



PRESIDENCY UNIVERSITY

BENGALURU

Roll No.																			
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End - Term Examinations - December 2025

Date: 11 - 12- 2025

Time: 09:30am - 12:30pm

School: SOC	Program: B.COM-ACCA		
Course Code : COM2056	Course Name: FINANCIAL REPORTING		
Semester: III	Max Marks: 100	Weightage: 50%	

CO - Levels	CO1	CO2	CO3	CO4	CO5
Marks	20	20	20	20	20

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 2marks.

10Q x 2M=20M

1.	Under the current structure of regulatory bodies, which of the bodies listed below acts as the overall supervisory body? A. IFRS Advisory Council B. IFRS Foundation C. IFRS Interpretations Committee D. International Accounting Standards Board	2 Marks	L2	CO1																			
	2.				Which of the bodies listed below is responsible for issuing International Financial Reporting Standards and guidance on their application? A. IFRS Foundation B. IFRS Advisory Council C. International Accounting Standards Board D. IFRS Interpretations Committee	2 Marks	L2	CO1															
3.	The following information relates to three assets held by a company:	2 Marks	L2	CO2																			
	<table border="1"><thead><tr><th>Particulars</th><th>Asset A (\$)</th><th>Asset B (\$)</th><th>Asset C (\$)</th></tr></thead><tbody><tr><td>Carrying amount</td><td>120</td><td>70</td><td>50</td></tr><tr><td>Value in use</td><td>100</td><td>60</td><td>45</td></tr><tr><td>Fair value less cost to sell</td><td>95</td><td>65</td><td>40</td></tr></tbody></table>				Particulars	Asset A (\$)	Asset B (\$)	Asset C (\$)	Carrying amount	120	70	50	Value in use	100	60	45	Fair value less cost to sell	95	65	40			
	Particulars				Asset A (\$)	Asset B (\$)	Asset C (\$)																
	Carrying amount				120	70	50																
Value in use	100	60	45																				
Fair value less cost to sell	95	65	40																				

	What is the total impairment loss? \$ _____			
4.	Which of the following is not one of the five steps in the revenue recognition model under IFRS 15 – Revenue from Contracts with Customers? A. Identify the performance obligations in the contract B. Determine the transaction price C. Measure the fair value of the contract at inception D. Recognize revenue when (or as) the performance obligation is satisfied	2 Marks	L2	CO2
5.	An equipment has a cost of \$100,000 and an estimated residual value of \$10,000. It is expected to be used for 9 years. What is the annual depreciation charge using the straight-line method as per IAS 16 Property, Plant and Equipment? A. \$10,000 B. \$9,000 C. \$11,111 D. \$12,000	2 Marks	L2	CO3
6.	Which of the following is not typically shown in the Statement of Changes in Equity? A. Total comprehensive income for the year B. Dividends paid during the year C. Movement in revaluation surplus D. Profit before tax	2 Marks	L3	CO3
7.	Which of the following statements about consolidated financial statements is correct? A. All subsidiaries must adopt the same accounting policies as the parent for consolidation B. Each entity in a group can use different accounting policies when consolidated C. Consolidation can only occur if the subsidiaries have identical year-ends D. Only subsidiaries with more than 75% ownership should be consolidated	2 Marks	L3	CO4
8.	Which of the following is not included within the definition of control according to IFRS 10? A. Having power to direct the relevant activities of the investee B. Being exposed, or having rights, to variable returns from involvement with the investee C. Having the ability to use its power over the investee to affect the investor's returns D. Having the right to receive a fixed dividend regardless of performance	2 Marks	L3	CO4
9.	A company has revenue of \$500,000 and cost of sales of \$300,000. What is its gross profit? A. \$200,000 B. \$800,000	2 Marks	L4	CO5

	C. \$300,000 D. \$500,000			
10.	What does the current ratio measure? A. Profitability B. Efficiency C. Liquidity D. Solvency	2 Marks	L4	CO5

Part B

Answer ALL the Questions. Each question carries 7 marks.

5Q x 7M = 35M

11.	<p>Brighton Ltd produced toys and books. However, midway through the year ended 31 December 20X6, the book division was closed down and the assets sold, incurring losses on disposal of non-current assets of \$85,000 and redundancy costs of \$42,000. The company also spent \$90,000 reorganising the remaining toy business.</p> <p>Trading results for the year are as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>Toys (\$000)</th> <th>Books (\$000)</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td>720</td> <td>410</td> </tr> <tr> <td>Cost of sales</td> <td>340</td> <td>190</td> </tr> <tr> <td>Distribution expenses</td> <td>75</td> <td>60</td> </tr> <tr> <td>Administration expenses</td> <td>140</td> <td>120</td> </tr> </tbody> </table> <p>Other information (continuing operations):</p> <ul style="list-style-type: none"> Interest expenses – \$20,000 Income tax expense – \$36,000 <p>Required:</p> <p>(a) Prepare the Statement of Profit or Loss for the year ended 31 December 20X6.</p> <p>(b) Explain how presentation under IFRS 5 – Discontinued Operations improves the usefulness of financial statements for users.</p>		Toys (\$000)	Books (\$000)	Revenue	720	410	Cost of sales	340	190	Distribution expenses	75	60	Administration expenses	140	120	07 Marks	L3	CO1
	Toys (\$000)	Books (\$000)																	
Revenue	720	410																	
Cost of sales	340	190																	
Distribution expenses	75	60																	
Administration expenses	140	120																	
Or																			
12.	Explain the qualitative characteristics of financial information as outlined in the Conceptual Framework for Financial Reporting.	07 Marks	L2	CO1															
13.	<p>XYZ Ltd has a year-end of 31 December 20X2 and uses the euro (€) as its functional currency.</p> <p>On 20 September 20X2, XYZ Ltd purchases goods from a Japanese supplier for JPY 1,200,000.</p> <p>Rates of exchange:</p> <ul style="list-style-type: none"> 20 September 20X2: €1 = JPY 150 15 October 20X2: €1 = JPY 142 31 December 20X2: €1 = JPY 147 <p>Required:</p> <p>Show the accounting treatment for the following:</p>	07 Marks	L3	CO2															

	(a) Payment is made on 15 October 20X2. (b) The amount remains unpaid at year-end.			
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Or

14.	Explain the concept of exchange rate and discuss the factors that influence fluctuations in exchange rates in international trade.	07 Marks	L3	CO2
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15.	The following balances were extracted from the books of Starline Ltd for the year ended 31 December 2025:	07 Marks	L3	CO3																				
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 70%;">Particulars</th> <th style="width: 30%;">Amount (\$)</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td style="text-align: right;">600,000</td> </tr> <tr> <td>Opening Inventory</td> <td style="text-align: right;">70,000</td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">320,000</td> </tr> <tr> <td>Closing Inventory</td> <td style="text-align: right;">60,000</td> </tr> <tr> <td>Administrative Expenses</td> <td style="text-align: right;">50,000</td> </tr> <tr> <td>Selling Expenses</td> <td style="text-align: right;">40,000</td> </tr> <tr> <td>Interest Expense</td> <td style="text-align: right;">10,000</td> </tr> <tr> <td>Income Tax Expense</td> <td style="text-align: right;">20,000</td> </tr> <tr> <td>Other Comprehensive Income (Gain on Investment Revaluation)</td> <td style="text-align: right;">5,000</td> </tr> </tbody> </table>		Particulars	Amount (\$)	Revenue	600,000	Opening Inventory	70,000	Purchases	320,000	Closing Inventory	60,000	Administrative Expenses	50,000	Selling Expenses	40,000	Interest Expense	10,000	Income Tax Expense	20,000	Other Comprehensive Income (Gain on Investment Revaluation)	5,000			
Particulars	Amount (\$)																							
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Interest Expense	10,000																							
Income Tax Expense	20,000																							
Other Comprehensive Income (Gain on Investment Revaluation)	5,000																							
<p>Required: Prepare the Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2025.</p>																								

Or

16.	The following balances were extracted from the books of Moonlight Enterprises Ltd for the year ended 31 December 2025:	07 Marks	L3	CO3																				
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 70%;">Particulars</th> <th style="width: 30%;">Amount (\$)</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td style="text-align: right;">580,000</td> </tr> <tr> <td>Opening Inventory</td> <td style="text-align: right;">65,000</td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">310,000</td> </tr> <tr> <td>Closing Inventory</td> <td style="text-align: right;">55,000</td> </tr> <tr> <td>Administrative Expenses</td> <td style="text-align: right;">48,000</td> </tr> <tr> <td>Selling Expenses</td> <td style="text-align: right;">42,000</td> </tr> <tr> <td>Interest Expense</td> <td style="text-align: right;">9,000</td> </tr> <tr> <td>Income Tax Expense</td> <td style="text-align: right;">18,000</td> </tr> <tr> <td>Other Comprehensive Income (Gain on Land Revaluation)</td> <td style="text-align: right;">6,000</td> </tr> </tbody> </table>		Particulars	Amount (\$)	Revenue	580,000	Opening Inventory	65,000	Purchases	310,000	Closing Inventory	55,000	Administrative Expenses	48,000	Selling Expenses	42,000	Interest Expense	9,000	Income Tax Expense	18,000	Other Comprehensive Income (Gain on Land Revaluation)	6,000			
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Other Comprehensive Income (Gain on Land Revaluation)	6,000																							
<p>Required: Prepare the Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2025.</p>																								

17.	On 1 January 20X8, Orion Ltd acquired 75% of the ordinary shares of Nova Ltd. The following statements of profit or loss have been prepared by Orion and Nova for the year ended 31 December 20X8:	07 Marks	L4	CO4
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Particulars	Orion (\$000)	Nova (\$000)
Revenue	1,500	600
Cost of sales	(600)	(250)
Gross profit	900	350
Distribution costs	(200)	(120)
Administration expenses	(150)	(100)
Operating profit	550	130
Investment income from Nova	40	–
Profit before financing and income taxes	590	130
Interest expenses	–	–
Profit before income tax	590	130
Income tax expense	(140)	(28)
Profit for the year	450	102

During the year ended 31 December 20X8, Orion sold goods worth \$100,000 to Nova. These goods had cost Orion \$70,000. On 31 December 20X8, Nova still had \$40,000 worth of these goods in inventory (at cost to Nova).

Required:
Prepare the consolidated statement of profit or loss for the year ended 31 December 20X8, incorporating Orion Ltd and Nova Ltd.

Or

18.	<p>On 1 January 20Y0, Falcon Ltd acquired 80% of the ordinary shares of Eagle Ltd.</p> <p>The following statements of profit or loss have been prepared by Falcon and Eagle for the year ended 31 December 20Y0:</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Falcon (\$000)</th> <th>Eagle (\$000)</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td>1,350</td> <td>560</td> </tr> <tr> <td>Cost of sales</td> <td>(500)</td> <td>(240)</td> </tr> <tr> <td>Gross profit</td> <td>850</td> <td>320</td> </tr> <tr> <td>Distribution costs</td> <td>(190)</td> <td>(110)</td> </tr> <tr> <td>Administration expenses</td> <td>(130)</td> <td>(95)</td> </tr> <tr> <td>Operating profit</td> <td>530</td> <td>115</td> </tr> <tr> <td>Investment income from Eagle</td> <td>45</td> <td>–</td> </tr> <tr> <td>Profit before financing and income taxes</td> <td>575</td> <td>115</td> </tr> <tr> <td>Interest expenses</td> <td>–</td> <td>–</td> </tr> <tr> <td>Profit before income tax</td> <td>575</td> <td>115</td> </tr> <tr> <td>Income tax expense</td> <td>(125)</td> <td>(22)</td> </tr> <tr> <td>Profit for the year</td> <td>450</td> <td>93</td> </tr> </tbody> </table> <p>During the year ended 31 December 20Y0, Falcon sold goods worth \$90,000 to Eagle. These goods had cost Falcon \$60,000. On 31 December 20Y0, Eagle still held \$30,000 worth of these goods in inventory (at cost to Eagle).</p> <p>Required: Prepare the consolidated statement of profit or loss for the year ended 31 December 20Y0, incorporating Falcon Ltd and Eagle Ltd.</p>	Particulars	Falcon (\$000)	Eagle (\$000)	Revenue	1,350	560	Cost of sales	(500)	(240)	Gross profit	850	320	Distribution costs	(190)	(110)	Administration expenses	(130)	(95)	Operating profit	530	115	Investment income from Eagle	45	–	Profit before financing and income taxes	575	115	Interest expenses	–	–	Profit before income tax	575	115	Income tax expense	(125)	(22)	Profit for the year	450	93	07 Marks	L4	C04
Particulars	Falcon (\$000)	Eagle (\$000)																																									
Revenue	1,350	560																																									
Cost of sales	(500)	(240)																																									
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Profit for the year	450	93																																									

19.	Discuss any four merits and three demerits of using ratio analysis in financial evaluation.	07 Marks	L5	C05
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Or

20.	The following information has been extracted from the financial statements of Galaxy Distributors Ltd for the year ended 31 March 2025:	07 Marks	L5	C05																				
	<table border="1" style="width: 100%;"><thead><tr><th style="text-align: center;">Particulars</th><th style="text-align: center;">Amount (\$)</th></tr></thead><tbody><tr><td>Cash and Bank Balance</td><td style="text-align: right;">28,000</td></tr><tr><td>Trade Receivables</td><td style="text-align: right;">75,000</td></tr><tr><td>Inventory</td><td style="text-align: right;">60,000</td></tr><tr><td>Prepaid Expenses</td><td style="text-align: right;">9,000</td></tr><tr><td>Current Liabilities</td><td style="text-align: right;">120,000</td></tr><tr><td>Cost of Sales</td><td style="text-align: right;">640,000</td></tr><tr><td>Average Inventory</td><td style="text-align: right;">58,000</td></tr><tr><td>Average Receivables</td><td style="text-align: right;">68,000</td></tr><tr><td>Average Payables</td><td style="text-align: right;">55,000</td></tr></tbody></table>	Particulars	Amount (\$)	Cash and Bank Balance	28,000	Trade Receivables	75,000	Inventory	60,000	Prepaid Expenses	9,000	Current Liabilities	120,000	Cost of Sales	640,000	Average Inventory	58,000	Average Receivables	68,000	Average Payables	55,000			
Particulars	Amount (\$)																							
Cash and Bank Balance	28,000																							
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Current Liabilities	120,000																							
Cost of Sales	640,000																							
Average Inventory	58,000																							
Average Receivables	68,000																							
Average Payables	55,000																							
	Calculate the following liquidity ratios for Galaxy Distributors Ltd: 1. Current Ratio 2. Quick Ratio (Acid-Test Ratio) 3. Inventory Turnover Period (in days) 4. Receivables Collection Period (in days)																							

Part C

Answer any three Questions. Each question carries 15marks

3Q x 15M=45M

21.	Aqua Ltd. owns several properties and items of equipment. The company has historically measured its assets using the historical cost model. However, management is considering switching to the fair value model for its property, plant, and equipment to reflect current market conditions. The financial controller argues that fair value gives more relevant information, while the accountant believes historical cost is more reliable and verifiable. Required: (a) Explain the recognition and measurement criteria for elements of financial statements under the Conceptual Framework. (b) Discuss the advantages and disadvantages of using historical cost and fair value measurement bases in this case. (c) Recommend which measurement base would provide more useful financial information to users and justify your answer with reference to qualitative characteristics.	15 Marks	L2	C01
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22.	A. Define the term Lease and describe the subsequent measurement process of lease assets and liabilities as per accounting standards. B. Explain the accounting treatment of Inventory and Biological Assets as per the relevant Accounting Standards (Ind AS 2 and Ind AS 41), highlighting their recognition, measurement, and disclosure requirements.	15 Marks	L3	C02
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23.	Trial Balance of Alpha Ltd as at 31 March 20X2	15 Marks	L3	C03
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Particulars	\$000
Revenue	6,200
Cost of sales	1,480
Dividends received	190
Administrative expenses	520
Distribution expenses	400
Interest paid	160
Prepayments	105
Property, plant & equipment	5,200
Short-term investments	2,457
Inventory at 31 March 20X2	130
Trade receivables	460
Cash and cash equivalents	18
Trade payables	150
Long-term loan (repayable 20X9)	1,400
Share capital	1,800
Share premium	900
Retained earnings at 31 March 20X1	1,230
Dividends paid	420

Additional information:

- The tax charge for the year is \$520,000.
- The directors declared a final dividend of \$310,000 on 5 April 20X2.

Required:
Prepare the Statement of Profit or Loss, Statement of Financial Position, and Statement of Changes in Equity for Alpha Ltd for the year ended 31 March 20X2.

24.	The following statements of financial position have been prepared at 31 December 20X8:	15 Marks	L4	CO4																																							
	<table border="1"> <thead> <tr> <th>Particulars</th> <th>Galaxy Ltd (\$)</th> <th>Comet Ltd (\$)</th> </tr> </thead> <tbody> <tr> <td>Non-current assets:</td> <td></td> <td></td> </tr> <tr> <td>Property, plant & equipment</td> <td>95,000</td> <td>25,000</td> </tr> <tr> <td>Investment in Comet Ltd</td> <td>75,000</td> <td>-</td> </tr> <tr> <td>Current assets</td> <td>140,000</td> <td>90,000</td> </tr> <tr> <td>Total assets</td> <td>310,000</td> <td>115,000</td> </tr> <tr> <td>Equity:</td> <td></td> <td></td> </tr> <tr> <td>Ordinary \$1 shares</td> <td>75,000</td> <td>30,000</td> </tr> <tr> <td>Share premium</td> <td>25,000</td> <td>12,000</td> </tr> <tr> <td>Retained earnings</td> <td>65,000</td> <td>26,000</td> </tr> <tr> <td>Total equity</td> <td>165,000</td> <td>68,000</td> </tr> <tr> <td>Current liabilities</td> <td>145,000</td> <td>47,000</td> </tr> <tr> <td>Total equity and liabilities</td> <td>310,000</td> <td>115,000</td> </tr> </tbody> </table>	Particulars	Galaxy Ltd (\$)	Comet Ltd (\$)	Non-current assets:			Property, plant & equipment	95,000	25,000	Investment in Comet Ltd	75,000	-	Current assets	140,000	90,000	Total assets	310,000	115,000	Equity:			Ordinary \$1 shares	75,000	30,000	Share premium	25,000	12,000	Retained earnings	65,000	26,000	Total equity	165,000	68,000	Current liabilities	145,000	47,000	Total equity and liabilities	310,000	115,000			
Particulars	Galaxy Ltd (\$)	Comet Ltd (\$)																																									
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	Additional Information:																																										

- Galaxy Ltd acquired 24,000 ordinary \$1 shares in Comet Ltd on 1 January 20X8, when Comet's retained earnings stood at \$20,000 and its share premium was \$12,000.
- On this date, the fair value of the 20% non-controlling interest in Comet Ltd was \$15,000.
- The Galaxy Group uses the fair value method to value the non-controlling interest.

Required:

Prepare the Consolidated Statement of Financial Position of Galaxy Ltd as at 31 December 20X8.

25.

Statements of financial position and statements of profit or loss for Galaxy Autos Ltd are set out below.

Galaxy Autos Ltd – Statement of Financial Position

Particulars	20Y2 (\$000)	20Y1 (\$000)
Non-current assets:		
Land and buildings (cost)	1,800	1,600
Less: Depreciation	(220)	(180)
	1,580	1,420
Plant and machinery (cost)	700	500
Less: Depreciation	(150)	(100)
	550	400
Total Non-current assets	2,130	1,820
Current assets:		
Inventory	320	150
Receivables	430	120
Total current assets	750	270
Total assets	2,880	2,090
Equity and Liabilities	20Y2 (\$000)	20Y1 (\$000)
Share capital – \$1 ordinary shares	1,300	1,300
Retained earnings	350	240
Total equity	1,650	1,540
Current liabilities:		
Bank overdraft	620	230
Payables and accruals	420	80
Taxation	190	240
Total current liabilities	1,230	550
Total equity and liabilities	2,880	2,090

Galaxy Autos Ltd – Statement of Profit or Loss

Particulars	20Y2 (\$000)	20Y1 (\$000)
Revenue	1,700	1,200
Cost of sales	(800)	(400)
Gross profit	900	800
Administration and distribution expenses	(420)	(380)

15 Marks

L5

C05

Operating profit	480	420
Investment income	-	-
Profit before finance and income tax	480	420
Income tax expense	(240)	(200)
Profit for the year	240	220

Dividend paid in 20Y1 was \$120,000, and in 20Y2 was \$140,000.

Required:

Calculate the following ratios for Galaxy Autos Ltd for 20Y2 and 20Y1:

- a) Gross profit margin
- b) Operating profit margin
- c) Net asset turnover
- d) Current ratio
- e) Quick ratio
- f) Inventory holding period
- g) Receivables collection period