

Assignment :- 1.

Company Accounts

1) Characteristics of Financial statement:

→ From the above definitions, we can derive the following characteristics of Financial statement.

1) Two statements

2) Accounting principles and concepts.

3) Based on Recorded Facts.

4) personal Judgments.

5) According to Legal provisions.

6) Reasonable Accuracy

7) Multi - purpose.

8) clarity

9) Comparison with Figures of previous year.

1) Two - statements :-

→ There are two basic Financial statements. one the ~~base~~ ~~to~~ Balance sheet showing the Firm's Financial position, as on a

particular date, second, the ~~to~~ profit & loss account showing the results of year's trading and the form of either profit or loss.

2) Accounting principles and concepts.

- > The two statements are prepared on the basis of generally accepted accounting principles and practices.

3) Based on Recorded Facts:

- > The Financial statements are prepared the basis of facts recorded in accounting recorded.

4) Personal Judgments:

- > In addition to the accounting principles, the personal opinion also plays an important role in preparation of Financial statements.

5) According to legal provisions:

- > The Financial statements of business units for which separate laws are made, are prepared according to legal provisions and in the prescribed forms.

6) Reasonable Accuracy:

- > Absolute accuracy is not possible in preparation of Financial statements as some of figures are only estimates.

7) multi-purpose:

- The profits & losses revealed by income statement prepared for different purposes are bound to differ.

8) clarity:

- The Financial statements must be so prepared that they can be easily understood by the readers for whom they are meant. Unnecessary details should be avoided. If need be, the additional Information must be given in the form of schedules.

9) Comparison with Figures of previous year:

- The Figures of current year are generally given along with those of the previous year in both the Financial statements.

2) Limitations of Financial statements:-

- The following limitation of Financial statements must be taken into consideration by the analysts.

1) Less accurate:

- Exact precision of the Financial statements Figures is not possible, because they deal

with matters that cannot be stated precisely

2) Some significant items omitted:

- The statements do not show the exact position of the business, because it does not take into account some of the factors which affect its performance and financial position.

3) Assets not shown at true values:

- A balance sheet does not show the value of assets, as understood in the ordinary sense. It presents the cost of assets less depreciation according to the accounting convention.

4) Profit Figure relative:

- The profit shown by profit & loss account is relative and not absolute. It means that the profit figures of two concerns may be different only because they may adopt different basis for compiling the income statement.

5) Effects of personal Judgment:

- Though financial statements are prepared on the basis of generally accepted accounting principles and conventions, principles, personal judgment plays a significant role.

6) Does not satisfy all parties :

- The Financial statements which are published are generally prepared to satisfy the requirements of company law and are to a large extent presented from the view point of shareholders and management.

7) Fails to show all liabilities :

- Taking shelter under the accounting conventions and provisions of company law, the balance sheet does not disclose all the liabilities of business.

8) Balance sheet date :

- The Financial statements are prepared on a certain date for which there is neither any legal provision nor any accounting convention.

3) Short note on XBRL.

XBRL extensible Business Reporting Language

XBRL is a freely available and global framework for exchanging business information.

XBRL allows the expression of semantic

meaning commonly acquired in business reporting.

The language is XML-based and uses the XML syntax and related XML Technologies such as XML Schema, Xlink, Xpath and Namespaces.

one use of XBRL is to define and exchange financial information, such as a financial statement.

The XBRL specification is developed & published by XBRL International, inc. (XII).

Filename extension : .xbrl, .XML

Internet media type : application/XML

Developed by : XBRL International

Initial release : December 31, 2003;
16 years ago

Latest release : v2.1 (with extra connections)
(February 20, 2013;
16 year ago)

Type of Format : Markup Language

Extended From : XML

Standard : XBRL 2.1 Specification

XBRL Is a standards-based way to communicate and exchange business information between business systems.

These communications are defined by metadata set out in taxonomies, which capture the definition of individual reporting concepts as well as the relationship between concepts and other semantic meaning.

Information being communicated or exchanged is provided within an XBRL instance.

Early users of XBRL included regulators such as the U.S. Federal Deposit Insurance Corporation and the Committee of European Banking Supervisors.

4) Difference between cash Flow Statements and Fund Flow.

Cash Flow

Fund Flow

Inherent meaning	Cash Flow is based on a narrow concept called "cash."	Fund Flow is based on a wider concept called "working capital."
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Usefulness	The utility of cash flow statement is to find out the net cash flow.	The utility of Fund Flow is to understand the financial position of the company.
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Source	Cash Flow Statement starts with opening balance after adjustments comes out with net cash inflow / outflow.	Fund Flow Statement covers the difference between sources of Funds and application of Funds.
Where shown	shown in the operating activities of cash Flow statement	shown in the statement of changes in working capital.
Type of accounting	Follows cash basis of accounting	Follows accrual basis of accounting
Financial statement	It is a Financial statement.	It is not a Financial statement.
Term sheet for	analysis of cash Flow	Long term analysis of working capital
Used for	cash budgeting	capital Budgeting
Effect	Through cash Flow analysis we get to know the net cash Flow.	Through Fund Flow analysis we get to know the change in working capital.

* All MCQs

1) If stock turnover is 5 times, Average stock is 20000, cost of sales is 25% of Total Sales, Find out gross profit.

→ 300000

2) Net profit earned during the year is shown reduction of fund.

→ False

3) Repayment of loans & debentures is not included in cash flows.

- True.

4) Quick Assets Includes, cash, debtors & stocks.

- False.

5) Higher capital turnover ratio is sign of decrease in sales.

- False.

6) Fund Flow statement is prepared on the basis of total trial balance.

- False.

7) preparation of cash flow statements is mandatory as per accounting standard.

3.

8) value addition by a manufacture = net sales values of output - Total cost of outside Input.

- True.

9) The auditor's Report of company is prepared by Internal Auditor.

- False.

10) AS-17 related to segment Reporting.

- True.

11) Comparative accounting does Includes smart corporate reporting.

- True.

12) under section _____ of Companies Act, the auditor of a company has to make a report on balance sheet & profit/Loss Account, for share holders.

- 227 (2)

13) The provision about corporate governance & made under clause 4 of Listing Agreement.

- False.

14) Total Assets is taken as base for preparing _____.

- Common size of balance sheet.

15) Comparative statement is called _____ Analysis.

- Vertical.

16) While calculating Liquid Ratio which assets will be excluded from current Asset. - Stock

Flow
17) Follow of Funds take a place when debentures are redeemed.

- True.

18) Debt equity ratio Indicates the ability of firm to pay off its Long term Liabilities?

- True.

19) A company is not required to prepare a fund Flow statement under the law.

- True.

20) IF total sales are Rs. 800000, cash sales are 2/3 credit sales than credit sales would be 480000.

- False.

21) Company has to create CRR Account when preference share has redeemed

- True.

22) Value added = Net sales - Gross profit

- True.

23) AS-2 related to the disclosure of Accounting policies

- False.

24) Information about product & service are not included in the statutory report.

- True.

25) AS 25 provides for Interim Reporting

- True.

- 26) Total assets are taken as a base for preparing common size balance.
- True.
- 27) Cash Flow due to _____ due to Increase in current Assets.
- decrease.
- 28) Cash Flow From Investing activities result from acquisition of _____ Assets.
- Fixed Assets.
- 29) _____ is not profitability Ratio.
- creating ratio.
- 30) The auditor's report of a company is prepared by _____
- Statutory Auditor.
 - True.
- 31) Company has to create General Reserve Account when Red. preference share has redeemed.
- False.
- 32) Current year's proposed dividend should be included in net profit.
- True.
- 33) XBRL India is formed as a registered company under the companies act, 1956
- True.
- 34) XBRL: Extensible Business Report Language.

- 35) Financial Statement are based on _____.
- Historical cost.
- 36) ~~Historical~~ ^{Horizontal} Analysis is called comparative Statement.
- False.
- 37) Liquid Liabilities = Current Liabilities (-) _____.
- B.O.D.
- 38) Proprietary Funds does not Includes Long term Liabilities.
- True.
- 39) purchasing of Furniture is a _____ activity.
- Investing.
- 40) XBRL India is formed as a trust under the Indian Trust act.
- False.
- 41) XBRL stands for _____.
- Extensible Business Reporting Language.
- 42) Owners capital :- Share capital + Reserve + Long term Liabilities.
- False.
- 43) According standard 17 provides for one of the following:
- Segment report.

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44) Which one from the following is not a Financial Statement.

Cash Flow Statement, Fund Flow Statement;

→ Ratio Analysis.

45) Increase in Bills payable will _____ the cash flow from operations.

- Increase.

47) ~~It~~ Issue of new shares at a premium Indicates Cash Flow from Financing activity.

- True.