**ST. JOSEPH’S COLLEGE (AUTONOMOUS), BENGALURU -27**

Registration Number:

Date & Session: 12-12-2022 (9am)

**B. Com IFA – V SEMESTER**

**SEMESTER EXAMINATION: OCTOBER 2022**

**(Examination conducted in December 2022)**

**BCIFA 5119: Corporate Reporting I**

**Time: 2 ½ Hours Max Marks: 70**

**This paper contains \_\_3\_\_\_ printed pages and \_\_4\_\_ parts**

**PART A**

**Answer any FIVE questions. Each question carries two marks (5x2=10)**

1. Which of the following is not moral guidelines for professional accountants?
   1. Integrity
   2. Matching concept
   3. Objectivity
   4. Confidentiality

If Mr. T controls entity A and his spouse, Mrs. T exercises significant influence over entity B, then A and B are related parties:

1. The above statement is true
2. The above statement is false
3. What is a contract?
4. Mention the approaches to determine fair value of an asset or liability as per IFRS 13.
5. State two benefits of additional performance measures (APMs) in financial statements.
6. List out Key omissions from the SMEs standard.
7. What is Initial coin offerings?

**PART B**

**Answer any THREE questions. Each question carries five marks. (3x5=15)**

1. Smith has owned 55% of the equity shares of Photo and 75% of the equity shares of Frame for many years. On 1 January 20X4, Photo entered into a lease agreement with Frame. Under the terms of the lease, Photo would lease one of its unused warehouses, with a remaining useful life of 20 years, to Frame for five years. Consideration payable by Frame would be $10,000 a year in arrears. Market rentals for similar sized warehouses tend to be around $100,000 per year.

Discuss the correct treatment of the above transaction in Photo's financial statements for the year ended 30 June 20X4.

1. There was an explosion in a factory. The carrying amounts of its assets were as follows:

$000

Goodwill 1000

Patents 2000

Machines 3000

Computers 5000

Buildings 15,000

–––––

26,000

–––––

The factory operates as a cash-generating unit. An impairment review reveals a net selling price of $12 million for the factory and value in use of $19.5 million. Half of the machines have been blown to pieces but the other half can be sold for at least their carrying amount. The patents have been superseded and are now considered worthless.

Discuss, with calculations, how any impairment loss will be accounted for.

1. Lorenzo develops and manufactures desktop and laptop computers. Profit after tax for the year-ended 31 December 20X1 is 5% lower than the prior period. Lorenzo discloses the following non-financial performance measures in its Integrated Report for the year ended

31 December 20X1.

|  |  |  |
| --- | --- | --- |
| ­­ | 20X1 | 20X0 |
| Faults per 1,000 sales | 2.1 | 3.2 |
| Customer service helpline waiting time (minutes) Staff turnover\* (%)  \*(leavers/average number of employees × 100) | 1.5  6.5 | 4.2  13.2 |

Discuss how the above information might be interpreted by Lorenzo’s investors.

1. Briefly explain the factors than an entity should consider before adopting new accounting standards.

**PART C**

**Answer any TWO questions. Each question carries fifteen marks. (2x15=30)**

1. Paradise prepares financial statements to 31 December each year. On 1 January 20X0, the entity purchased a non-current asset for $1.6 million that had an anticipated useful life of four years. This asset qualified for immediate tax relief of 100% of the cost of the asset.

For the year ending 31 December 20X0, the draft accounts showed a profit before tax of $2 million. The directors anticipate that this level of profit will be maintained for the foreseeable future. Paradise pays tax at a rate of 30%. Apart from the differences caused by the purchase of the non-current asset in 20X0, there are no other differences between accounting profit and taxable profit or the tax base and carrying amount of net assets.

Compute the pre, and post-tax profits for Paradise for each of the four years ending 31 December 20X0–20X3 inclusive and for the period as a whole assuming that:

1. no deferred tax is recognised
2. deferred tax is recognised.
3. What are cryptocurrencies? Identify the issue in accounting for cryptocurrencies.
4. Answer the following questions:
   1. What is meant by Small and medium sized entities? (3 marks)
   2. What are the Key simplifications in the SMEs Standard ? (5 marks)
   3. On 1 January 20X1, AB acquires a building for $200,000 with an expected life of 50 years. On 31 December 20X4 AB puts the building up for immediate sale. Costs to sell the building are estimated at $10,000.

**Required**:

Outline the accounting treatment of the above if the building had a fair value at 31 December 20X4 of:

(i) $220,000

(i) $110,00 (8 marks)

**PART D**

**Answer the following compulsory question. (1x15=15)**

1. a. An entity issued one new share for every two existing shares at $1.50 per share on 1 July 20X8. The pre-issue market price was $3.00 per share.

20X8 20X7

Profit attributable to the ordinary shareholders

for the year ending 31 Dec $275,000 $230,000 Number of ordinary shares in issue at 31 Dec 600,000 400,000

Required:

(i) Calculate basic EPS for the year ended 31 December 20X8.

(ii) Calculate the prior year comparative EPS figure as it would appear in the financial statements for the year ended 31 December 20X8. (8 Marks)

b. Classify the following into adjusting and non-adjusting events **with reasons**

* + 1. the discovery of fraud or errors
    2. the destruction of a major production plant by a fire after the reporting date
    3. sale of inventory below cost, providing evidence of net realisable value
    4. irrecoverable debts arising after the reporting date, which may help to quantify the allowance for receivables as at the reporting date
    5. abnormally large changes in asset prices or foreign exchange rates after the reporting date. (7 Marks)