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| **ST. JOSEPH’S COLLEGE (AUTONOMOUS), BANGALORE-27****BBA (Strategic Finance) - II SEMESTER****SEMESTER EXAMINATION: APRIL 2020****BBASF 2419- Financial Reporting** |  |
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| **Time- 2 1/2 hrs** |  |  **Max Marks-70** |  |  |
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| **This paper contains 4 printed pages and four parts** |  |
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**SECTION A**

**Answer any FIVE of the following by choosing the correct option with reasons. (5x2=10)**

1. A statement of financial position provides a basis for all of the following except

a. computing rates of return.

b. evaluating capital structure.

c. assessing liquidity and financial flexibility.

d. determining profitability and assessing past performance.

1. When a fixed asset is sold for less than book value, which one of the following will decrease?

a. Total current assets.

b. Current ratio.

c. Net profit.

d. Net working capital.

1. Atwater Company has recorded the following payments for the current period.

 Purchase Trillium stock $300,000

Dividends paid to Atwater shareholders 200,000

Repurchase of Atwater Company stock 400,000

The amount to be shown in the Investing Activities Section of Atwater’s Cash Flow Statement should be

a. $300,000.

b. $500,000.

c. $700,000.

d. $900,000.

1. A loss contingency should be recorded if it is
	1. Probable that a liability will be incurred and loss can be reasonably estimated.
	2. Reasonably possible that a liability will be incurred and the loss can be reasonably estimated.
	3. Probable that a liability will be incurred and the loss is reliably documented.
	4. Reasonably possible that a liability will be incurred and the amount of loss is reasonably documented.
2. All of the following are elements of an income statement except

a. expenses.

b. shareholders’ equity.

c. gains and losses.

d. revenue.

1. Under the new revenue from contract with customers, a good or service is transferred when (or as) the customer obtains control of that good or service. Which of the following is not considered to be an indicator of the transfer of control?
	* + - 1. The customer has legal title to the asset
				2. The customer has accepted the asset
				3. The entity has significant risks and rewards of ownership of the asset
				4. The entity has transferred physical possession of the asset.

**SECTION B**

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

1. Selected financial information for Kristina Company for the year just ended is shown below.

Net income $2,000,000

Increase in accounts receivable 300,000

Decrease in inventory 100,000

Increase in accounts payable 200,000

Depreciation expense 400,000

Gain on the sale of available-for-sale securities 700,000

Cash receivable from the issue of common stock 800,000

Cash paid for dividends 80,000

Cash paid for the acquisition of land 1,500,000

Cash received from the sale of available-for-sale securities 2,800,000

Assuming the indirect method is used, calculate Kristina’s cash flow from operating activities for the year.

1. Nike Inc. has purchased an equipment at a cost of $50000. It has a useful life of 5 years with a salvage value of $ 10000. Calculate depreciation on SLM and DDB methods for all the years in the life the equipment.
2. X Company has granted an employee an option on 1/1/15, giving the right to buy one share of the company’s $10 par value common stock for $34, its current selling price. The option can be exercised after 1/1/17 provided the employee remains in service; option expires on 12/31/17. If the company uses fair value method using binomial distribution model, and the option is estimated at $6 per option, record the journal entry (a) on the date of the grant of option, (b) if the employee exercises the option and (c) if the employee lets the option expire without using it.
3. List out the major differences between US GAAP and IFRS.

**SECTION C**

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

1. A) During January 2020, Chevrolet Co. recorded the following information relating to inventory movement in the factory:

 Date Particulars Unit Unit cost

 1/1 Opening inventory 400 $10

 1/5 Purchase 600 $15

 1/14 Sold 800 ----

 1/26 Purchase 500 $20

Calculate the value of Inventory as on 1/31/2020 according to

1. weighted Average Cost Method
2. FIFO Method

B) In 2014Silver Ltd Company bought a new building for $100,000, but in 2019 its value had significantly deteriorated to $55,000. Assuming a 20 years useful life for the building and straight-line depreciation, calculate the impairment loss (if any) for 2019 and the depreciation for 2020 based on revised carrying amount.

**(8+7)**

1. On 1st January,2015 Give Me Co. leases from Take Me Co. equipment for 5 years @$50,000 payable at the beginning of each year. The life of the asset is 10 years with incremental borrowing cost of 10%. The title of the asset transfers at the end of the lease.
2. Record the journal entries to capitalize the leased asset and liability
3. Amortize the lease liability and pass journal entry for the amortization.
4. Depreciate the leased liability, given PV of Annuity for 5 years @ 10% is 4.17.

**(2+8+5)**

1. Pentagon, a software developer, enters into a contract with ADB to transfer a software license, perform installation and provide technical support and software updates for a period of 5 years for $5,00,000. All these are distinct performance obligations for Pentagon. Software License is usually sold for $4,00,000, installation service for $50,000, software updates for $30,000 per annum and technical support for $40,000 per annum. Show the revenue recognition for Pentagon for year 1, given the contract price was fully paid by the customer on installation of software on January 1, Year 1.

**SECTION D**

**Answer the following compulsory question. The question carries fifteen marks. (1x15=15)**

1. Winglet Co. gives you the following balances from its books of accounts for the year ended 12/31/2019. The company has an authorized capital stock of $500000.

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Inventory (1/1/2019) 50000

Sales 425000

Purchases 300000

Wages 70000

Discount allowed 4200

Discount received 3150

Salaries 18500

Rent 6000

General expenses 8950

Retained Earnings 6220

Printing and stationary 2400

Advertisement 3800

Bonus 10500

Debtors 38700

Creditors 35200

Bonds payable 3380

Plant and Machinery 80000

Furniture 17000

Cash in Bank 134700

Reserves 25000

Common Stock 250000

Bad debts 3200

Prepare Income statement and Balance Sheet for the year ended 12/31/2019 after considering the following information:

1. Closing inventory $91500
2. Provide depreciation @15% on plant and 10% on furniture
3. Outstanding liabilities are wages $5200, salaries$1200 and rent $600
4. Ignore taxation.