MGT401
(Financial Accounting – II)

Important subjective

Lec 23 - Share Capital

1. **What is share capital?**
Answer: Share capital refers to the funds raised by a company through the sale of shares to investors. It represents the ownership interest of shareholders in the company and is an important source of long-term financing.

2. **What is authorized share capital?**
Answer: Authorized share capital is the maximum amount of share capital that a company is authorized to issue. This amount is specified in the company's articles of association.

3. **What is issued share capital?**
Answer: Issued share capital is the amount of share capital that a company has already issued to its shareholders.

4. **What is paid-up share capital?**
Answer: Paid-up share capital is the amount of share capital that shareholders have actually paid for. It represents the amount of capital that the company has received from its shareholders.

5. **What is the difference between authorized share capital and issued share capital?**
Answer: Authorized share capital is the maximum amount of share capital that a company is authorized to issue, while issued share capital is the amount of share capital that the company has actually issued to its shareholders.

6. **What is the par value of a share?**
Answer: The par value of a share is the value that is stated on the share certificate. It represents the minimum price at which the share can be issued or sold.

7. **What is a stock split?**
Answer: A stock split is the process of increasing the number of a company's shares outstanding by dividing each existing share into multiple shares. This is usually done to make the shares more affordable and increase their liquidity.

8. **What is a rights issue?**
Answer: A rights issue is the process of allowing existing shareholders to purchase additional shares in the company at a discounted price. This is usually done to raise additional capital for the company.

9. **What is the difference between common shares and preferred shares?**
Answer: Common shares represent the ownership interest of shareholders in a company and typically come with voting rights. Preferred shares, on the other hand, usually do not come with

voting rights but have a higher claim on the company's assets and earnings.

10. **What is a share buyback?**
Answer: A share buyback is the process of a company repurchasing its own shares from the market. This is usually done to return capital to shareholders, boost earnings per share, or prevent hostile takeovers.

Lec 24 - Repurchase of Shares – Section 95 A

1. **What is a share buyback and why do companies repurchase their own shares?**
   Answer: A share buyback is the process of a company buying back its own shares from the market. Companies may repurchase their own shares for a variety of reasons, such as returning capital to shareholders, improving the return on equity, or preventing hostile takeovers.

2. **What are the restrictions on the amount of shares that can be repurchased under Section 95A?**
   Answer: Under Section 95A, a company can repurchase up to 20% of its total paid-up share capital and free reserves. Additionally, the company must have the necessary funds available for the buyback and cannot exceed its borrowing limits.

3. **Who can approve a share buyback under Section 95A?**
   Answer: A share buyback under Section 95A must be approved by the board of directors and shareholders of the company.

4. **What are the penalties for non-compliance with the provisions of Section 95A?**
   Answer: Non-compliance with the provisions of Section 95A can result in penalties for the company and its officers, including fines and imprisonment.

5. **Can a company purchase shares through private placement under Section 95A?**
   Answer: No, a company cannot purchase shares through private placement under Section 95A.

6. **What is the process for a company to repurchase its own shares under Section 95A?**
   Answer: The company must pass a special resolution approving the buyback, file a declaration of solvency with the Registrar of Companies, and make the necessary disclosures to shareholders and the stock exchange.

7. **What are the tax implications of a share buyback for the company and its shareholders?**
   Answer: The tax implications of a share buyback can vary depending on the specific circumstances. However, in general, the buyback may be subject to capital gains tax for the company and shareholders.

8. **Can a company purchase shares from a specific shareholder under Section 95A?**
   Answer: No, a company cannot purchase shares from a specific shareholder under Section 95A. The buyback must be made from the open market or **through a tender offer to all shareholders.**

9. **How long must a company wait between two share buybacks under Section 95A?**
   Answer: A company must wait at least one year between two share buybacks under Section 95A.

10. **What is the difference between a share buyback and a dividend distribution**?
    Answer: A share buyback involves a company purchasing its own shares from the market, while a dividend distribution involves a company paying out a portion of its profits to shareholders. A share buyback can provide a tax advantage for shareholders, while a dividend distribution is taxed as income.

Lec 25 - Prospectus & Non-Current Liabilities – 4th Schedule

1. **What is the purpose of a prospectus, and why is it important for potential investors?**

Answer: The purpose of a prospectus is to provide information to potential investors about the securities a company is offering. It is important for potential investors because it helps them make an informed decision about whether or not to invest in a company. The prospectus provides details about the company's financial health, its business model, and its potential risks and rewards.

2. **What are non-current liabilities, and why are they important for a company's financial health?**

Answer: Non-current liabilities are obligations that a company is expected to fulfill over a period of more than one year. They are important for a company's financial health because they represent long-term financial commitments that must be met in the future. Non-current liabilities include things like long-term loans, bonds, and leases, and they can have a significant impact on a company's cash flow and ability to invest in future growth.

3. **What information is typically included in the 4th schedule of a prospectus?**

Answer: The 4th schedule of a prospectus typically includes details about a company's non-current liabilities. This might include information about long-term loans, leases, or other obligations that extend beyond the current fiscal year. The schedule may also include details about the terms of these liabilities, such as interest rates or repayment schedules.

4. **Why is it important for investors to understand a company's non-current liabilities?**

Answer: Investors need to understand a company's non-current liabilities in order to assess its long-term financial health. Non-current liabilities represent financial obligations that extend beyond the current fiscal year, and they can have a significant impact on a company's cash flow and ability to invest in future growth. Understanding a company's non-current liabilities can help investors make informed decisions about whether or not to invest in the company.

5. **What are some examples of non-current liabilities that might be included in the 4th schedule of a prospectus?**

Answer: Examples of non-current liabilities that might be included in the 4th schedule of a prospectus include long-term loans, bonds, leases, and other financial obligations that extend beyond the current fiscal year. These liabilities may be secured or unsecured, and they may have varying interest rates or repayment schedules.

6. **How do non-current liabilities differ from current liabilities, and why is this distinction important?**

Answer: Non-current liabilities are obligations that a company is expected to fulfill over a period of more than one year, while current liabilities are obligations that are due within one year. This distinction is important because it helps investors understand a company's short-term and long-term financial health. Current liabilities can have a more immediate impact on a company's cash flow, while non-current liabilities represent longer-term commitments that may impact a company's ability to invest in future growth.

7. **How can a company manage its non-current liabilities?**

Answer: A company can manage its non-current liabilities by carefully monitoring its debt levels and repayment schedules. This might involve negotiating favorable interest rates or repayment terms with lenders, or refinancing existing debt to reduce interest costs. Companies can also explore alternative financing options, such as issuing equity or selling assets, to raise funds and pay down their long-term liabilities.

8. **What risks are associated with non-current liabilities?**

Answer: Non-current liabilities can pose a number of risks for companies, particularly if they are unable to meet their repayment obligations. If a company defaults on a long-term loan or lease, it may face legal action or damage to its credit rating. Additionally, high levels of non-current liabilities can limit a company's ability to invest in future growth or respond to changes in the market.

9. **What factors might impact a company's non-current liabilities?**

Answer: A company's non-current liabilities may be impacted by a variety of

Lec 26 - Leasing – IAS 17

1. **What is a lease under IAS 17?**
   Answer: A lease is an agreement where one party (lessor) grants the use of an asset to another party (lessee) for a specified period in exchange for lease payments.

2. **What are the two types of leases under IAS 17?**
   Answer: The two types of leases under IAS 17 are finance leases and operating leases.

3. **How are lease payments accounted for under a finance lease?**
   Answer: Under a finance lease, lease payments are allocated between interest expense and reduction of the lease liability.

4. **What is the lease term under IAS 17?**
   Answer: The lease term is the non-cancellable period for which the lessee has agreed to lease the asset, together with any further periods for which the lessee has the option to continue to lease the asset.

5. **What is the criterion for a lease to be classified as a finance lease?**
   Answer: A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership to the lessee.

6. **How are lease incentives treated under IAS 17?**
   Answer: Lease incentives are treated as a reduction in lease payments and recognized as a liability on the balance sheet.

7. **What is the treatment for a sale and leaseback transaction under IAS 17?**
   Answer: In a sale and leaseback transaction, the leased asset is recognized as a finance lease for the lessee.

8. **What are the disclosure requirements under IAS 17 for finance leases?**
   Answer: The future minimum lease payments under finance leases must be disclosed in the financial statements.

9. **Can an operating lease be accounted for as a finance lease?**
   Answer: No, an operating lease cannot be accounted for as a finance lease.

10. **How are contingent rent payments accounted for under IAS 17?**
    Answer: Contingent rent payments are recognized as an expense in the period incurred.

Lec 27 - Leasing – IAS 17 (Contd.)

1. **What is the difference between a finance lease and an operating lease under IAS 17?**
   Answer: The key difference between a finance lease and an operating lease is whether the risks and rewards of ownership are transferred to the lessee. In a finance lease, the lessee bears most of the risks and rewards of ownership, while in an operating lease, the lessor retains most of these risks and rewards.
2. **How are lease incentives treated under IAS 17?**
   Answer: Lease incentives are recognized as a reduction in lease payments and amortized over the lease term.
3. **What is the journal entry to record a lease payment under a finance lease?**
   Answer: Debit lease liability and interest expense, credit cash.
4. **How is the lease term determined under IAS 17?**
   Answer: The lease term is the non-cancellable period for which the lessee has the right to use the leased asset, plus any periods covered by a lessee's option to extend the lease if it is reasonably certain to be exercised.
5. **What is the accounting treatment for subleases under IAS 17?**
   Answer: Subleases are accounted for in the same way as the original lease, with the sublessor acting as the lessor and the sublessee acting as the lessee.
6. **Can an entity recognize a gain on a sale and leaseback transaction under IAS 17?**
   Answer: Yes, an entity can recognize a gain on a sale and leaseback transaction only if the sale is at fair value and the lease is an operating lease.
7. **What are the disclosure requirements for finance leases under IAS 17?**
   Answer: The disclosure requirements for finance leases include the future minimum lease payments, the contingent rent payments, and a general description of the lease terms.
8. **How are lease payments allocated under an operating lease?**
   Answer: Lease payments under an operating lease are recognized as an expense on the income statement over the lease term.
9. **Can a finance lease be accounted for as an operating lease under IAS 17?**
   Answer: No, a finance lease cannot be accounted for as an operating lease under IAS 17.
10. **How are impairment losses on leased assets recognized under IAS 17?**
    Answer: Impairment losses on leased assets are recognized as a decrease in the carrying amount of the leased asset and charged to the income statement.

Lec 28 - Leasing – IAS 17 (Contd.)

1. What is the difference between a finance lease and an operating lease under IAS 17?
   Answer: The key difference between a finance lease and an operating lease is whether the risks and rewards of ownership are transferred to the lessee. In a finance lease, the lessee bears most of the risks and rewards of ownership, while in an operating lease, the lessor retains most of these risks and rewards.

2. How are lease incentives treated under IAS 17?
   Answer: Lease incentives are recognized as a reduction in lease payments and amortized over the lease term.

3. What is the journal entry to record a lease payment under a finance lease?
   Answer: Debit lease liability and interest expense, credit cash.

4. How is the lease term determined under IAS 17?
   Answer: The lease term is the non-cancellable period for which the lessee has the right to use the leased asset, plus any periods covered by a lessee's option to extend the lease if it is reasonably certain to be exercised.

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   Answer: Yes, an entity can recognize a gain on a sale and leaseback transaction only if the sale is at fair value and the lease is an operating lease.

7. What are the disclosure requirements for finance leases under IAS 17?
   Answer: The disclosure requirements for finance leases include the future minimum lease payments, the contingent rent payments, and a general description of the lease terms.

8. How are lease payments allocated under an operating lease?
   Answer: Lease payments under an operating lease are recognized as an expense on the income statement over the lease term.

9. Can a finance lease be accounted for as an operating lease under IAS 17?
   Answer: No, a finance lease cannot be accounted for as an operating lease under IAS 17.

10. How are impairment losses on leased assets recognized under IAS 17?
    Answer: Impairment losses on leased assets are recognized as a decrease in the carrying amount of the leased asset and charged to the income statement.

Lec 29 - Leasing – IAS 17 (Contd.)

1. What is the difference between a finance lease and an operating lease under IAS 17?
   Answer: The key difference between a finance lease and an operating lease is whether the risks and rewards of ownership are transferred to the lessee. In a finance lease, the lessee bears most of the risks and rewards of ownership, while in an operating lease, the lessor retains most of these risks and rewards.

2. How are lease incentives treated under IAS 17?
   Answer: Lease incentives are recognized as a reduction in lease payments and amortized over the lease term.

3. What is the journal entry to record a lease payment under a finance lease?
   Answer: Debit lease liability and interest expense, credit cash.

4. How is the lease term determined under IAS 17?
   Answer: The lease term is the non-cancellable period for which the lessee has the right to use the leased asset, plus any periods covered by a lessee's option to extend the lease if it is reasonably certain to be exercised.

5. What is the accounting treatment for subleases under IAS 17?
   Answer: Subleases are accounted for in the same way as the original lease, with the sublessor acting as the lessor and the sublessee acting as the lessee.

6. Can an entity recognize a gain on a sale and leaseback transaction under IAS 17?
   Answer: Yes, an entity can recognize a gain on a sale and leaseback transaction only if the sale is at fair value and the lease is an operating lease.

7. What are the disclosure requirements for finance leases under IAS 17?
   Answer: The disclosure requirements for finance leases include the future minimum lease payments, the contingent rent payments, and a general description of the lease terms.

8. How are lease payments allocated under an operating lease?
   Answer: Lease payments under an operating lease are recognized as an expense on the income statement over the lease term.

9. Can a finance lease be accounted for as an operating lease under IAS 17?
   Answer: No, a finance lease cannot be accounted for as an operating lease under IAS 17.

10. How are impairment losses on leased assets recognized under IAS 17?
    Answer: Impairment losses on leased assets are recognized as a decrease in the carrying amount of the leased asset and charged to the income statement.

Lec 30 - Leasing – IAS 17 (Contd.) & Provisions, Contingent assets and Contingent Liabilities IAS 37

1. **What is the difference between a finance lease and an operating lease?**
   Answer: A finance lease transfers the risks and rewards of ownership to the lessee, while an operating lease does not.

2. **What are the criteria for classifying a lease as a finance lease?**
   Answer: A lease is classified as a finance lease if it transfers the risks and rewards of ownership to the lessee, and if it meets one or more of the following criteria: (1) the lease term is for the majority of the asset's useful life, (2) the present value of the lease payments is substantially all of the fair value of the asset, or (3) the asset is of a specialized nature that only the lessee can use.

3. **How are lease payments allocated between the lease liability and the interest expense under a finance lease?**
   Answer: Lease payments are allocated between the lease liability and the interest expense based on the effective interest rate of the lease.

4. **What is the difference between a provision and a contingent liability?**
   Answer: A provision is a present obligation arising from a past event, while a contingent liability is a possible obligation that depends on the occurrence of a future event.

5. **How are provisions measured under IAS 37?**
   Answer: Provisions are measured at the best estimate of the expenditure required to settle the obligation, taking into account any risks and uncertainties.

6. **What is the difference between a contingent asset and a provision?**
   Answer: A contingent asset is a possible asset that depends on the occurrence of a future event, while a provision is a present obligation arising from a past event.

7. **How are contingent liabilities disclosed in the financial statements?**
   Answer: Contingent liabilities are disclosed in the notes to the financial statements, including a description of the nature of the contingency, an estimate of the financial effect, and the probability of the contingency occurring.

8. **What is the difference between a firm commitment and a contingent liability?**
   Answer: A firm commitment is a binding agreement to purchase or sell goods or services, while a contingent liability is a possible obligation that depends on the occurrence of a future event.

9. **How are contingent assets recognized in the financial statements?**
   Answer: Contingent assets are recognized in the financial statements only when the inflow of economic benefits is virtually certain.

10. **What is the difference between a warranty provision and a restructuring provision?**
    Answer: A warranty provision is a provision for future warranty claims, while a restructuring provision is a provision for the costs of restructuring the business.

Lec 31 - Provisions, Contingent Assets & Contingent Liabilities (Contd)

1. **What is a provision? Provide examples of situations where provisions might be created.**
   Answer: A provision is a liability of uncertain timing or amount that a company expects to incur in the future. Examples of situations where provisions might be created include warranty claims, legal settlements, environmental cleanup costs, restructuring costs, and employee benefits.

2. **What is the difference between a provision and a contingent liability?**
   Answer: A provision is a liability of uncertain timing or amount that a company expects to incur in the future, while a contingent liability is a possible obligation that arises from past events but whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

3. **How are provisions measured and recognized in financial statements?**
   Answer: Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period and recognized as a liability in the statement of financial position, with a corresponding charge to the statement of comprehensive income.

4. **What is the difference between a restructuring provision and an onerous contract provision?**
   Answer: A restructuring provision is created when a company decides to restructure its operations, such as closing down a plant or laying off employees. An onerous contract provision is created when a company has a contract that is no longer profitable and is expected to result in a future net cash outflow.

5. **What is a contingent asset? Provide examples of situations where a contingent asset might arise.**
   Answer: A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Examples of situations where a contingent asset might arise include legal claims against third parties, insurance claims, and tax refunds.

6. **What is the accounting treatment for a contingent asset?**
   Answer: A contingent asset is not recognized in the financial statements because its existence is uncertain. However, if it is virtually certain that the asset will be received, then it may be disclosed in the notes to the financial statements.

7. **How are contingent liabilities disclosed in the financial statements?**
   Answer: Contingent liabilities are disclosed in the notes to the financial statements unless the possibility of an outflow of resources is remote.

8. **What is the difference between a legal claim and a constructive obligation?**
   Answer: A legal claim arises when a third party makes a claim against the company that is legally enforceable. A constructive obligation arises from past events that give rise to a moral obligation to pay or perform but where there is no legal obligation.

9. **How is the likelihood of a contingent liability assessed?**
   Answer: The likelihood of a contingent liability is assessed by considering the available evidence and the possibility of future events.

10. **What is the difference between a provision and a reserve?**
Answer: A provision is a liability of uncertain timing or amount that a company expects to incur in the future, while a reserve is a portion of retained earnings that has been set aside for a specific purpose, such as future expansion or dividend payments. Reserves are not recognized as liabilities in the statement of financial position.

Lec 32 - Provisions, Contingent Assets & Contingent Liabilities (Contd) and Income Statement

1. **What is a provision in accounting, and what is its purpose?**
   Answer: A provision is an amount set aside to cover anticipated future expenses or losses. Its purpose is to ensure that a company has enough funds to cover expected future costs.

2. **What is a contingent liability, and how is it recognized on the balance sheet**?
   Answer: A contingent liability is a potential obligation that depends on the occurrence or non-occurrence of one or more uncertain future events. It is recognized on the balance sheet when it is probable that the obligation will result in an outflow of resources, and the amount can be reliably estimated.

3. **How are provisions and contingent liabilities different from each other?**
   Answer: Provisions are amounts set aside for anticipated future expenses or losses, while contingent liabilities are potential obligations that depend on the occurrence or non-occurrence of one or more uncertain future events.

4. **What is a contingent asset, and how is it recognized on the balance sheet?**
   Answer: A contingent asset is a potential asset that depends on the occurrence or non-occurrence of one or more uncertain future events. It is not recognized on the balance sheet unless it is virtually certain that the asset will be realized.

5. **What is the income statement, and what information does it provide?**
   Answer: The income statement is a financial statement that shows a company's revenues, expenses, gains, and losses over a specific period, such as a quarter or a year. It provides information about a company's profitability and potential for growth.

6. **How are gains and losses recognized on the income statement?**
   Answer: Gains are recognized as revenue, and losses are recognized as expenses on the income statement.

7. **How does recognizing a provision affect a company's financial statements?**
   Answer: Recognizing a provision reduces a company's net income and shareholders' equity while increasing its liabilities.

8. **What is the difference between a contingent liability and a guarantee?**
   Answer: A contingent liability is a potential obligation that depends on the occurrence or non-occurrence of one or more uncertain future events, while a guarantee is a legal promise to make good on a debt or obligation if the debtor or obligor fails to do so.

9. **What are some examples of contingent assets?**
   Answer: Examples of contingent assets include lawsuits that the company is likely to win, insurance claims that the company has filed, and potential tax refunds.

10. **Why is it important for companies to recognize both contingent assets and liabilities?**
    Answer: Recognizing contingent assets and liabilities provides investors and analysts with additional information about a company's potential gains and losses, which can help them make more informed investment decisions.

Lec 33 - Income statement IAS-01

1. **What is a provision? Provide examples of situations where provisions might be created.**
   Answer: A provision is a liability of uncertain timing or amount that a company expects to incur in the future. Examples of situations where provisions might be created include warranty claims, legal settlements, environmental cleanup costs, restructuring costs, and employee benefits.

2. **What is the difference between a provision and a contingent liability?**
   Answer: A provision is a liability of uncertain timing or amount that a company expects to incur in the future, while a contingent liability is a possible obligation that arises from past events but whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

3. **How are provisions measured and recognized in financial statements?**
   Answer: Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period and recognized as a liability in the statement of financial position, with a corresponding charge to the statement of comprehensive income.

4. **What is the difference between a restructuring provision and an onerous contract provision?**
   Answer: A restructuring provision is created when a company decides to restructure its operations, such as closing down a plant or laying off employees. An onerous contract provision is created when a company has a contract that is no longer profitable and is expected to result in a future net cash outflow.

5. **What is a contingent asset? Provide examples of situations where a contingent asset might arise.**
   Answer: A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Examples of situations where a contingent asset might arise include legal claims against third parties, insurance claims, and tax refunds.

6. **What is the accounting treatment for a contingent asset?**
   Answer: A contingent asset is not recognized in the financial statements because its existence is uncertain. However, if it is virtually certain that the asset will be received, then it may be disclosed in the notes to the financial statements.

7. **How are contingent liabilities disclosed in the financial statements?**
   Answer: Contingent liabilities are disclosed in the notes to the financial statements unless the possibility of an outflow of resources is remote.

8. **What is the difference between a legal claim and a constructive obligation?**
   Answer: A legal claim arises when a third party makes a claim against the company that is legally enforceable. A constructive obligation arises from past events that give rise to a moral obligation to pay or perform but where there is no legal obligation.

9. **How is the likelihood of a contingent liability assessed?**
   Answer: The likelihood of a contingent liability is assessed by considering the available evidence and the possibility of future events.

10. **What is the difference between a provision and a reserve?**
Answer: A provision is a liability of uncertain timing or amount that a company expects to incur in the future, while a reserve is a portion of retained earnings that has been set aside for a specific purpose, such as future expansion or dividend payments. Reserves are not recognized as liabilities in the statement of financial position.

Lec 34 - Revenues IAS-18

1. **What is the definition of revenue under IAS 18?**
   Answer: According to IAS 18, revenue is defined as the gross inflow of economic benefits arising from the ordinary activities of an entity when those inflows result in an increase in equity, other than increases relating to contributions from equity participants.
2. **How should an entity recognize revenue under IAS 18?**
   Answer: An entity should recognize revenue when it is probable that the economic benefits associated with the transaction will flow to the entity and the amount of revenue can be measured reliably.
3. **What are the two types of revenue under IAS 18?**
   Answer: The two types of revenue under IAS 18 are sale of goods and rendering of services.
4. **How should an entity measure revenue from the sale of goods under IAS 18?**
   Answer: Revenue from the sale of goods should be measured at the fair value of the consideration received or receivable, net of any trade discounts or volume rebates.
5. **How should an entity measure revenue from the rendering of services under IAS 18?**
   Answer: Revenue from the rendering of services should be measured at the fair value of the consideration received or receivable, taking into account any stage of completion of the transaction at the end of the reporting period.
6. **How should an entity account for the return of goods under IAS 18?**
   Answer: An entity should account for the return of goods by reducing revenue and recognizing an expense for the estimated cost of the return.
7. **What is the criteria for recognizing revenue on a long-term construction contract under IAS 18?**
   Answer: Revenue on a long-term construction contract should be recognized based on the stage of completion of the contract, measured by the proportion of costs incurred to date compared to the total estimated costs of the contract.
8. **What is the difference between a principal and an agent in a revenue recognition arrangement under IAS 18?**
   Answer: A principal is the entity that is primarily responsible for providing the goods or services, while an agent facilitates the transaction between the principal and the customer.
9. **How should an entity recognize revenue from the sale of goods with a right of return under IAS 18?**
   Answer: An entity should recognize revenue from the sale of goods with a right of return by estimating the amount of goods that are likely to be returned and reducing revenue accordingly.
10. **How should an entity recognize revenue from the sale of services with a warranty under IAS 18?**
    Answer: An entity should recognize revenue from the sale of services with a warranty by allocating a portion of the transaction price to the warranty and recognizing the revenue over the period of the warranty.

Lec 35 - Presentation and Disclosure of Expenses in Income statement

1. **What is the purpose of presenting expenses in the income statement?**

Answer: The purpose of presenting expenses in the income statement is to provide users with a clear and accurate picture of the costs incurred by a company in generating revenue during a particular accounting period.

2. **What are the different categories of expenses that are typically presented in the income statement?**

Answer: The different categories of expenses that are typically presented in the income statement include cost of goods sold, selling and distribution expenses, administrative expenses, finance costs, and other operating expenses.

3. **What is the significance of disclosing the nature of expenses in the income statement?**

Answer: Disclosing the nature of expenses in the income statement is significant because it provides users with a clear understanding of the types of costs that a company is incurring and how they relate to the company's operations.

4. **How does the disclosure of expenses in the income statement help users in making informed decisions?**

Answer: The disclosure of expenses in the income statement helps users in making informed decisions by providing them with an understanding of the costs associated with a company's operations and the factors that may impact those costs in the future.

5. **What is the purpose of presenting expenses by function in the income statement?**

Answer: The purpose of presenting expenses by function in the income statement is to provide users with a clear understanding of how different costs relate to the different activities performed by a company, such as production, selling, and administration.

6. **What is the significance of presenting expenses by nature and by function in the income statement?**

Answer: Presenting expenses by nature and by function in the income statement is significant because it provides users with a comprehensive view of the company's costs, which can help them in making informed decisions about the company's operations.

7. **How can a company ensure that its presentation of expenses in the income statement is in compliance with relevant accounting standards?**

Answer: A company can ensure that its presentation of expenses in the income statement is in compliance with relevant accounting standards by following the guidelines provided in the applicable accounting standards, such as IAS 1.

8. **How can a company improve the transparency and clarity of its presentation of expenses in the income statement?**

Answer: A company can improve the transparency and clarity of its presentation of expenses in the income statement by providing detailed disclosures of the nature and function of the expenses, as well as any significant changes in the expenses from prior periods.

9. **What is the impact of misstating expenses in the income statement?**

Answer: Misstating expenses in the income statement can have a significant impact on the accuracy of the financial statements, which can ultimately lead to incorrect decisions by users.

10. **What are some best practices for presenting expenses in the income statement?**

Answer: Some best practices for presenting expenses in the income statement include providing detailed disclosures of the nature and function of the expenses, presenting expenses by both nature and function, and ensuring that the presentation is in compliance with applicable accounting standards.

Lec 36 - Statement of Changes in Equity, Accounting Policies, Changes in Accounting Estimates and Errors

1. **What is the Statement of Changes in Equity, and what information does it provide?**
   Answer: The Statement of Changes in Equity is a financial statement that reports the changes in a company's equity over a reporting period. It provides information on the movement in share capital, reserves, and retained earnings.

2. **What is an accounting policy, and why is it important to disclose it in financial statements?**
   Answer: An accounting policy is a set of guidelines that a company follows when preparing its financial statements. It is important to disclose accounting policies in financial statements so that investors and other stakeholders can understand how the company prepares its financial statements.

3. **What is the difference between a change in accounting estimate and a correction of an error in accounting?**
   Answer: A change in accounting estimate is a change in the accounting treatment of a transaction or event that was previously accounted for, while a correction of an error in accounting is a retrospective restatement of previously reported financial information.

4. **What is the impact of a change in accounting estimate on financial statements?**
   Answer: A change in accounting estimate can impact the financial statements by changing the amounts reported for prior periods, as well as the current period.

5. **How are changes in accounting policies accounted for in financial statements?**
   Answer: Changes in accounting policies are accounted for retrospectively, which means that prior period financial statements are restated to reflect the new policy.

6. **What is a prior period error, and how is it corrected in financial statements?**
   Answer: A prior period error is an error made in a previous period's financial statements. It is corrected by restating the prior period financial statements to reflect the correction.

7. **What is the difference between an error in accounting and a fraud in accounting?**
   Answer: An error in accounting is an unintentional mistake made in the preparation of financial statements, while a fraud in accounting is an intentional misrepresentation of financial information.

8. **What is the purpose of the Statement of Accounting Policies in financial statements?**
   Answer: The purpose of the Statement of Accounting Policies is to disclose the accounting policies adopted by a company in the preparation of its financial statements.

9. **What are the criteria for changing an accounting estimate?**
   Answer: A change in accounting estimate is made when new information becomes available or when a company revises its assumptions or estimates. The criteria for changing an estimate are that the new estimate must be based on new information or new assumptions and must be a more accurate reflection of the current circumstances.

10. **How are changes in accounting estimates disclosed in financial statements?**
    Answer: Changes in accounting estimates are disclosed in the notes to the financial statements, along with an explanation of the reasons for the change and the impact on the financial statements.

Lec 37 - Changes in Accounting Policies – IAS 8, Errors and Cash Flows

1. **What is the purpose of IAS 8?**
   Answer: IAS 8 is used to provide guidelines to entities to apply accounting policies consistently and to deal with changes in accounting policies, accounting errors, and the correction of errors in financial statements.

2. **What is an accounting policy?**
   Answer: An accounting policy is a set of principles, procedures, and rules adopted by an entity in preparing and presenting financial statements.

3. **What is a retrospective adjustment?**
   Answer: A retrospective adjustment is a correction of an error in previously issued financial statements, which requires the restatement of prior period financial statements.

4. **What is the difference between a change in accounting policy and a change in accounting estimate?**
   Answer: A change in accounting policy refers to a change in the principles, basis, or method of accounting used by an entity, whereas a change in accounting estimate refers to a change in the estimation technique, or the assumption used in calculating an accounting value.

5. **How is the effect of a change in accounting policy reflected in financial statements?**
   Answer: A change in accounting policy is applied retrospectively unless impractical, and the impact of the change is reflected in the opening balance of retained earnings of the earliest period presented.

6. **What is a cash flow statement?**
   Answer: A cash flow statement is a financial statement that provides information about the cash inflows and outflows of an entity during a specific period.

7. **What is the purpose of a cash flow statement?**
   Answer: The purpose of a cash flow statement is to provide information about an entity's liquidity, solvency, and financial flexibility.

8. **What is a cash equivalent?**
   Answer: A cash equivalent is a short-term, highly liquid investment that is readily convertible into cash, and which carries an insignificant risk of changes in value.

9. **What is the difference between an operating activity and an investing activity?**
   Answer: An operating activity is a cash inflow or outflow that results from an entity's core business operations, whereas an investing activity is a cash inflow or outflow that results from the acquisition or disposal of long-term assets.

10. **What is the purpose of disclosing non-cash transactions in the cash flow statement?**
    Answer: The purpose of disclosing non-cash transactions in the cash flow statement is to provide information about significant investing and financing activities that did not involve the exchange of cash.

Lec 38 - Cash Flow Statement IAS-7

1. **What is the purpose of the cash flow statement?**
   Answer: The purpose of the cash flow statement is to provide information about an entity's cash inflows and outflows for a specific period.

2. **What are the three categories of cash flows presented in the cash flow statement?**
   Answer: The three categories of cash flows presented in the cash flow statement are operating activities, investing activities, and financing activities.

3. **How are non-cash transactions reported in the cash flow statement?**
   Answer: Non-cash transactions are not reported in the cash flow statement. However, they may be disclosed in the notes to the financial statements.

4. **What is the direct method of preparing the cash flow statement?**
   Answer: The direct method of preparing the cash flow statement involves calculating cash inflows and outflows directly from operating activities.

5. **What is the indirect method of preparing the cash flow statement?**
   Answer: The indirect method of preparing the cash flow statement involves adjusting net income for non-cash items and changes in working capital to arrive at cash flows from operating activities.

6. **How are cash and cash equivalents defined in the cash flow statement?**
   Answer: Cash and cash equivalents are defined as short-term, highly liquid investments that are readily convertible into cash.

7. **What is the purpose of presenting the cash flow statement alongside the income statement and balance sheet?**
   Answer: The purpose of presenting the cash flow statement alongside the income statement and balance sheet is to provide users of the financial statements with a complete picture of an entity's financial performance, financial position, and cash flows.

8. **How can the cash flow statement be used by investors and creditors?**
   Answer: Investors and creditors can use the cash flow statement to assess an entity's ability to generate cash flows and its liquidity position.

9. **What are the limitations of the cash flow statement?**
   Answer: The limitations of the cash flow statement include the fact that it only presents cash flows for a specific period and does not provide information about an entity's long-term solvency.

10. **What is the importance of preparing the cash flow statement in accordance with IAS 7?**
    Answer: Preparing the cash flow statement in accordance with IAS 7 ensures that the information presented is reliable, relevant, and comparable across different entities.

Lec 39 - Cash Flow Statement (contd.)

1. Explain the significance of the Cash Flow Statement in financial reporting.
   Answer: The Cash Flow Statement provides information about the cash inflows and outflows of a company during a particular period. It helps in assessing a company's liquidity and ability to generate cash. The statement also assists investors in determining the extent to which a company's operations are generating cash flows and whether it has the potential to meet its financial obligations.

2. What is the difference between operating, investing, and financing activities in the Cash Flow Statement?
   Answer: Operating activities involve cash inflows and outflows that arise from a company's primary business activities, such as sales and purchases of goods and services. Investing activities refer to cash inflows and outflows related to the acquisition or disposal of long-term assets. Financing activities comprise cash inflows and outflows resulting from the issuance and repayment of long-term liabilities and equity.

3. How does depreciation impact the Cash Flow Statement?
   Answer: Depreciation is a non-cash expense, meaning that it does not involve the actual outflow of cash. However, it does reduce the value of a company's assets over time, which is reflected in the Cash Flow Statement. Depreciation is added back to net income when calculating operating cash flows.

4. What are the advantages of the direct method for preparing the Cash Flow Statement?
   Answer: The direct method provides a more detailed and transparent picture of a company's cash inflows and outflows. It also allows for a better understanding of the company's operating activities and how they generate cash. Additionally, it facilitates the identification of cash flow issues and helps in developing strategies to address them.

5. What is the purpose of the reconciliation of net income to cash flows from operating activities in the Cash Flow Statement?
   Answer: The reconciliation of net income to cash flows from operating activities adjusts net income for non-cash items such as depreciation and amortization and also takes into account changes in current assets and liabilities that impact cash flows. The purpose is to arrive at the actual cash generated or used by the company's operations during a particular period.

6. Explain the importance of the Cash Flow Statement in assessing a company's solvency.
   Answer: The Cash Flow Statement provides information about a company's cash inflows and outflows, which helps in assessing its ability to meet its financial obligations. By analyzing a company's cash flows, investors and creditors can determine whether the company has sufficient cash reserves to pay its debts and meet its other financial obligations.

7. How does a change in accounts receivable impact the Cash Flow Statement?
   Answer: A decrease in accounts receivable represents a cash inflow, while an increase in accounts receivable represents a cash outflow. This is because a decrease in accounts receivable means that the company has collected cash from its customers, while an increase in accounts receivable means that the company has extended credit to its customers and has not yet received payment.

8. What is the significance of the free cash flow metric?
   Answer: Free cash flow is a metric that indicates the cash generated by a company after taking into account all capital expenditures required to maintain and grow the business. It is a useful

metric for assessing a company's ability to generate cash and reinvest in its operations. A positive free cash flow indicates that a company is generating more cash than it requires to maintain its operations, while a negative free cash flow suggests that the company may need to raise additional capital.

9. How can the Cash Flow Statement be used to identify potential financial problems in a company?
Answer: By analyzing the Cash Flow Statement, investors and creditors can identify potential financial problems in a company, such as a negative operating cash flow, a high level of investing cash outflows, or a low level of free cash flow. These issues could indicate that the company is not generating sufficient

Lec 40 - Cash Flow Statement (contd.)

1. **Explain the significance of the Cash Flow Statement in financial reporting.**
   Answer: The Cash Flow Statement provides information about the cash inflows and outflows of a company during a particular period. It helps in assessing a company's liquidity and ability to generate cash. The statement also assists investors in determining the extent to which a company's operations are generating cash flows and whether it has the potential to meet its financial obligations.

2. **What is the difference between operating, investing, and financing activities in the Cash Flow Statement?**
   Answer: Operating activities involve cash inflows and outflows that arise from a company's primary business activities, such as sales and purchases of goods and services. Investing activities refer to cash inflows and outflows related to the acquisition or disposal of long-term assets. Financing activities comprise cash inflows and outflows resulting from the issuance and repayment of long-term liabilities and equity.

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Lec 41 - Events after the Balance Sheet Date IAS-10

1. **What are events after the balance sheet date, and how are they treated in financial statements according to IAS-10?**
   Answer: Events after the balance sheet date are events that occur between the balance sheet date and the date when the financial statements are authorized for issuance. According to IAS-10, these events should be considered for disclosure in the financial statements if they provide additional information about the company's financial position. If they result in adjustments to the financial statements, they should be reflected in the financial statements.

2. **Give an example of an event after the balance sheet date that may require disclosure in the financial statements.**
   Answer: An example of an event after the balance sheet date that may require disclosure in the financial statements is a major litigation settlement that is agreed upon after the balance sheet date but before the financial statements are authorized for issuance. This event may have a significant impact on the company's financial position and may need to be disclosed in the financial statements.

3. **How should events after the balance sheet date that result in adjustments to the financial statements be treated according to IAS-10?**
   Answer: If events after the balance sheet date result in adjustments to the financial statements, they should be reflected in the financial statements. The financial statements should be adjusted to reflect the impact of these events on the company's financial position.

4. **What is the cutoff date for considering events after the balance sheet date according to IAS-10?**
   Answer: The cutoff date for considering events after the balance sheet date according to IAS-10 is the date when the financial statements are authorized for issuance.

5. **How should events after the balance sheet date that do not result in adjustments to the financial statements be disclosed according to IAS-10?**
   Answer: Events after the balance sheet date that do not result in adjustments to the financial statements should be disclosed in the notes to the financial statements. The nature of the event, the estimated financial effect, and the date when the event occurred should be disclosed.

6. **What are the disclosure requirements for non-adjusting events after the balance sheet date according to IAS-10?**
   Answer: The disclosure requirements for non-adjusting events after the balance sheet date according to IAS-10 include disclosing the nature of the event, the estimated financial effect, and the date when the event occurred in the notes to the financial statements.

7. **Can events after the balance sheet date be used to adjust the financial statements retrospectively?**
   Answer: No, events after the balance sheet date cannot be used to adjust the financial statements retrospectively. They can only be used to adjust the financial statements for the period in which the event occurred.

8. **How should subsequent events that require disclosure in the financial statements be presented according to IAS-10?**
   Answer: Subsequent events that require disclosure in the financial statements should be presented in the notes to the financial statements. They should be clearly disclosed, including the nature of the event, the estimated financial effect, and the date when the event occurred.

9. **Give an example of a subsequent event that requires disclosure in the financial statements according to IAS-10.**
   Answer: An example of a subsequent event that requires disclosure in the financial statements according to IAS-10 is a significant business acquisition that is agreed upon after the balance sheet date but before the financial statements are authorized for issuance. This event may have a significant impact on the company's financial position and may need to be disclosed in the financial statements.

10. **What is the purpose of disclosing events after the balance sheet date in the financial statements according to IAS-10?**
    Answer: The purpose of disclosing events after the balance sheet date in the

Lec 42 - IAS-33 Earnings per Share

1. **What is the difference between basic EPS and diluted EPS?**
   Answer: Basic EPS is calculated based on the number of outstanding common shares while diluted EPS takes into account the potential dilutive effect of convertible securities and other instruments that could increase the number of shares outstanding.

2. **What is a potential ordinary share?**
   Answer: A potential ordinary share is a security or instrument that has the potential to be converted into ordinary shares and affect the calculation of EPS.

3. **What is a convertible security?**
   Answer: A convertible security is a financial instrument, such as a bond or preferred share, that can be converted into common shares, potentially diluting the number of shares outstanding and affecting the calculation of EPS.

4. **How do stock dividends and stock splits affect the calculation of EPS?**
   Answer: Stock dividends and stock splits can affect the calculation of EPS by increasing the number of shares outstanding, thereby reducing the EPS figure.

5. **Why is EPS important for investors and analysts?**
   Answer: EPS is important for investors and analysts because it measures the profitability of a company on a per-share basis and provides insight into a company's earnings potential and financial health.

6. **What is the difference between basic EPS and diluted EPS in terms of potential ordinary shares?**
   Answer: Basic EPS only considers outstanding ordinary shares, while diluted EPS takes into account both outstanding ordinary shares and potential ordinary shares.

7. **What is the difference between a simple capital structure and a complex capital structure?**
   Answer: A simple capital structure has only common shares outstanding, while a complex capital structure has potential ordinary shares, such as convertible securities or stock options.

8. **What are the disclosure requirements under IAS 33 for companies reporting EPS?**
   Answer: Companies reporting EPS under IAS 33 must disclose both basic and diluted EPS figures, the number of potential ordinary shares outstanding, and the dilutive effect of potential ordinary shares.

9. **What are the limitations of using EPS as a measure of a company's profitability?**
   Answer: The limitations of using EPS as a measure of a company's profitability include potential manipulation of earnings through share buybacks and the exclusion of important factors such as operating expenses and capital expenditures.

10. **What is the impact of convertible securities on the calculation of EPS?**
    Answer: Convertible securities can dilute the number of shares outstanding and increase the denominator used in the EPS calculation, potentially reducing the EPS figure.

Lec 43 - IAS-33 Earnings per Share & Financial Statements

1. **What is the purpose of calculating earnings per share?**
   Answer: The purpose of calculating earnings per share is to provide investors and analysts with a metric that allows them to evaluate a company's profitability on a per-share basis.
2. **What is the difference between basic EPS and diluted EPS?**
   Answer: Basic EPS is calculated by dividing net income by the weighted average number of outstanding common shares, while diluted EPS takes into account the potential dilutive effect of convertible securities.
3. **What are potential ordinary shares?**
   Answer: Potential ordinary shares are securities or instruments that have the potential to be converted into ordinary shares.
4. **What is a simple capital structure?**
   Answer: A simple capital structure is a capital structure that has only common shares outstanding.
5. **What is a complex capital structure?**
   Answer: A complex capital structure is a capital structure that has potential ordinary shares outstanding.
6. **How do companies calculate the weighted average number of outstanding common shares?**
   Answer: Companies calculate the weighted average number of outstanding common shares by multiplying the number of shares outstanding by the percentage of the year that the shares were outstanding and then adding up the resulting products.
7. **What disclosures related to EPS must companies make in their financial statements?**
   Answer: Companies must disclose both basic and diluted EPS figures, as well as information related to potential ordinary shares and changes in their capital structure.
8. **How can a company's EPS be affected by a stock split?**
   Answer: A stock split can increase the number of outstanding shares, which can decrease EPS if net income remains the same.
9. **What is the dilutive effect of potential ordinary shares?**
   Answer: The dilutive effect of potential ordinary shares is the potential impact on EPS if all potential ordinary shares were converted to ordinary shares.
10. **How can companies manipulate EPS figures?**
    Answer: Companies can manipulate EPS figures through share buybacks, changes in their capital structure, or other financial engineering tactics.

Lec 44 - Presentation and Disclosure Requirements of Financial Statements –

1. **What are the key elements of a balance sheet, and how do they provide information about a company's financial position?**
   Answer: The key elements of a balance sheet are assets, liabilities, and equity. Assets represent the company's resources, liabilities represent its obligations, and equity represents the residual interest of the owners. Together, these elements provide a snapshot of the company's financial position at a specific point in time.

2. **What is the purpose of the income statement, and how does it differ from the balance sheet?**
   Answer: The income statement shows a company's revenue and expenses over a period of time, usually a year. It differs from the balance sheet, which shows the company's financial position at a specific point in time.

3. **What are the key components of the statement of cash flows, and how do they provide information about a company's cash flows?**
   Answer: The key components of the statement of cash flows are cash flows from operating activities, cash flows from investing activities, and cash flows from financing activities. These components provide information about the sources and uses of the company's cash during a specific period.

4. **What is the purpose of the notes to the financial statements, and what information should be included in them?**
   Answer: The notes to the financial statements provide additional information about the company's financial position, performance, and cash flows. They should include information about accounting policies, contingencies, significant transactions, and other relevant information.

5. **What is the purpose of the management discussion and analysis (MD&A) section of the financial statements?**
   Answer: The MD&A section provides management's analysis of the company's financial performance, including an overview of the company's operations, a discussion of significant events and trends, and an analysis of the company's financial condition and results of operations.

6. **What is the purpose of segment reporting, and what information should be included in it?**
   Answer: Segment reporting provides information about the company's operating segments, which are components of the company that generate revenue and incur expenses. Segment reporting should include information about the revenues, expenses, and assets of each segment, as well as the company's overall performance.

7. **What is the purpose of the auditor's report, and what information does it provide?**
   Answer: The auditor's report provides an opinion on the fairness of the financial statements, based on the auditor's examination of the company's accounting records and practices. It also provides information about the scope of the audit and any limitations on the auditor's work.

8. **What is the purpose of the statement of changes in equity, and how does it provide information about the company's equity?**
   Answer: The statement of changes in equity shows the changes in the company's equity over a period of time, including the effects of transactions with owners and changes in the company's net income or loss.

9. **What is the purpose of the statement of financial position, and how does it differ from the income statement?**
   Answer: The statement of financial position shows the company's financial position at a specific point in time, including its assets, liabilities, and equity. It differs from the income statement, which shows the company's financial performance over a period of time.

10. **What is the purpose of the statement of comprehensive income, and how does it differ from the income statement?**
    Answer: The statement of comprehensive income shows the company's income and expenses, including gains and losses that are not included in the income statement. It differs from the income statement in that it includes a broader range of income and expenses.

Lec 45 - Presentation and Disclosure Requirements of Financial Statements – Revision (Contd)

1. **What are the objectives of the presentation and disclosure requirements of financial statements?**
   Answer: The key objectives of the presentation and disclosure requirements of financial statements are to provide information that is useful in making investment decisions and to promote transparency and accountability in financial reporting.

2. **What is the purpose of the management discussion and analysis (MD&A) section of the financial statements?**
   Answer: The purpose of the MD&A section is to provide management's analysis of the company's financial performance and condition, as well as any significant trends or risks that may affect the company's future prospects.

3. **What is the difference between a material change and an immaterial change in financial reporting?**
   Answer: A material change is a change in accounting policy, financial statement presentation, or other accounting estimate that would affect the judgment of a reasonable investor. An immaterial change, on the other hand, would not have a significant impact on the financial statements or investor judgment.

4. **What are some common examples of disclosures required in the notes to the financial statements?**
   Answer: Common examples of disclosures required in the notes to the financial statements include a summary of significant accounting policies, details of the company's contingencies and commitments, and information about any related party transactions.

5. **What is segment reporting and why is it important in financial reporting?**
   Answer: Segment reporting is the process of disclosing information about a company's operating segments, which are business units that generate revenue and incur expenses. It is important in financial reporting because it provides investors with a better understanding of the company's operations and the risks and opportunities associated with each segment.

6. **What is the purpose of an auditor's report in financial statement disclosure?**
   Answer: The purpose of an auditor's report is to provide an independent opinion on the fairness of the financial statements, as well as any significant issues or risks identified during the audit process.

7. **What are some common reasons why financial statements may need to be revised?**
   Answer: Financial statements may need to be revised due to errors in accounting or reporting, changes in accounting standards or policies, or other material changes in the company's financial position or performance.

8. **What is the role of the audit committee in financial reporting and disclosure?**
   Answer: The audit committee is responsible for overseeing the company's financial reporting and disclosure processes, as well as selecting and overseeing the company's independent auditors.

9. **What is the difference between interim financial statements and annual financial statements?**
   Answer: Interim financial statements are prepared on a quarterly or other periodic basis, while

annual financial statements are prepared once per year. Annual financial statements are typically more comprehensive and include a wider range of disclosures than interim financial statements.

10. **How can financial reporting and disclosure practices impact a company's reputation and stakeholder relationships?**
    Answer: Poor financial reporting and disclosure practices can damage a company's reputation and erode stakeholder trust, while transparent and accurate reporting can enhance a company's reputation and build stronger stakeholder relationships.