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Question Paper Code: CMB002



INSTITUTE OF AERONAUTICAL ENGINEERING
(Autonomous)

MBA I Semester End Examinations (Supplementary) - July, 2017

Regulation: IARE-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. Accrual 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]

- 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. |

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]

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 |

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

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 | 30,000 |
| 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 |

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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