

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

**BBA (Strategic Finance) – II SEMESTER**

**SEMESTER EXAMINATION: APRIL 2020**

**BBASF2419 – FINANCIAL REPORTING**

**Time- 2 ½ hrs Max Marks - 70**

**This paper contains 3 (THREE) printed pages and four parts SECTION A**

**Answer any FIVE (5) of the following (5 \* 2 Marks = 10 Marks)**

1. What are notes to Financial Statements?
2. What are the three categories of activities in the statement of cash flows?
3. What is Fair value?
4. What are warrantees?
5. What are stock options?
6. What is Completed Contract method?

**SECTION B**

**Answer any THREE (3) of the following (3 \* 5 Marks = 15 Marks)**

1. What are the steps to apply the Fair Value Measurement approach for an asset/liability?
2. Inforsoft, a software developer, enters into a contract with a customer to transfer a software license, perform installation and provide unspecified software updates and technical support (Online and Telephone) for a 5-year period for Rs 5,00,000. Infor soft sells the license, installation, updates and support separately and has concluded that these are distinct performance obligations. Software license is usually sold for Rs 4,00,000, installation service for Rs 50,000, software updates for Rs 20,000 per year and technical support for Rs 50,000 per year. How should Infosoft recognize revenue given contract price was fully paid by the customer on installation of software on Jan 1 year 1?
3. Write short note on:
   1. Impairment of Assets
   2. Contingencies
4. (i) What is meant by depreciation?

(ii) Calculate depreciation under Straight Line Method (SLM) and Sum of years digit (SYD) Method for a Machinery bought on 1/2/2001 for $10,000 with useful life of 4 years and Salvage value of $2,000.

**SECTION C**

**Answer any TWO (2) of the following (2 \* 15 Marks = 30 Marks)**

1. State the application of Rule SFAS 123R (Share-based Payments to Employees) and give short notes on the following questions
2. Stock option
3. Option pricing models
4. Vesting period
5. Recording stock options
6. 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. Following are the balance sheets of a Vijay & son:

Liabilities 1‐1‐19 31‐12‐19 Assets 1‐1‐19 31‐12‐19 Creditors 36,000 41,000 Cash 4,000 3,600

Loan ‐  20,000 Debtor 35,000 38,400

Bank loan 30,000 25,000 Stock 25,000 22,000

Common Stock 1,48,000 1,49,000 Land 20,000 30,000 Building   50,000 55,000 Machinery 80,000 86,000

**2,14,000 2,35,000 2,14,000 2,35,000**

During the year Rs. 26,000 paid as dividend. Accumulated depreciation against machinery as on 1.1.19 was Rs. 27,000 and on 31.12.19 Rs 36,000. Prepare a cash flow statement.

**SECTION D**

**COMPULSORY QUESTION (1 \* 15 Marks = 15 Marks)**

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.

**--- End of the question paper ---**