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Question Paper Code: CMB002

Jawaharlal Nehru Technological University Hyderabad

MBA I Semester End Examinations (Supplementary) - July, 2017
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) Discuss the meaning of Accounting and its importance to various users of Accounting Information. [7M]
   (b) Demonstrate the meaning and significance of the following GAAPs: [7M]
      i. Separate Entity Concept.
      ii. Dual Aspect Concept.
      iii. Accural Concept.
      iv. Conservatism Principle.

2. (a) Describe the Meaning and various stages of Accounting Cycle. [7M]
   (b) Classify the following items into asset, liability, income and Expense: [7M]
      i. Copyrights
      ii. Preliminary Expenses
      iii. Pre-paid expenses
      iv. Outstanding expenses
      v. Bank Overdraft
      vi. Sales
      vii. Goodwill
      viii. Stock
      ix. Tax payable
      x. Royalty Paid
      xi. Accrued Commission
      xii. Salaries
      xiii. Unearned interest
      xiv. Wages

UNIT – II

3. (a) Ms. Arora set up Ace Marketing Ltd., to provide consultancy. During a short period the company completed the following transactions. Prepare Journal entries to record the transactions. [7M]

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i. Ms. Arora invested cash in Ace's share capital Rs. 20,000
ii. Billed customers for services provided Rs. 5,600
iii. Paid assistant's salary Rs. 600
iv. Bought computer on credit Rs. 4,400
v. Received cash from customers billed earlier Rs. 1,350
vi. Took a bank loan Rs. 5000
vii. Paid creditors Rs. 2,000

(b) Time Value company provides training on time management. The following are the account balances of the company on September 30, 2016. Prepare a Trial Balance. **[7M]**

Table 1

Accounts Receivable	Rs.1,200	Prepaid Insurance	Rs.1,400
Building	Rs.15,000	Retained Earnings	?
Cash	Rs.1,500	Revenue from services	Rs.12,500
Creditors	Rs.2,300	Rent Expense	Rs.1,000
Dividends	Rs.750	Salaries Expense	Rs.1,600
Electricity Expense	500	Share capital	Rs.7,500
Office Equipment	Rs.3,000	Telephone Expense	Rs.1,050

4. (a) On January 1, 2012, X Ltd., purchased a second-hand machine for Rs. 80,000 and spent Rs. 20,000 on its cartage, repairs and installation. The residual value at the end of its expected useful life of 4 years is estimated at Rs. 40,000. On September 30, 2013, this machine is sold for Rs. 50,000. Depreciation to be provided according to Straight Line Method. Prepare Machinery account for the first three years assuming that the accounts are closed on March 31, each year. **[8M]**

(b) Prepare purchases book and purchase returns book in the books of Ms Soundarya Enterprise from the following transactions: **[6M]**

Table 2

Date	Transaction
12/5/16	Goods of MRP Rs.25,000 purchased from Naveen Enterprises @20% trade discount.
14/5/16	Goods valuing Rs.1,100 returned to Naveen Enterprises.
16/5//16	Goods of MRP Rs.44,000 purchased from Satish Enterprises @10% trade discount.
19/5/16	Goods of cost Rs.3,200 returned to Satish Enterprises.
20/5/16	Goods costing Rs.19,000 purchased in cash from Naveen Enterprises.
21/5/16	Goods costing Rs.11,000 purchased from Telelink Ltd.

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UNIT – III

5. (a) The following transactions occur in the purchase and issue of a material: [8M]

Table 3

2016		
January 1	Opening stock	Nil
January 1	Purchases	100 units @ Rs.30 per unit
January 15	Issued	50 units
February 1	Purchases	200 units @ Rs.40 per unit
February 15	Issued	100 units
February 20	Issued	100 units
March 1	Purchases	150 units @ Rs.50 per unit
March 15	Issued	100 units

Prepare stores ledger under FIFO method from the above transactions

(b) Discuss the meaning and types of Share Capital found in a balance sheet. [6M]

6. (a) D Ltd invited application to issue 10,000 equity shares of face value Rs.10 each at par. The amount to be paid as to Rs.4 at the time of application, Rs.2.50 on allotment, and the remaining amount on first and final call. The company received the application for 10,000 shares all the shares were allotted, the amount due on allotment as well as on first and final call was received in time in full. Pass necessary journal entries in the books of D Ltd. [8M]

(b) Discuss the meaning and types of Debentures. [6M]

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UNIT – IV

7. (a) Following are the comparative balance sheets of Novo Company as at December 31. [8M]

Table 4

Liabilities	2014 (Rs.)	2015 (Rs.)	Assets	2014 (Rs.)	2015 (Rs.)
Share capital	70,000	74,000	Goodwill	10,000	5,000
Profit/loss	10,040	10,560	Land	20,000	30,000
Debentures	12,000	6,000	Trade Debtors (goods)	14,900	17,700
Trade -Creditors	10,360	11,840	Stock-in-trade	49,200	42,700
Provision for doubtful debts	700	800	Cash	9,000	7,800
	1,03,100	1,03,200		1,03,100	1,03,200

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Additional Information:

i. Dividends were paid totaling Rs.3,500.

ii. Land was purchased for Rs.10,000 and amount provided for the amortization of goodwill totaled Rs. 5,000.

iii. Debenture loan was repaid Rs. 6,000.

Prepare funds flow statement of Novo Company.

(b) Describe the meaning of Funds Flow Statement. Compare Funds Flow with Income statement. Explain the uses of Funds flow statement. [6M]

8. (a) The Balance Sheets of VXL Limited as at December 31 of two years are given below: [8M]

Table 5

Assets	2016 (Rs.)	2015 (Rs.)
Cash Balances	60,000	50,000
Trade debtors	100,000	75,000
Inventory	120,000	140,000
Land	80,000	100,000
Plant and Machinery	250,000	200,000
Total	610,000	565,000
Liabilities and Capital		
Trade Creditors	40,000	30,000
Debentures	90,000	150,000
Provision for depreciation on Plant	80,000	60,000
Equity Share Capital	240,000	200,000
Retained Earnings	160,000	125,000
Total	610,000	565,000

Cash dividends of Rs.25,000 have been paid during the year.

Prepare a Cash flow statement for VXL Limited.

(b) Describe the meaning of cash flow statement. Compare funds flow with cash flow statement. [6M]

UNIT – V

9. (a) Calculate the following ratios from the given balance sheet: [7M]

i. Current ratio

ii. Fixed Assets to Net worth ratio

iii. Debt equity ratio

iv. Return on capital employed

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Table 6: Balance Sheet

Liabilities	Rs.	Assets	Rs.
600 shares of Rs.100 each	60,000	Land	40,000
General Reserve	35,000	Plant	20,000
Dividend Equalisation Reserve	5,000	Machinery	27,500
Long-term loans	20,000	Investments	25,000
Bills payable	30,000	Inventories	30000
Provision for tax	5,000	Bills receivable	13,500
Profit & loss A/c Balance(cr) Last Year : 1,000 Current year : 20,000	21,000	Cash and bank	12,000
		Preliminary expenses	8,000
	176,000		176,000

(b) Describe the meaning and types of Financial Statements. [7M]

10. (a) The following Trading and Profit and Loss Account is given: [8M]

Table 7: Trading and Profit and Loss A/c. For the year ending 31st March 2016

	Rs.	Rs.	
To Opening stock	76,250	By Sales	500,000
To Purchases	315,250	By Closing stock	98,500
To Carriage	2,000		
To Wages	5,000		
To Gross profit	200,000		
	598,500		598,500
To Administrative expenses	100,000	By Gross profit	200,000
To Selling & distribution expenses	13,000	By Non operating incomes	6,000
To Financial expenses	7,000		
To Other non-operating expenses	2,000		
To Net profit	84,000		
	206,000		206,000

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Calculate:

i. Gross Profit ratio
ii. Net Profit ratio
iii. Operating ratio
iv. Operating profit ratio
v. Current ratio
vi. Stock turnover ratio

(b) Describe the meaning and classification of Ratios. [6M]

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