

MANAC1 - GROUP NUMBER 10 (GAYATRI BIOORGANICS LTD)
ASSIGNMENT NUMBER 1

1) Show the proofs of the following fundamental concepts of accounting in the latest given company annual report, say, Going concern, Business entity, Conservatism, Timeliness, Reliability of data and such

- a) Property rights - page 31, point 4; page 37, point 1.3; page 39, point 1.10
- b) Business entity - page 7, item 6,7 & 8; page 18, point 1
- c) Going concern - page 16, part iv; page 31, point 1c;
- d) Monetary expression in accounting - page 13, financial results; page 17, Form B, Point A and B
- e) Matching - cover letter, Form B, point 4; page 42, point 2.3; page 48, point 2.20
- f) Realization - page 38, point 1.7; page 39, point 1.9
- g) Consistency between accounting periods - page 37-38, point 1.4, page 28, Annexure E, point d
- h) Diversity among independent entities - Page 52, point 2.31; page 13, sorbitol division
- i) Conservatism - page 40; point 1.16; page 53, expected return of planned assets = 0; page 32, point 5b, page 38, point 1.4, page 54, point 2.33
- j) Dependability through internal control - page 28, annexure E
- k) Materiality - page 35, expenses and revenue
- l) Timeliness of financial reporting - page 16, pt i & ii, page 29, second paragraph

2) Mention specific sample name of each category of stakeholder(s) as mentioned in the annual report (to the extent available) and what are the information that are useful to them from the annual reports (for example, Salaries) and how

The stakeholders mentioned in acknowledgement of director's report, page 16 are listed in the table below. Remarks are added on how data is useful

Stakeholder	Relevant information	Remarks
Financial institutions, banks	Details of term loans and borrowings (pg 42, 45, 46), investments (pg 46)	To evaluate cash flow status and feasibility of debt repayment
Shareholders	Financial results, performance and outlook (pg 13-14), shareholder information (pg 23-24)	To evaluate performance of their investments
Government agencies	Corporate governance certificate (pg 26), disclosures as per regulations (pg 17), changes in accounting policy (pg 28)	To monitor complainece, corporate ethics and prevent fraud
Suppliers	Operational performance, concerns and opportunities, (pg 14), payment plans	To predict demand and surity of payment
Customers	Industry structure & outlook (pg 14)	To know possibility of price changes and new products
Employees	Code of conduct (pg 27), employee benefits, corp. governance philosophy (pg 18), director appointments, whistle blower policy (pg 21)	To understand roles and rights of employee in corporate governance; boardroom structure, employee benefits

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3) Respond to any one question from the case studies mentioned

Case Study 2 (Amar Akbar)

C – The other factors when deciding upon the type of entity are:-

1. **Legal Liability** – It is important to determine to what extent the owner wants to be shielded from legal liability and if the risks associated with the liability can be afforded.
2. **Tax Structure** – The owners have to see the tax structures associated with the entity and the opportunities to minimize taxation.
3. **Costs and Capital requirements** – The ability to raise capital and the costs associated need to be looked at.
4. **Flexibility** – The ownership structure should have maximum flexibility to accommodate the needs of the business as well as the personal needs of the owners.

Case Study 4 (Koya Kabs)

A - In the calculation of loss, Koya has deducted the down payment of Rs.2, 85,000 from his savings of Rs. 7,490. This method is incorrect because:

- The down payment should not be a part of the loss calculations.
- The amount spent on household expenditures should be a part of the profit.
- Depreciation of car should be deducted from revenue to arrive at profit.
- Operating expenditures will include diesel and oil expense, uniform and badge expense and food and drinks while driving expense.
- Only the interest portion of the EMI should be deducted from revenue.

Case Study 4 (Lehmann Bros)

A – Firms should create their own subsidiaries especially in foreign countries for these reasons:-

1. **International Presence** - It gives them international presence and brand recognition, thus expanding the company's reach.
2. **Taxation** - It helps them save on taxes and receive favourable tax treatment from the foreign country.
3. **Legal Liability** - It helps them limit their liability as the parent company and subsidiaries will be separate legal entities.
4. **Lower costs** - Having subsidiaries in countries where cost of labour and production are low enables the company to operate at lower costs.