

Enrollment No./Seat No.:

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA - SEMESTER - I EXAMINATION - WINTER 2025

Subject Code: MB01098011

Date: 16-01-2026

Subject Name: Financial Accounting AND Reporting

Time: 10:30 AM TO 01:30 PM

Total Marks: 70

Instructions

- 1. Attempt all questions.**
- 2. Make suitable assumptions wherever necessary.**
- 3. Figures to the right indicate full marks.**
- 4. USE of SIMPLE calculators AND non-programmable scientific calculators are permitted.**

	Marks
Q.1 ALL 7 Questions must be Compulsory.	14
(a) Generally Accepted Accounting Principles (GAAP)	
(b) Double Entry System of accounting	
(c) ESG Reporting	
(d) Business Entity Concept	
(e) Global Convergence	
(f) Ponzi Scheme	
(g) Liquidity Ratio	
Q.2 (a) Explain the Accounting Cycle and its relevance in the FinTech ecosystem.	07
(b) Describe the convergence of Ind AS with IFRS and examine how this convergence enhances transparency, comparability, and global acceptability of financial statements of Indian companies.	07
OR	
(b) Explain the significance and impact of International Financial Reporting Standards (IFRS) on financial reporting and disclosure practices in the FinTech sector.	07
Q.3 (a) Explain Ratio Analysis as a tool of financial statement analysis and discuss its importance in decision-making for FinTech firms operating in a dynamic digital finance environment.	07
(b) Explain the purpose and significance of preparing standardized proformas of Corporate Profit & Loss Account and Balance Sheet for companies.	07
OR	
(a) Describe Forensic Accounting with reference to its role in identifying financial irregularities in FinTech companies.	07
(b) Describe the key differences between the proforma of a Corporate Profit & Loss Account and a Corporate Balance Sheet with reference to their content and reporting objectives.	07

- Q.4 (a)** Discuss the role of MCA in enforcing corporate reporting requirements under the Companies Act and its relevance for emerging FinTech companies. **07**
- (b)** Discuss the role of Artificial Intelligence (AI), Machine Learning (ML), and Blockchain in modern accounting systems, with special reference to automation, real-time reporting, and fraud prevention in FinTech companies. **07**

OR

- (a)** Analyze the regulatory role of the Securities and Exchange Board of India (SEBI) in ensuring transparency, disclosure, and investor protection in financial reporting of listed companies **07**
- (b)** Explain the relevance of ESG and Integrated Reporting in assessing the financial, social, and governance performance of contemporary business and FinTech organizations. **07**

Q.5 FinNova Pay Solutions Pvt. Ltd. is a Bengaluru-based FinTech startup established in 2021, offering digital payment gateways and short-term credit solutions to MSMEs. The company operates on a high-volume, low-margin model and earns revenue through transaction fees, subscription-based analytics dashboards, and interest income from its lending arm.

During the financial year 2024–25, FinNova reported a 70% increase in revenue, attracting the attention of venture capital investors. However, an internal review initiated before a funding round revealed several concerns related to financial accounting and reporting practices.

Firstly, FinNova recognized subscription revenue upfront, even though services were contractually spread over 12 months. Similarly, transaction fee income was recorded on a gross basis, despite the company acting as an intermediary for partner banks. This raised questions about revenue recognition principles and compliance with Ind AS.

Secondly, the company capitalized a significant portion of software development costs related to its AI-based fraud detection system. However, documentation distinguishing research costs from development costs was weak. Auditors flagged this as a potential violation of accounting standards regarding intangible assets.

Further, FinNova showed strong profitability ratios, but a closer look revealed that loan loss provisions were significantly understated. Credit risk models had not been updated to reflect rising defaults among MSME borrowers post economic slowdown. This had a direct impact on the true and fair view of financial statements. On the regulatory front, FinNova faced compliance pressure from the Reserve Bank of India (RBI) regarding disclosure of lending practices and customer data protection. The company's financial statements lacked adequate notes on regulatory compliance and risk disclosures, which are critical for FinTech entities.

Finally, a forensic review suggested possible window dressing, as expenses were deferred close to year-end to improve profitability ratios ahead of investor presentations. Though no fraud was conclusively proven, governance weaknesses were evident. The Board has now appointed an external consultant to review FinNova's financial reporting framework, improve transparency, and align practices with ethical accounting, ESG principles, and integrated reporting.

- (a)** Identify the accounting issues related to revenue recognition in the case **07**
- (b)** Analyze the impact of understated loan loss provisions on financial statements. **07**

OR

- (a)** Explain how forensic accounting can help improve financial reporting credibility. **07**
- (b)** Explain how improper disclosures affect stakeholder decision-making. **07**
