

Code No. 2003

FACULTY OF MANAGEMENT
MBA I – Semester Examination, January / February 2015

Subject: Financial Accounting and Analysis
Course No. 1.3

Time: 3 Hours

Max. Marks: 80

Note: Answer all the questions.

PART – A (10 x 2 = 20 Marks)

[Short Answer Type]

1 Write short notes on each of the following at one place.

- a) Liquidity Ratios
- b) Tax avoidance
- c) Accounting equation
- d) Objectives of accounting
- e) Importance of accounting standards
- f) Distinction between fixed assets and current assets
- g) Uses of funds flow statement
- h) GAAP
- i) Journal Proper
- j) Revenue expenditure

PART – B (5 x 12 = 60 Marks)

[Essay Answer Type]

Answer all the questions using Internal Choice.

2 a) Define accounting and explain the steps in accounting process.

OR

b) Journalise the following transactions:

2014		Rs.
Feb.1	Rao started business with cash	50,000
2	Bought goods from Ram for cash	40,000
13	Sold goods to Shyam for cash	48,000
14	Bought goods from Mohan	6,000
15	Sold to Vijay goods for	7,200
26	Received from Vijay	7,000
	Allowed him discount	200
27	Paid Mohan cash	5,700
	Discount allowed	300
28	Purchased furniture	10,000
30	Paid office expenses	1,000

3 a) What do you mean by depreciation? Explain different methods of depreciation.

OR

b) From the following information, prepare the final accounts for the year ending 31.03.2014

...2.

	Rs		Rs
Cash in hand	14,000	Furniture	5,000
Building	8,000	Capital	1,20,000
Drawings	80,000	Wages	16,000
Creditors	66,000	Debtors	60,000
Bad debts	2,000	Misc. expenses	1,400
Postage & Telegram	800	Insurance	4,400
Printing	3,000	Discount received	2,000
Discount allowed	4,000	Rent & Rates	9,000
Carriage	6,000	Stock	36,000
Returns outward	4,600	Returns inward	3,000
Purchases	1,40,000	Sales	2,00,000
Outstanding expenses	2,000	Bills payable	8,000
Stock on 31.3.2014	52,000		

- 4 a) What are the categories under which various ratios are grouped. Explain how solvency ratio and profitability ratios are useful to different sections of the people.

OR

- b) A firm has current assets of Rs. 1,50,000. It then paid a current liability of Rs. 30,000. After this payment the current ratio was 2:1. Determine the size of current liabilities and working capital after and before the payment was made.

- 5 a) What is funds flow statement? Explain the steps in the preparation of funds flow statement.

OR

- b) From the following Balance Sheet of Rao Ltd., prepare a Funds Flow Statement.

Liabilities	31.3.2013	31.3.2014	Assets	31.3.2013	31.3.2014
Equity share capital	30,000	35,000	Goodwill	10,000	8,000
General Reserve	10,000	15,000	Machinery	41,000	54,000
Profit & Loss A/c	6,000	7,000	Investments	3,000	8,000
Debentures	15,000	25,000	Stock	4,000	5,500
Sundry creditors	7,500	11,000	Debtors	8,000	19,000
Bills payable	1,000	1,500	Cash & Bank	12,000	13,000
Provision for			Discount on debentures	500	--
Dep. on machinery	9,000	13,000			

Additional Information:

Investments costing Rs. 3,000 were sold at Rs. 2,800 during the year. A new machine was purchased for Rs. 13,000.

- 6 a) Discuss the rationale and importance of accounting standards in global accounting environment.

OR

- b) What do you understand by Balanced Score Card? Explain briefly the methodology of BSC.
