rs)
1-4-18	7,50,000
1-8-18	18,00,000
1-1-19	3,00,000

The company's other non- specific loan was Rs. 34, 50, 000 at an interest rate of 12%. The construction of the plant was completed by 31-3-2019. You are required to calculate the amounts of interest to be capitalised as per the provisions of AS 16. (5 marks)

- Q.2 a) Following is the profit and Loss account of Bharti Airtel ltd for the year ending 31-3-2019:

Particulars	Amount (Rs)in('000)	Amount (Rs)in('000)
<b>Income :</b>		
Turnover	57,050	
Other Income	1,512	58,562
<b>Expenditure:</b>		
Operating Expenses	51,316	
Interest on 10% Debentures	2,314	
Interest on bank OD	186	
Excise Duty	3,436	57,252
Profit before depreciation		1,310
Less: Depreciation		510
Profit before tax		800
Provision for taxation		550
Profit after tax		250
Less: Transferred to General reserve		50

		200
Less: Dividend paid and payable		90
Retained earnings		110

Notes:

- Sales represents value of goods sold after deducting discounts, returns and sales tax.
- Salaries, wages and other employee benefits amounting to Rs. 20,494 ('000) are included in operating expense.
- Bank overdraft is treated as a temporary source of finance.
- Amount of Rs. 90 ('000) relating to deferred tax is included in provision for taxation.

Prepare the value Added statement of BhartiAirtel for the year ended 31-3-2019 and reconcile the Total Value Added with the profit before Tax.

(10 marks)

- b) i) TLC Ltd, Has three division : Skincare, Textiles and Chemicals. The company has disclosed the following information for the year ending 31-3-2019:

Skincare		Chemicals		Textile	
Segment	Rs.	Segment	Rs.	Segment	Rs.
Sale to chemicals	1,14,37,500	Sale to textile	1,12,500	Export to Germany	6,75,000
Domestic sale	2,25,000	Export to France	7,50,000		
Export Italy	1,53,37,500				
<b>Total</b>	<b>2,70,00,000</b>		<b>8,62,500</b>		<b>6,75,000</b>

Financial results and assets of the company are as follows:

Particulars	Head office	Skincare (Rs)	Chemicals(Rs)	Textile (Rs)
Financial expenses		15,000	18,750	3,750
General expenses allocated to HO		1,80,000	90,000	90,000
Operating profit /loss before tax		6,00,000	75,000	(30,000)
Non – current liabilities	1,42,500	75,000	37,500	4,50,000
Fixed Assets	1,87,500	7,50,000	1,50,000	4,50,000
Net Current Assets	1,80,000	4,50,000	1,50,000	3,37,500

(5 marks)

Prepare a segment report of TLC Ltd for the year ending 31-3-2019.

(5 marks)

- ii) Discuss any 5 the advantages of interim reporting.

Q.3

- a) What is meant by IFRS? Discuss the convergence of IFRS with Indian Accounting (10 marks)

Standards.

- b) In the book of JK Cement Ltd, the balance of machinery appeared at Rs.5, 60,000 as on 1-4-2018. The company follows WDV method of depreciation and charges 10% depreciation p.a. on machinery. On Scrutiny it was found that a machine appearing in the books of accounts on 1-4-2018 at Rs1,60,000 was disposed of on 30-9-2018 for Rs. 1,35,000 in exchange for new machinery costing Rs.1,50,000. You are required to calculate:

- Total depreciation to be charged in Profit and Loss account for the year ending 31-3-2019
- Profit /Loss on exchange of machinery
- Book value of Machinery in the Balance Sheet as on 31-3-2019. (10 marks)

Q.4 a) Discuss the points of distinction between Indian GAAP and US GAAP. (10 marks)

- b) From the following details provided by Bajaj Industries ,compute the total value of Human Resource of skilled and unskilled group of employees according to the Lev and Schwartz (1971) model:

Sr.No	Particulars	Skilled	Unskilled
1.	Annual Average earning of an employee till the retirement age	75,000	50,000
2.	Age of retirement	68 years	65 years
3.	Discount rate	15%	15%
4.	No. of employees in the group	40	40
5.	Average Age	65 years	63 years

(10 marks)

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

b) Discuss the mechanism of setting financial reporting Standards in India (10 marks)

Q.6 Answer any four of the following in 350-400 words: (5x4=20)

- Describe the Users of Financial statements.
- What is meant by corporate social responsibility reporting?
- Discuss the various benefits of Accounting Standards. (5pts)
- Why are IFRS needed? (5pts)
- What do you mean by Guidance notes?
- Discuss any 5 points of comparison between IFRS and Indian AS.(5pts)