****

Register Number:

DATE:28-02-2022

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

**BCom IFA – V SEMESTER**

**SEMESTER EXAMINATION: OCTOBER 2021**

**(Examination conducted in February-March 2022)**

**BC IFA - 5119: Corporate Reporting I**

Time- 2 ½ hrs Max Marks-70

**This paper contains 3 printed pages and four parts**

**Section A**

**I.** Answer ***any five*** of the following (**2 x 5 = 10 marks)**

1. Mention any 2 criticisms of the 2010 conceptual framework.
2. Mr. A has 35% stake in Entity X and has significant influence in Entity Y. Comment with a justification, whether entities X and Y are related?
3. State the factors to be considered while determining transaction price.
4. What is meant by grant date?
5. State any two reasons for increase in Gross profit margin.
6. List out the standards that are omitted from SMEs standard.

**Section B**

**II.** Answer ***any three*** of the following (**5 x 3 = 15 marks)**

1. Explain the advantages and disadvantages of the SME standard.
2. Explain the current issue faced in accounting for crypto currency.
3. Emirates had profits after tax of $3 million in the year ended 31st December 20X7. On 1st January 20X7, Emirates had 2.4 million ordinary shares in issue. On 1st April 20X7 Emirates made a one for two rights issue at a price of $1.40 when the market price of Emirates shares was $2.

What is the basic earnings per share (to one decimal place in cents) for the year ended 31st December 20X7? (show your workings in step wise computation)

1. An entity has a reporting date of 31 December. On 1st January 20X1 it granted 200 share options to each of its 1000 employees. Each grant is conditional upon the employee working for the entity for 3 complete years. At the grant date the fair value of each share option is $30.

During 20X1, 40 employees leave and the entity estimates that a total of 20% of the 1000 employees will leave during the three year period.

During 20X2, a further 40 employees leave the entity now estimates that only 15% of the original 1000 employees will leave during the three year period.

During 20X3, a further 20 employees leave. Calculate the remuneration expense and the equity that will be recognised in each of the three years of the share-based payment scheme.

**Section C**

**III.** Answer ***any two*** of the following (**15 x 2 = 30 marks)**

1. Mello purchased an office building on 1st January 20X1. The purchase price was $5.8m, associated legal fees were $0.2m and general administrative costs allocated to purchase were $0.4m. Mello also paid sales tax of $1m, which was recovered from the tax authorities. The building was attributed a useful life of 50 years. It was revalued to $9.2 on 31st December 20X4 and was sold for $10 on 31st December 20X5.

Mello purchased a machine on 1st January 20X3 for $200,000 and attributed it with a useful life of 20 years. On 1st January 20X5, Mello reduced the estimated remaining useful life to 8 years. Explain how these property, plant and equipment would have been accounted for in all relevant reporting periods up until 31st December 20X5.

1. Calculate the carrying amount, Tax base, Temporary difference and conclude whether it is a deferred tax liability or deferred tax assets from the following cases.
2. A building cost $200,000. Depreciation of $36,000 has been charged to date. However tax allowances of $40,000 have been claimed.
3. Inventory has been written down by $1,000 to $9,000 in the financial statements. The reduction is ignored for tax purposes until the inventory is sold.
4. Receivables have a carrying amount of $ 20,000. The revenue has already been included in taxable profit.
5. Current liabilities include accrued expenses of $2,000. This is deductible for tax on a cash paid basis.
6. Interest receivable in the statement of financial position is $2,000. The interest will be taxed when received.

\*\* **Present your answer in a tabular form as depicted below**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Sl. No | Carrying amount | Tax base | Temporary difference | Deferred tax Asset/Deferred tax Liability |
| (a) |  |  |  |  |

1. (a) Explain the contents included in integrated reporting.

(b) Briefly explain the types, objectives and performance assessment of Not for profit entities.  (7+8)

**Section D**

**III. Answer the following (15marks)**

1. (a) The following material events have occurred after the reporting period and prior to the date of approval of the financial statements by the directors. State whether the following are adjusting or non-adjusting event

(i) The insolvency of a major credit customer

(ii) The uninsured loss of inventory in a fire

(iii) The proposal of a final equity dividend

(iv) A change in foreign exchange rates.

(b) On 1st January 20X1, Priority acquired a property for $400,000 with an expected life of 50 years. On 31st December 20X4 Priority put the building up for immediate sale. Costs to sell the property are estimated at $20,000. Discuss the accounting treatment in this case if the property had a fair value at 31st December 20X4 as:

(i) $ 220,000

(ii) $ 110,000

(c) What is management commentary and what are the elements of management commentary?

(2+8+5)