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Hall Ticket No | | | | | | | | | | | Question Paper Code: CMB002

Jawaharlal Nehru Technological University Hyderabad

MBA I Semester End Examinations (Supplementary) - May/June, 2018

Regulation: .–R16

Financial Accounting and Analysis

Time: 3 Hours **(MBA)** **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) Define Accounting. Explain importance and limitations of financial accounting. [7M]
   (b) Explain accounting concepts and conventions. Name them and explain any five accounting concepts in detail. [7M]
2. (a) Define double entry system. Explain its advantage and disadvantages. [7M]
   (b) Explain the classification of accounts. [7M]

UNIT – II

3. (a) Record the following transactions in the journal and post them into ledger and prepare a trail balance [7M]

Table 1

2010, Oct 1st,	Neel started business with a capital of 80,000
3rd	Bought goods from Karl on credit 20,000
4th	Sold goods to Tarl 25,000
5th	Cash purchases 25,000
7th	Cash sales 15,000
9th	Goods retuned to Karl 2,000
10th	Bought furniture for 15,000
11th	Cash paid to Karl 12,000
12th	Goods returned by Tarl 3,000
14th	Goods taken by Neel for personal use 3,000
15th	Cash received from Tarl 12,000
16th	Took loan from Parl 30,000
17th	Salary paid 5,000
18th	Bought stationery for 1,000
19th	Amount paid to Parl on loan account 18,000
20th	Interest received 4,000

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(b) From the following trial balance prepare trading and profit and loss account for the year ended 31st December, 2009 and balance sheet as on that date. [7M]

Table 2

Particulars	Dr. (Rs.)	Cr. (Rs.)
Drawings	10,000	
Opening Stock	46,000	
Purchase and Purchase returns	1,50,000	600
Cash in hand	34,000	
Bank Balance	22,660	
Freehold Premises	38,600	
Trade expenses	840	
Printing, Stationary and advertising	1640	
Professional charges	280	
Commission received		3300
Investment as on 1st Jan. @10%	4000	
Interest on Deposits		200
Sundry debtors and creditors	36000	29000
Wages	25000	
Salaries	14000	
Rent Rates and insurance	4000	
Capital		114,700
Income Tax	1600	
Discount allowed and received	6300	4600
Sales returns and Sales	500	2,08,000
Bills Receivables and Bills Payables	3200	10000
Office Furniture	3050	
Bad Debts Provision		670
	3,71,070	3,71,070

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Adjustments:

i. Provide outstanding for wages Rs.5000.
ii. Write off 5% depreciation on freehold premises and 10% on office furniture.
iii. Insurance to the extent of Rs.200 belongs to 2010.
iv. Closing stock as on 31.3.2010 is Rs.52000.
v. Charge interest on capital @ 5%

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4. (a) On September 1, 2011, company M purchased a building at Rs.1,200,000. Buildings are depreciated using the straight-line depreciation method. Useful life of the building is 40 years. Salvage value of the building at the end of useful life is estimated as Rs. 120,000. What is the amount of depreciation expense for 2011? What is the book value of the building at December 31, 2011? [7M]

   (b) Prepare a purchases return (journal) book from the following transactions for January 2014:[7M]

Table 3

Date	Details	Amount (Rs.)
5th January, 2014	Returned goods to M/s Karthik Traders	1,200
10th	Goods returned to Sahil Pvt. Ltd.	2,500
17th	Goods returned to M/s Kohinoor Traders. for less 10% trade discount.	list price 2,000
28th	Return outwards to M/s Handa Traders	550

UNIT – III

5. (a) Bike Ltd purchased 10 bikes during January and sold 6 bikes, details of which are as follows:
   January 1 purchased 5 bikes @ $50 each
   January 5 sold 2 bikes
   January 10 sold 1 bike
   January 15 purchased 5 bikes @ each
   January 25 sold 3 bikes
   The value of 4 bikes found as shortage at the end of January use FIFO Method. [7M]

   (b) Define inventory. Explain various techniques for valuation of inventory. [7M]

6. (a) A limited company issued 25,000 ordinary shares of Rs. 25 each payable Rs. 5 on application, Rs. 10 on allotment and Rs. 5 each on first call and Rs. 5 on final call, 20,000 shares were fully-subscribed and moneys duly received. You are required to give journal entries, cash book and balance sheet of the company. [7M]

   (b) Distinguish between shares and debentures. [7M]

UNIT – IV

7. (a) The balance sheets of National Co. as on 31st December, 2003 and 31st December 2004 are as follows: [7M]
   Additional information:
   (1) Rs. 50,000 depreciation has been charged on plant and machinery during 2004.
   (2) A piece of machinery was sold for Rs. 8,000 during the year 2004. It had cost Rs. 12,000; depreciation of Rs. 7,000 had been provided on it.
   prepare a schedule of changes in working capital and a statement showing the sources and application of funds for 2004.

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Table 4

Liabilities	2003 (Rs.)	2004(Rs.)	Assets	2003(Rs.)	2004(Rs.)
Share Capital	500000	700000	L&B	80000	120000
P&L A/c	100000	160000	P&M	500000	800000
General Reserve	50000	70000	Stock	100000	75000
Creditors	153000	190000	Debtors	150000	160000
Bills Payable	40000	50000	Cash	20000	20000
O/S Exp.	7000	5000			
Total	850000	1175000		850000	1175000

[7M]

(b) Distinguish between funds flow and cash flow statement. [7M]

8. (a) From the following balance sheets of Exe Ltd. make-out cash flow statement: [7M]

Table 5

Liabilities	*2003 Rs.*	*2004 Rs.*	*Assets*	*2003 Rs.*	*2004 Rs.*
Equity Share Capital	3,00,000	4,00,000	Goodwill	1,15,000	90,000
8% redeemable preference Share Capital	1,50,000	1,00,000	Land & Buildings	2,00,000	1,70,000
			Plant	80,000	2,00,000
General Reserve	40,000	70,000	Debtors	1,60,000	2,00,000
Profit & Loss	30,000	48,000	Stock	77,000	1,09,000
Proposed Dividend	42,000	50,000	Bills Receivable	20,000	30,000
Creditors	55,000	83,000	Cash in hand	15,000	10,000
Bills Payable	20,000	16,000	Cash at Bank	10,000	8,000
Provision for Taxation	40,000	50,000			
	6,77,000	8,17,000		6,77,000	8,17,000

Additional Information:

(a) Depreciation of Rs. 10,000 and Rs. 20,000 have been charged on plant and land & buildings in 2004.

(b) An interim dividend of Rs. 20,000 has been paid in 2004.

(c) Rs. 35,000 Income tax was paid during 2004.

(b) Define funds flow. Explain its importance. [7M]

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UNIT – V

9. (a) From the data Calculate: (i) Gross Profit Ratio (ii) Net Profit ratio (iii) Return on total assets (iv) Inventory turnover (v) Working capital turnover (vi) Net worth to Debt [7M]

Table 6

Particulars	Amount (Rs.)
Sales	25,20,000
Cost of sale	19,20,000
Net Profit	3,60,000
Inventory	8,00,000
Current Liabilities	6,00,000
Other Current Assets	7,60,000
Fixed Assets	14,40,000
Net worth	15,00,000
Debt	9,00,000

(b) Define ratio analysis. Explain the classification of ratio analysis with suitable formulas. [7M]

10. (a) Calculate the operating ratio from the following data shown in Table 6 . [7M]

Table 7

Items	($ in Lakhs)
Sales	17874
Sales Returns	4
Other Incomes	53
Cost of Sales	15440
Administration and Selling Expenses	1843
Depreciation	63
Interest Expenses (Non- operating)	456

(b) Explain the significance of financial statement analysis. [7M]

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