

Subject Paper Code	: 22417608	Set- A
Name of the Paper	: Financial Reporting & Analysis	
Name of the Course	: B.Com (H)	
Semester	: VI (CBCS)	
Duration	: 2 Hours	Maximum Marks: 75

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
 2. You have to attempt 4 questions out of the 6 given. All questions carry equal marks.
 3. Answers may be written in English or in Hindi; but the same medium should be used throughout the paper
- Q. 1. "World is moving towards International Financial Reporting Standards (IFRS)." Do you agree with the statement? How has India responded to this movement? Discuss "Relevance" and "Reliability" as primary qualities of financial reporting information with help of suitable examples.

- Q. 2. From the records of SG Company Limited, the following summarized information is available for the month of March 2020.

Sales of the month: Rs. 19, 25,000

Opening Stock as on March 1, 2020: 1, 25,000 litres @ Rs. 6.50 per litre

Purchases (including freight and insurance):

March 5, 2020 1, 50,000 litres @ Rs. 7.10 per litre

March 27, 2020 1, 00,000 litres @ Rs. 7.00 per litre

Closing Stock as on March 31, 2020: 1, 30,000 litres

General Administration Expenses for the month: Rs. 45,000

On the basis of the above information, workout the following using FIFO and LIFO methods of inventory valuation assuming that pricing of issues is being done at the end of the month after all receipts during the month:

- (a) Value of closing stock as on March 31, 2020
 - (b) Cost of goods sold during March 2020
 - (c) Profit or loss for March 2020
- Q. 3. What do you mean by deferred tax? What are the reasons for arising of divergence - between the taxable income and accounting income? Explain with suitable example.

- Q. 4. SG Company's financial statements provide following information:

	2018-19	2019-20
Short term investment	2,00,000	3,20,000
Trade Receivables	3,20,000	4,00,000
Cash and cash equivalents	2,00,000	1,60,000
Prepaid expenses	28,000	12,000
Inventories	18,40,000	21,60,000
Total current assets	25,88,000	30,52,000
Total fixed assets	56,00,000	64,00,000
Current liabilities	6,40,000	8,00,000
Long-term borrowings	16,00,000	16,00,000
Share Capital	20,00,000	20,00,000
Reserve and surplus	4,68,000	8,12,000

Statement of Profit and Loss for the Current Year:

Revenue from operation		40,00,000
Total revenue		40,00,000
Expenses:		
Cost of goods sold		28,00,000
Finance Costs	+	1,60,000
Total Expenses	=	29,60,000
Profit (Loss) before tax (40,00,000-29, 60,000)		10,40,000
Tax Expenses @ 50%	-	5,20,000
Profit(Loss) from continuing operations (After Tax)		5,20,000

From the above information, analyse the company's position from Liquidity, Profitability and Activity Ratio point of view.

Q. 5. "Income determination depends upon the concept of valuation of assets applied."

Explain. Also discuss the following in light of AS-26 for Intangible Assets.

- (i) HV Ltd. has spent Rs. 60, 00,000 in the year 2018-19 for publicity and research expenses of a consumer product. However, the product did not meet the expectations and failed. How this be treated in the books?
- (ii) PK Ltd. has spent Rs. 9, 00,000 in past three years to develop a drug to treat cancer, which was charged to Profit and Loss Account, since the expenditures do not meet the criteria of AS 26 for capitalization. The company had applied for government grant in the first year to develop the drug, which is received in the current year. Now, the company wants to capitalize the expenditure in the current year. Can the company do so?
- (iii) Zee Ltd. has spent Rs. 2 Crores in marketing of a new product. It is estimated that the company would have the turnover of Rs. 25 crores from the new Product. The company has charged the entire expenditure of Rs. 2 Crores to its profit and loss account. Do you agree with the treatment?

Q. 6. What is a Common Size Financial Statement? Explain briefly with examples Vertical and Horizontal Analysis. Also discuss briefly various kind of graphs used for presentation of financial information of the company.