

K.J. Somaiya Institute of Management Studies & Research

Course: PGDM (Executive) I Trim

Sub: Financial Reporting and Accounting Standards

(End Term Examination)

Time: 3 Hours

Marks: 50

Date : 12/12/2016

Note: a) Solve any five questions. Each question carries equal marks.

1. The following balances were extracted from the books of M/S Dimple Ltd on current year-

Item	Amount in Rs	Item	Amount in Rs
Share capital	10,00,000	Machinery	5,00,000
Land	8,00,000	Bills Receivables	2,00,000
Building	2,00,000	Cash in hand	50,000
Debentures	2,00,000	Sundry Debtors	1,50,000
Bank Loan	1,50,000	Sundry Creditors	1,00,000
Profit (Current year)	1,50,000	Profit (Previous year)	2,50,000

Prepare a balance sheet as at 31st March of current year as per companies act format.

Date	Transaction	Units	Unit Cost	Total cost
Nov 1		32	Rs 55	Rs 1760
Nov 7	Purchase	45	Rs 60	Rs 2700
Nov 9	Sale	50		
Nov 14	Purchase	52	Rs 65	Rs 3380
Nov 30	Sale	61		

2. Avant Corporation's November inventory activity is as follows. Avant uses a perpetual inventory System-

Required- Compute the cost of ending inventory and cost of goods sold under the FIFO, LIFO and Weight average method.

3. Dhanush International Co. acquired for cash all of the outstanding stock of Hayat Irani Co. on December 31, for Rs 4, 35000. The balance sheet of two companies just prior to the acquisition were as follows-

Particulars	Dhanush International Co	Hayat Irani Co.
Current assets	987000	69000
Net fixed assets	16407000	268800
Other assets	7206000	67200
Total Assets	24600000	405000

Current liabilities	1800000	21000
Long term debt	7791000	75000
Common stock	12000000	231000
Paid-in-capital	2709000	60000
Retained earnings	300000	18000
Total equities	24600000	405000

An independent appraiser valued the assets of Hayat Irani Co.as follows:

	Market value
Current Assets	Rs 75000
Net Fixed assets	Rs 277800
Other assets	Rs 67200

Required: Prepared a consolidated balance sheet as of the acquisition date. Assume that no intercompany transactions have occurred in the past and that Dhanush International Co will adopt Hayat IraniCo.'s liabilities.

4. Compare the Indian accounting Standards with International Accounting standard and mention the significant gaps.
5. Prepare a Cash Flow Statement from the following information given below, indicating the operating activities, investing activities and financing activities.

Item	Amount in Rs	Item	Amount in Rs
Net profit before tax	30000	Purchase of fixed assets	1000
Sale of fixed assets	450	Loss of foreign exchange	600
Profit on sale of fixed assets	100	Short term borrowings	8400
Depreciation	9600	Repayment of borrowings	10000
Dividend received	400	Opening cash balance	1700
Dividend paid	1500	Tax paid	4750

6. The following information is available for the Lentin Repossessions Company as of 31 March Current year.

Comparative Balance Sheet (Rs in millions)

Particulars	Current Year (Rs in millions)	Previous year (Rs in millions)
Cash	15	10
Accounts Receivables	30	25
Inventory	75	75
Prepaid Insurance	10	15
Net Property & Equipment	400	315
Total Assets	530	440
Accounts payable	40	50
Other current liabilities	25	40
Bonds payable	75	150
Equity share capital	290	150
Retained earnings	100	50
Total liability & equity	530	440

Income Statement of Current Year

Particulars	Current Year (Rs in millions)
Sales	400
Cost of goods sold	210
Gross profit	190
Operating expenses	55
Operating Income	135
Interest Expenses	15
Income before tax	120
Income tax expenses	50
Net Income after tax	70

Required- Calculate 3-4 type of profitability, liquidity, solvency and efficiency ratios and comment on the Lentin Repossessions Company's overall position.

7. Write short notes on any Two-

- a) Revenue recognition concept
- b) Amortization of Intangible assets
- c) Accounting of Depreciation
- d) Historical Cost Concept