Hall Ticket No


Regulation: .-R16
Financial Accounting and Analysis
(MASTER OF BUSINESS ADMINISTRATION)

Answer ONE Question from each Unit
All Questions Carry Equal Marks
All parts of the question must be answered in one place only

## UNIT - I

1. (a) Demonstrate the meaning and significance of the following accounting concepts and conventions:
i. Matching concept
ii. Going concern concept
iii. Convention of consistency
iv. Convention of materiality
(b) Describe the different types of transactions. Explain the classification of accounts and rules of double entry system for each category of accounts.
2. (a) Discuss the meaning of book keeping and accounting. Explain the main functions of accounting.
(b) Classify the following into personal, real and nominal accounts:
i. Drawings A/c
ii. Discount $\mathrm{A} / \mathrm{c}$
iii. Salary A/c
iv. Reserve for doubtful debt $A / c$
v. Prepaid rent A/c
vi. Sales A/c
vii. Bad debt A/c
viii. Creditors A/c
ix. Capital A/c
x. Purchases A/c
xi. Patent rights $\mathrm{A} / \mathrm{c}$
xii. Bank overdraft A/c
xiii. Outstanding commission $\mathrm{A} / \mathrm{c}$
xiv. Machinery A/c
3. (a) In the trial balance given below, some accounts have been included in the wrong column (debit or credit). As a result, the balance is not matching. Prepare the correct trial balance. Also find out the missing figure of retained earnings.

Table 1

| Accounts | Debit (Rs) | Credit (Rs) |
| :--- | :---: | ---: |
| Cash |  | 7,500 |
| Salaries payable |  | 900 |
| Taxes payable | 3,000 |  |
| Accounts receivable | 16,500 |  |
| Inventory | 60,000 | 21,000 |
| Capital stock | 6,000 | 34,000 |
| Long term debt |  | 60,000 |
| Land | 2,000 |  |
| Buildings (net) | 2,500 | 7,000 |
| Uther assets | 90,000 |  |
| Accounts payable | 130,400 |  |
| Dividends payable |  |  |
| Retained earnings |  |  |
| Iotal |  |  |

(b) The trial balance of Mr.X as on 31 December, 2015 was as follows:

Table 2

| Debit Balance | Rs. | Credit Balance | R |
| :---: | :---: | :---: | :---: |
| Purchases | 162,505 | Sales | 25 |
| Sundry debtors | 50,200 | Provision for doubtful debts | 0,2 |
| Opening stock | 26,725 | Sundry creditors | 30,5 |
| Wages | 23,137 | Bills payable | 3,9 |
| Salaries | 5,575 | Outstanding wages | 2,01 |
| Furmiture | 7,250 | Trade expenses accrued but not paid |  |
| Postage | 4,226 | Capital account | J, |
| Power and fuel | 1,350 |  |  |
| Trade expenses | 5,831 |  |  |
| Bad debts | 525 |  |  |
| Loan at 10 \% per annum to Ram 1st Sept. 2015 | 3,000 |  |  |
| Cash on hand and at bank | 10,000 |  |  |
| Drawings account | 4,452 |  |  |
|  | 04,776 |  |  |

Prepare the trading and profit and loss account for the year ended 31 December, 2015 and the balance sheet as at that date taking into account the following information:

- Depreciation on furniture is to be charged at $10 \%$ per annum.
- Provision for doubtful debts is to be maintained at $5 \%$ on sundry debtors.
- Stock as at 31 December, 2015 was Rs.12,550

4. (a) A firm purchases a truck for a sum of Rs. 100,000 on 1 January, 2015. It charges $20 \%$ depreciation per annum on December, 31 according to the diminishing balance method. The truck was sold on 1 July, 2016 for a sum of Rs. 80,000 . Prepare the truck account for 2015 and 2016. [7M]
(b) Prepare sales book and sales returns book in the books of $\mathrm{M} / \mathrm{s}$ Aishwarya enterprises from the following transactions:
[7M]

Table 3

| Date | Transaction |
| :--- | :--- |
| $13 / 5 / 16$ | Goods of MRP Rs.55,000 sold to Naveen enterprises @20\% trade discount. |
| $16 / 5 / 16$ | Goods of MRP Rs.49,500 sold to Ram enterprises @10\% trade discount. |
| $21 / 5 / 16$ | Goods of value Rs.5,000 returned by Nitish enterprises |
| $22 / 5 / 16$ | Goods of value Rs.15,400 sold to Nitish enterprises on cash. |
| $24 / 5 / 16$ | Goods of value Rs.16,500 sold to Simson Ltd. |
| $26 / 5 / 16$ | Goods of value Rs.1500 returned by Ram enterprises |
| $1 / 6 / 16$ | Goods of value Rs.4,500 returned by Simson Ltd. |

UNIT - III
5. (a) The following transactions occur in the purchase and issue of a material:

Table 4

| 2016 April |  |  |
| :---: | :--- | :--- |
| 1 | Opening stock | 100 units@Rs. 500 |
| 5 | Purchases | 300 units ( $)$ Rs. 6 per unit |
| 6 | Issued | 250 units |
| 8 | Purchases | 500 units ( $)$ Rs. 7 per unit |
| 10 | Issued | 400 units |
| 12 | Purchases | 600 units (a) Rs.8 per unit |
| 30 | Issued | 500 units |

Prepare stores ledger under LIFO method from the above transactions
(b) Discuss the meaning and types of preference shares.
6. (a) J.K. Ltd invited application to issue 30,000 equity shares of face value Rs .10 each at $10 \%$ premium. The amount to be paid as to Rs. 6 at the time of application, Rs. 4 (including premium) on allotment, Re. 1 per share on first and final call. The company received the application for 35,000 shares applicants for 5,000 shares were refused allotment and remaining applicants were given allotment. One shareholder holding 300 shares paid only the application money. Rest of the shareholders paid the due amount in time. Show the necessary journal entries.
(b) Discuss the meaning and modes of redemption of debentures.

## UNIT - IV

7. (a) From the following balance sheets of Joshwa company Ltd as on 31 December, 2014 and 2015, prepare funds flow statement for the year ended 31 December, 2015:

Table 5

| Liabilities | 2014 (R.S.) | 2015 (R.s.) | Assets | 2014 (Rs) | 2015 (Rs. |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Share capital | 1,00,000 | 100,000 | Goodwill | 12,000 | 12,000 |
| General reserve | 14,000 | 18,000 | Building | 40,000 | 36,000 |
| Profit/loss | 16,000 | 13,000 | Plant | 37,000 | 36,000 |
| Creditors | 8,000 | 5,400 | Investments | 10,000 | 11,000 |
| Bills payable | 1,200 | 800 | Stock | 30,000 | 23,400 |
| Provision for taxation | 16,000 | 18,000 | Bills receivable | 2,000 | 3,200 |
| Provision for doubtful debts | 400 | 600 | Debtors | 18,000 | 19,000 |
|  |  |  | Cash at bank | 6,600 | 15,200 |
|  | 155,600 | 155,800 |  | 155,600 | 155,800 |

[^0](b) Describe the meaning of funds from operations and its computation procedure.
8. (a) The balance sheets of XYZ Limited as on 31 March, 2015 and 2016 were as follows:

Table 6

|  | 2015 | 2016 |
| :--- | ---: | ---: |
| Assets: |  |  |
| Land and buildings | 80,000 | 120,000 |
| Plant and machinery | 500,000 | 800,000 |
| Stock | 100,000 | 75,000 |
| Sundry debtors | 140,000 | 150,000 |
| Prepaid expenses | 14,000 | 12,000 |
| Cash at bank | 16,000 | 18,000 |
|  | $8,50,000$ | $11,75,000$ |
| Liabilities and capital: | 500,000 | 700,000 |
| Share capital | 100,000 | 160,000 |
| Profit \& loss account | 50,000 | 70,000 |
| General reserve | 163,000 | 200,000 |
| Sundry creditors | 30,000 | 40,000 |
| Bills payable | 7,000 | 5,000 |
| Outstanding expenses | 850,000 | 1175,000 |

Additional information:

- Rs.50,000 depreciation has been charged on plant and machinery during the year ,2016
- A piece of machinery was sold for Rs.8,000 during 2016. It had cost Rs.12,000, depreciation of Rs.7,000 has been provided on it.
Prepare cash flow statement of XYZ Limited
(b) Discuss the usefulness of cash flow statement. Explain the types of cash transactions recorded in cash flow statement.

UNIT - V
9. (a) The Summarised balance sheet of PAI traders Ltd fot he year ended 31 March, 2016 is given below:

Table 7

| Capital and liabilities | Rs.in Lakhs | Assets | Rs. in Lakhs |
| :--- | ---: | :--- | :--- |
| Equity share capital | 140 | Fixed asset (at cost) 210 <br> Less: Depreciation 25 | 185 |
| Reserves and surplus | 45 | Current Assets: |  |
| Profit and loss account | 20 | Stock | 25 |
| Provision for taxation | 10 | Debtors | 30 |
| Sundry creditors | 40 | cash | 15 |
|  | 255 |  | 255 |

The following further particulars are also given for the year:
Table 8

|  | Rs.in Lakhs |
| :--- | ---: |
| Sales | 120 |
| Earnings before interest and tax (EBIT) | 30 |
| Net profit after tax (PAT) | 20 |

Calculate the following for the company :
(i) Current ratio.
(ii) Liquid ratio
(iii) Profitability ratio.
(iv) Debtor's turnover
(v) Stock turnover
(vi) Return on equity
(b) Discuss the meaning and types of financial statement analysis
10. (a) The following is the profit and loss account of Rupa \& Co for the year ended on March 31, 2016:

Table 9

|  | Rs. | Rs. |
| :---: | ---: | ---: |
| Net sales |  | $3,000,000$ |
| Less: cost of goods sold |  |  |
| Opening stock | 500,000 |  |
| Add: purchases | $2,000,000$ |  |
| Less: closing stock | 700,000 | $1,800,000$ |
| Gross Profit |  | $1,200,000$ |
| Less: operating expenses |  | 480,000 |
| Operating profit |  | 720,000 |
| Less: Interest charge |  | 180,000 |
| Profit before tax (PBT) |  | 540,000 |

Additional Information:
Table 10

| Current assets | Rs. Y75,000 |
| :---: | :---: |
| Current liabilities | Rs. 600,000 |
| Fixed assets | Rs. 525,000 |

From the above particulars, calculate the following ratios:
(i) Cost of goods sold ratio
(ii) Stock turnover ratio
(iii) Operating ratio
(iv) Assets turnover ratio
(v) Operating profit ratio
(vi) Return on capital employed.


[^0]:    Additional information:
    i. Depreciation charged to plant Rs.4,000.
    ii. Provision for taxation of Rs.19,000 was made during the year 2015
    iii. Interim dividend of Rs.8,000 was paid during the year 2015.

