Roll No.

PRESIDENCY UNIVERSITY

BENGALURU

Mid - Term Examinations – October 2025

Date: 08-10-2025 **Time:** 09.30am to 11.00am

School: SOC	**Program**: B.COM(ACCA)	
Course Code: COM2056	**Course Name:** Financial Reporting	
Semester: III	**Max Marks**:50	**Weightage**:25%

CO - Levels	CO1	CO2	CO3	CO4	CO5
Marks	**26**	**24**	**-**	**-**	**-**

Instructions:

(i) Read all questions carefully and answer accordingly.

(ii) Do not write anything on the question paper other than roll number.

Part A

Answer ALL the Questions. Each question carries 2 marks. **5Q x 2M=10M**

1	The term Historical Cost in accounting refers to: a) The present value of future economic benefits of an asset b) The original purchase price of an asset including acquisition costs c) The current replacement value of the asset d) The fair value of the asset on the reporting date	**2 Marks**	**L1**	**CO1**
2	The regulatory body for accounting standards in India is: a) RBI b) ICAI c) SEBI d) MCA	**2 Marks**	**L1**	**CO1**
3	The process of issuing accounting standards generally involves: a) Drafting → Exposure → Comments → Final standard b) Final standard → Drafting → Comments c) Drafting only d) Voting only	**2 Marks**	**L1**	**CO1**
4	Internally generated goodwill is:	**2**	**L1**	**CO2**

	a) Recognized as an intangible asset b) Recognized only if reliably measurable c) Not recognized as an intangible asset d) Amortized over 10 years	**Marks**		
5	An assets recoverable amount is the: a) Higher of carrying amount and fair value b) Lower of fair value and value in use c) Higher of fair value less costs of disposal and value in use d) Lower of carrying amount and value in use	**2 Marks**	**L1**	**CO2**

Part B

Answer ALL the Questions. Each question carries 10 marks. **4Q x 10M=40M**

6.	A potential investor is interested in BlueSky Industries Ltd. but feels confused about what financial reporting actually is and how it helps in making sound investment decisions. Required: a) What do you understand by the term Financial Reporting? b) State and explain the main objectives of financial reporting that would guide the investor in decision-making.	**10 Marks**	**L1**	**CO1**
	Or			
7.	Global Tech Ltd., a listed company, presented financial statements that did not comply with IFRS disclosure requirements, leading to investor confusion. The Financial Reporting Council (FRC) and IASB were alerted. Required: a) Explain why a regulatory framework is essential for global consistency in financial reporting. b) Discuss the role of the IASB in ensuring transparency and comparability of Global Tech's reports.	**10 Marks**	**L2**	**CO1**

8.	**A company purchased a machine 4 years ago for \$100,000. The accumulated depreciation to date is \$40,000. The machine could be sold today for \$50,000, but dismantling and removal costs would be \$5,000. A new machine with similar capacity would cost \$120,000. The machine is expected to generate cash inflows of \$25,000 per year for the next 3 years, followed by \$18,000 per year for the following 2 years. The company's discount rate is 10%, and the discount factors are:** • **Year 1 = 0.909** • **Year 2 = 0.826** • **Years 3–5 (annuity) = 3.791** **Calculate the following values of the machine:**	**10 Marks**	**L2**	**CO1**

	a) Historical cost **b) Net realisable value** **c) Replacement cost** **d) Economic value**			
	Or			
9.	A newly incorporated company, Green Tech Pvt. Ltd., has just completed its first year of operations. The accountant has prepared financial statements, but the board of directors is confused about the terms such as Assets, Liabilities, Equity, Income, and Expenses. As a financial expert, explain to the board the concept of Elements of Financial Statements and how these elements form the basis of financial reporting	**10 Marks**	**L2**	**CO1**

10.	Discuss the treatment and recognition criteria under International Accounting Standards (IAS) for the following: a) Property, Plant, and Equipment b) Borrowing Costs c) Investment Property	**10 Marks**	**L2**	**CO 2**
	Or			
11.	Sunrise Ltd. manufactures furniture and also operated a home décor division. During the year ended 31 December 20X7, the company decided to close the home décor division and sell off its assets. The closure resulted in a loss on disposal of non-current assets amounting to $54,000 and redundancy payments of $26,000. The company also incurred restructuring costs of $72,000 relating to the continuing furniture business. The trading results for the year were as follows:	**10 Marks**	**L2**	**CO 2**

Particulars	Furniture ($)	Home Décor ($)
Revenue	800,000	500,000
Cost of Sales	400,000	280,000
Distribution	90,000	70,000
Administration	130,000	85,000

Other information relating to continuing operations includes: interest expense of $22,000 and income tax expense of $45,000.

(a) Prepare the statement of profit or loss for the year ended 31 December 20X7.
(b) Explain how the disclosure of discontinued operations under IFRS 5 enhances comparability and decision-making for users of financial statements.

12.	**On 1 January 20X6, Green Ltd. began constructing a factory for its own use and incurred the following costs. Calculate the cost of the factory to be capitalised under IAS 16 as tangible non-**	**10 Marks**	**L2**	**CO 2**

	current assets from the following information:			

Particulars	Amount ($)
Purchase Price of Land	**180,000**
Legal Fees	**8,000**
Demolition of Old Building	**15,000**
Site Clearance	**12,000**
Materials	**120,000**
Labour (1 Jan 20X6 – 31 Mar 20X7)	**200,000**
Architect's Fees	**25,000**
General Overheads	**40,000**
Total	**600,000**

Additional Information:

a. Materials worth $12,000 were wasted due to poor handling and are considered abnormal.
b. A strike by workers caused a delay of 3 weeks, with idle labour costs of $10,000.
c. The building was completed on 31 March 20X7 and occupied on 1 May 20X7.

Or

13.	Alpha Ltd. entered into a 5-year lease contract for machinery. The annual lease payments are $50,000, payable at the end of each year. The implicit interest rate in the lease is 6%. The company classifies the lease as a finance lease. (a) Explain the accounting treatment of this lease in accordance WithIFRS-16-Leases. (b) Calculate the initial recognition amount of the leased asset and lease liability.	**10 Marks**	**L2**	**CO 2**