

Answer any Five questions
All questions carry equal marks

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1. Discuss the basic concepts and fundamental accounting assumptions.
2. A trial balance prepared by the accountant of XYZ is furnished below. You are required to prepare the Trading and profit and loss account for the year ending 31st December 2003 and a balance sheet as on that date.

	Rs.	Rs.
Opening stock	12,500	
Sales & Purchases	26,400	86,000
Coal & water	1,600	
Insurance	2,300	
Postage	800	
Printing	300	
Machinery	21,000	
Furniture	20,000	
Returns	1,800	1,500
Commission	2,000	21,000
Wages	4,000	
Overdraft		18,000
Discount	3,000	2,500
Outstanding salary		1,000
Salary	6,000	
Buildings	28,000	
Bills Payable		7,000
Bills Receivable	5,000	
XYZ's capital		15,000
XYZ's drawing	2,000	
Prepaid Insurance	300	
Patents	1,000	
Cash	14,000	
	1,52,000	1,52,000

Additional information

- a) The closing stock was valued at Rs.68,000.
 - b) Wages include Rs. 700 paid to workmen for installing the machinery.
 - c) Sample distributed but unrecorded Rs.850.
3. A firm purchased on 1st January, 1984 certain machinery for Rs. 58,200 and spent Rs.1,800 on its erection. On 1st July, 1984 additional machinery costing Rs.20,000 was purchased. On 1st January 1984 having become obsolete was auctioned for Rs.28,600 and on the same date fresh machinery was purchased at a cost of Rs.40,000.
Depreciation was provided for annually on 31st December at the rate of 10 percent on written down value. In 1987, however, the firm changed this method of providing depreciation on the original cost of the machinery.
Give the Machinery Account as it would stand at the end of each year from 1984 to 1987.

- 4.(i) Define “inventory” why proper valuation of inventory is important?
 (ii) Compare LIFO and FIFO as methods of inventory valuation.
5. A limited company was incorporated with an authorized capital of Rs.2 lakhs divided into 20,000 equity shares of Rs.10 each. The company issued 10,000 equity shares at a premium of Rs 2 per share payable as follows. Rs 2 on application, Rs 5 (including premium) on allotment, Rs3 on first call and Rs 2 on final call. Applications were received for 15,000 shares. The directors made the allotment as follows:
 To applicants of 3,000 shares, the allotment was refused and to the remaining applicants allotment was made pro rate. Money paid in excess on application was adjusted towards the sum due on allotment. All the shareholders other than Manak remitted the call monies on the respective due dates.
 Manak, a shareholder to whom 200 shares were allotted failed to pay the first call money and second call money and his shares were forfeited. The forfeited shares were re-issued to Rajan as fully paid for Rs 9 per share. Give necessary journal entries and ledger entries to record these transactions.
6. From the following information prepare funds flow statement of ABC ltd.

Liabilities	I yr	II yr	Assets	I yr	II yr
Share capital:					
Equity shares	4,50,000	6,00,000	Goodwill	1,90,000	1,40,000
6% Redeemable Pref. shares	2,25,000	1,52,000	Plant	1,60,000	2,50,000
Profit & loss A/C	60,000	75,000	Building	2,40,000	1,95,000
Proposed Dividend	55,000	67,000	Inventory	92,000	1,25,000
Trade creditors	72,000	90,000	Debtors	1,75,000	2,35,000
Bills payable	32,000	25,000	Bills Receivable	45,000	57,000
			Cash	52,000	77,000
	9,54,000	10,79,000		9,54,000	10,79,000

Additional information:

- An interim dividend of Rs35,000 has been paid in II yr.
 - Payment of income tax of Rs52,000 was paid during II yr.
 - Depreciation of Rs35,000 and Rs 42,000 have been charged on plant and building respectively in II yr.
 - A part of the plant worth Rs20,000 was sold for Rs30,000.
7. What do you mean by ratio analysis? Discuss about classification of ratios and important ratios in each group of ratios.
8. Discuss the importance of financial analysis. Describe any two methods of financial analysis in detail with suitable examples.