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Question Paper Code: CMB002

Jawaharlal Nehru Technological University Hyderabad

MBA I Semester End Examinations (Regular) - January, 2018

Regulation: .–R16

Financial Accounting and Analysis

(MASTER OF BUSINESS ADMINISTRATION)

Time: 3 Hours **Max Marks: 70**

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 [7M]
   (b) Describe the different types of transactions. Explain the classification of accounts and rules of double entry system for each category of accounts. [7M]
2. (a) Discuss the meaning of book keeping and accounting. Explain the main functions of accounting. [7M]
   (b) Classify the following into personal, real and nominal accounts:
   i. Drawings A/c
   ii. Discount A/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 A/c
   xii. Bank overdraft A/c
   xiii. Outstanding commission A/c
   xiv. Machinery A/c [7M]

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UNIT – II

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. [7M]

Table 1

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

(b) The trial balance of Mr.X as on 31 December, 2015 was as follows: [7M]

Table 2

Debit Balance	Rs.	Credit Balance	Rs
Purchases	162,505	Sales	252,40
Sundry debtors	50,200	Provision for doubtful debts	5,20
Opening stock	26,725	Sundry creditors	30,52
Wages	23,137	Bills payable	3,95
Salaries	5,575	Outstanding wages	2,00
Furniture	7,250	Trade expenses accrued but not paid	70
Postage	4,226	Capital account	10,00
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		
	304,776		304,77

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 M/s Aishwarya enterprises from the following transactions: [7M]

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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.1,500 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: [7M]

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 @ 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. [7M]

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. [7M]

(b) Discuss the meaning and modes of redemption of debentures. [7M]

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: [7M]

Table 5

Liabilities	2014 (Rs.)	2015 (Rs.)	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

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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.

(b) Describe the meaning of funds from operations and its computation procedure. [7M]

8. (a) The balance sheets of XYZ Limited as on 31 March, 2015 and 2016 were as follows: [7M]

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:		
Share capital	500,000	700,000
Profit & loss account	100,000	160,000
General reserve	50000	70,000
Sundry creditors	163,000	200,000
Bills payable	30,000	40,000
Outstanding expenses	7,000	5,000
	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. [7M]

UNIT – V

9. (a) The Summarised balance sheet of PAI traders Ltd fot he year ended 31 March, 2016 is given below: [7M]

Table 7

Capital and liabilities	Rs.in Lakhs	Assets	Rs. in Lakhs
Equity share capital	140	Fixed asset (at cost) 210 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

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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 [7M]

10. (a) The following is the profit and loss account of Rupa & Co for the year ended on March 31, 2016: [7M]

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. 975,000
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.

(b) Demonstrate the meaning, significance and computation of turnover ratios. [7M]

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