



(Following Paper ID and Roll No. to be filled in your Answer Book)

PAPER ID : 7027

Roll No.

M.B.A.

(SEM. I) EXAMINATION, 2008-09  
ACCOUNTING & FINANCIAL ANALYSIS

Time : 3 Hours]

[Total Marks : 100

- Note :
- (1) Attempt all questions.
  - (2) All questions carry equal marks.
  - (3) Figures on the right indicate marks.

1 Answer any four of the following in about 250 words each :  $5 \times 4 = 20$

- (a) Debits and credits are used to increase and decrease accounts. How is it possible for one of these items, say, debits to be able to increase and decrease accounts ?
- (b) Financial statements are prepared using generally accepted accounting principles. What does this term mean ? Why are these principles necessary ?
- (c) What is asset turnover ? What influence does a higher asset turnover tend to have on the rate of return on assets ?
- (d) "A trial balance is a list showing all account titles in the ledger and the total cost of debits and credits in each account." Do you agree to this statement ? Why and why not ?
- (e) "All transactions are subject to accounting equation." Comment on this statement.



(f) "It is not important when cash is received and when payment is made." - Comment.

3

2 (a) Discuss the procedure of preparing funds flow statement. 20

OR

(b) Following is the trial balance of Mr. A as at 31<sup>st</sup> December, 2004 : 20

Dr. Balances	Rs.	Cr. Balances	Rs.
Mr. A's current a/c	1,500	Capital account	50,000
Purchases	6,99,200	Loan from Karan @ 9% (taken on 1-7-2004)	20,000
Salaries	4,200	Sales	7,20,000
Carriage on purchases	400	Discount	500
Carriage on sales	500	Sundry creditors	20,000
Lighting	300		
Rates and insurance	400		
Building	27,000		
Furniture	6,000		
Sundry debtors	8,000		
Cash on hand	250		
Cash at bank	1,500		
Stock (1-1-04)	61,250		
	<b>8,10,500</b>		<b>8,10,500</b>

Prepare Trading and Profit and Loss Account for the year ended 31st December, 2004 and Balance Sheet as at the date after taking into consideration the following :  
Stock on 31-12-2004 Rs. 60,850. Rates have been prepaid to the extent of Rs. 175. Bad debts totalling Rs. 500 have to be written off. A provision for doubtful debts at 5% on debtors is necessary. Building have to depreciated at 2% and Furniture at 10%. The matter is entitled to a commission on of 5% on net profits before charging such commission.



- 3 (a) Distinguish between horizontal and vertical analysis of financial statements. Explain using suitable examples. 20

**OR**

- (b) Tiny Tot Limited furnishes you the following Balance Sheets for the years ending on 31 December 1999 and 2000. You are required to prepare a Cash Flow Statement for year ended 31 December 2000 :

Liabilities	1999	2000	Assets	1999	2000
Equity share capital	10,000	10,000	Goodwill	1,200	1,200
General reserve	1,400	1,800	Land	4,000	3,600
Profit and loss A/c	1,600	1,300	Building	3,700	3,600
Sundry creditors	800	540	Investments	1,000	1,100
Outstanding expenses	120	80	Inventories	3,000	2,340
Provision for taxation	1,600	1,800	Account receivable	2,000	2,220
Provision for bad debts	40	60	Bank balance	660	1,520
	<b>15,560</b>	<b>15,580</b>		<b>15,560</b>	<b>15,580</b>

Following additional information has also been supplied to you :

- (i) A piece of land has also been sold for Rs. 400.
- (ii) Depreciation amounting to Rs. 700 has been charged on building.
- (iii) Provision for taxation has been made for Rs. 1,900 during the year.



- 4 (a) "The net income of a business entity is determined by measuring the amount of revenue generated and subtracting the expenses incurred, appropriately measured. It is a precise measure of operating performance for the period under consideration." - Comment. 10
- (b) What is a balance sheet ? What are its characteristics ? Explain the rationale of preparing a Balance Sheet. 10

**OR**

- 4 (a) What are the significant assumptions we make while comparing financial ratios of various companies in the same industry. 10
- (b) Explain the different concepts of funds used in the preparation of statement of changes in financial position. Which concept of funds is appropriate under what circumstances and objectives ? 10

5 Write notes on any **two** of the following : 10×2=20

- (a) Comparative Balance Sheet
- (b) Accrual basis of Accounting
- (c) Solvency Ratio
- (d) Trading Account.



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## M.B.A.

(SEM. I) EXAMINATION, 2007-08

### ACCOUNTING & FINANCIAL ANALYSIS

Time : 3 Hours]

[Total Marks : 100

- Note :**
- (i) Attempt all questions.
  - (ii) All questions carry **equal** marks. Figures on the **right** indicate marks.

1 Answer any **four** of the following in about **250**  $5 \times 4 = 20$  words each :

- (a) "Cash flow and funds flow statements mean one and the same." - Comment.
- (b) "Tallying of Trial Balance confirms complete correctness of books of accounts." - Discuss.
- (c) Who are the users of Financial statements ? Why should they study these statements ?
- (d) What is Profit & Loss Appropriation Account ? Why is it prepared ?
- (e) Draw a distinction between Gross Profit and Profit before tax.
- (f) What are the various coverage ratios ? Why are those computed ?



The following is the trial balance of Shobhita Udyog as on 31<sup>st</sup> March, 2005 :

Trial Balance of Shobhita Udyog as on 31<sup>st</sup> March, 2005

<i>Particulars</i>	<i>Debit Rs.</i>	<i>Credit Rs.</i>
Cash in Hand	5,400	
Cash at Bank	26,300	
Accounts Receivable	1,45,000	
Freehold Land	1,00,000	
Building	3,20,000	
Machinery	1,63,000	
Office Equipment	37,000	
Patents	75,000	
Accounts Payable		63,000
Capital		6,20,000
Drawings	52,450	
Opening Stock - Raw Material	20,100	
- Work in Progress	10,400	
- Finished Goods	27,100	
Purchases - Raw Material	3,81,500	
- Consumables	25,250	
Sales		9,87,800
Return Inward	6,800	
Return Outward		5,000
Wages	84,800	
Fuel and Power	47,300	
Carriage on - Sales	20,400	
- Purchases	32,000	
Salaries - Office	65,000	
- Factory	85,000	
General Expenses	30,000	
Insurance - Factory	4,000	
- Office	2,000	
Rent		90,000
	<b>17,65,800</b>	<b>17,65,800</b>

Taking into account the following adjustments, prepare the Manufacturing Account, Trading Accounts and Profit & Loss Account for 2004-05 and the Balance Sheet as on 31<sup>st</sup> March, 2005 :

- Inventory of raw material on hand on 31<sup>st</sup> March, 2005 is Rs. 21,300, work-in-progress is Rs. 14,300 and finished goods Rs. 32,400.

- 2 Machinery is to be depreciated @ 10% and office equipment @ 15%. Patents are to be amortized @ 20%.
- 3 Salaries outstanding for March, 2005 is Rs. 10,000 for factory and Rs. 5,000 for office.
- 4 Insurance includes a premium of Rs. 1,700 on a policy expiring on 30th September 2005, relating to office.
- 5 Bad debts to be written off are Rs. 7,250.
- 6 Rent received in advance Rs. 10,000.

**OR**

- (a) With the help of an example discuss the comparative utility of various depreciation policies. 10
- (b) As an accountant, what policies would you like to follow for intangible assets like copyright, trade mark, patent and goodwill. 10
- (a) "Accounting concepts and conventions are even relevant today." Discuss the statement and the various concepts and conventions giving suitable examples. 10
- (b) With the help of a suitable example discuss as to how you will undertake financial analysis using common-size statements. 10

**OR**

Amrita Chemicals presents the following Balance Sheets as at 31-3-05 and 31-3-04. You are required to prepare a Statement of Change in Working Capital and Fund Flow Statement for the year 2004-05 :

<i>Balance Sheet (Rs. in thousand)</i>	<i>31.3.05</i>		<i>31.3.04</i>	
Equity share capital	8500		7000	
General Reserve	3800		4000	
Profit & Loss Account	0		250	
Share Premium Account	1500		750	
Shareholders' Funds		13800		12000
Secured Loans	4800		5000	
Unsecured Loans	5350		4000	
Loan Funds		10150		9000
Sources		23950		21000

Fixed Assets			
Gross Block	22400		21000
Accumulated Depreciation	3450		3200
Net Block		18950	17800
Capital Work-in-progress		1860	0
Investments		1650	2320
Current Assets, Loans and Advances			
Inventories	2510		2600
Debtors	1090		1200
Cash & Bank Balances	120		280
Loans	1700		200
Advance Tax	0		500
	5420		4780
Creditors	1050		1200
Outstanding expenses	30		0
Tax Provision	0		500
Proposed Dividend	3400		2800
	4480		4500
Net Current Assets		940	280
Miscellaneous Expenditure		550	600
Applications		23950	21000

**Other Information :**

- (i) Fixed assets consisting Rs. 4,00,000, accumulated depreciation Rs. 3,00,000 were sold for Rs. 1,50,000.
- (ii) Actual tax liability for 2003-04 was Rs. 5,00,000.
- (iii) Loans represent long term loans given to group companies.
- (iv) Investments costing Rs. 20,00,000 were sold for Rs. 25,00,000.

- 4 (a) With the help of a suitable example illustrate as to how you will prepare cash flow statement. 10
- (b) What are solvency ratios ? Why do you calculate them ? 10

**OR**

- 4 (a) Discuss the concept of double entry system. Why is it preferred ? 10
- (b) What is a three-column cash-book ? Is it a part of Journal or Ledger ? 10
- 5 Discuss any **two** of the following : 10+10
- (a) Intangible Assets
  - (b) Accounting Process
  - (c) Trend analysis
  - (d) Indian Accounting standards.





(Following Paper ID and Roll No. to be filled in your Answer Book)

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**MBA**

FIRST SEMESTER EXAMINATION, 2006-07

**ACCOUNTING AND FINANCIAL ANALYSIS**

Time : 3 Hours

Total Marks : 100

- Note :**
- (i) Attempt **ALL** questions.
  - (ii) All questions carry equal marks.
  - (iii) In case of numerical problems assume data wherever not provided.
  - (iv) Be precise in your answer.

1. Attempt **any four** of the following 250 words each :

(5x4=20)

- (a) What are the limitations of financial statements ?
- (b) "Accounting is not necessary for business activities only. Elaborate.
- (c) "There are five basic elements of accounting assets, liabilities, equity, income and expenses. Explain each one and also discuss basic accounting equation.
- (d) What are subsidiary books of Journal also known as Day Books ? Why should a business enterprise maintain them ?
- (e) When should revenue from sale of goods be recognised and how to recognise revenue from sale of services ?
- (f) What are market capitalisation ratios ? Why should these be calculated ?

- (c) Rs. 85 is due for interest on Bank Overdraft.
- (d) Salaries Rs. 300 and Taxes Rs. 120 are outstanding.
- (e) Insurance amounting to Rs. 100 is prepaid.
- (f) One-third of the commission on received is in respect of work to be done next year.
- (g) Write off a further sum of Rs. 100 as Bad Debt and Provision for Bad Debt to be made equal to 10% on sundry Debtors. Prepare a Trading and Profit loss Account for the year ending 31<sup>st</sup> March and Balance Sheet as on date.

OR

- (a) A Ltd. purchased a piece of plant on 1.4.2005 for Rs. 100,00,000. Its estimated residual value is 5% of the original cost and estimated useful life is 10 years. Find out depreciation charge under straight line and written down value methods. Which method would you prefer and why? [10]
- (b) What do you understand by accounting standards? Are Indian standards different from International standards? [10]
- (a) Define inventory and state the objectives of inventory valuation. [10]
- (b) What is cash flow statement? How is it different from funds flow statement? [10]

OR

The following trial balance is extracted from the books of M/S ALIKA TRADERS as on 31 st March 2005. [20]

Particulars	Dr. (Rs.)	Cr. (Rs.)
Furniture and Fittings	640	.....
Moto Vehicles	6250	.....
Building	7500	.....
Capital Account	.....	12500
Bad Debts	125	.....
Provision of Bad Debts	.....	200
Sundry Debtors	3800	.....
Sundry Creditors	.....	2500
Stock as on 1st January	3460	.....
Purchases and Sales	5475	15450
Bank overdraft	.....	2850
Sales and Purchases return	200	125
Advertising	450	.....
Interest on Bank overdraft	118	.....
Commision	.....	375
Cash	650	.....
Taxes Insrance	1250	.....
General Expenses	782	.....
Salaries	3300	.....
	34,000	34,000

The following adjustments are to be made :

- (a) Stock in hand on 31<sup>st</sup> March 2005 was Rs. 3,250.
- (b) Depreciate Building at the rate of 5%. Furnitures and Fittings @ 10% and Motor Vehicles @ 20%.

Based on information given below prepare schedule of changes in working capital and funds flow statement for year 2004-05. Following are the Balance Sheets as on 31st March, 2004 and 2005. [20]

(Rs. 000)					
Liabilities	2004	2005	Assets	2004	2005
Trade Creditors	100	40	Cash at Bank	100	65
Bills Payable	50	60	Accounts Receivable	105	120
Outstanding Expenses	25	20	Bills Receivable	130	140
Bonds Payable	220	140	Inventory	110	40
Accumulated Depreciation			Machinery	120	160
-on Machinery	30	35	Building	300	310
-on Building	75	85	Land	60	130
Reserves	100	115	Patents	55	60
Retained Earnings	130	170			
Share Capital	250	360			
	980	1,025		980	1,025

Profit from operations after providing Rs. 10,000 as depreciation on Building and Rs. 10,000 on Machinery and Rs. 5,000 as amortization of Patents for the year April 04-March 05 was Rs. 35,000. Other revenues for the year were Rs. 40,000. An old machine with original cost of Rs. 15,000 was sold at a loss of Rs. 5,000.

- (a) A brief background and key ratios are given below in respect of Hindustan Lever Ltd. and Nirma Ltd. Make your observations about the comparative performance of the two companies. [14]

## Key Ratios :

	HLL			Nirma		
	1998	1999	2000	1998	1999	2000
PAT/NET WORTH (%)	47.05	51.05	53.34	30.24	26.74	27.28
NOPLAT/Inv. Cap. (ROIC), %	41.65	47.67	51.36	17.23	15.91	13.23
PBIT/Net sales (operating margin), %	11.97	13.98	16.01	17.01	18.07	22.43
Net sales/Inv. Cap. (asset turnover)	4.77	4.44	4.07	1.16	1.03	0.71
Net sales/Current assets	3.61	3.39	3.83	2.42	2.76	2.93
Net sales/Debtors	48.86	43.28	40.03	8.22	11.20	10.94
Raw materials/Net sales (%)	65.33	64.73	60.34	75.30	73.49	66.79
Wages and salaries/Net sales (%)	5.59	5.77	5.80	2.36	2.43	2.20
Inv. Cap./Net worth (gross leverage)	1.15	1.08	1.04	1.82	1.86	2.36
Current ratio	1.08	1.04	0.86	3.11	1.90	1.42
Growth in revenue (%)	20.83	9.11	3.13	38.82	21.65	18.12

- (b) What are solvency ratios? How are these ratios relevant to various stake-holders?

[6]

OR

- (a) "Accounting principles are optional while accounting standards are mandatory". Do you agree? Discuss with examples any four important accounting principles.

[10]

- (b) How and why do you prepare common-size statements?

[10]

Write notes on *any two* of the following : (10x2=20)

- Capital vs. revenue items
- Profitability ratios
- Accounting for Goodwill
- Trend Analysis

- o O o -

## Background of the Firms

Hindustan Lever Ltd. (HLL) is the largest multinational firm in India. It was formed in 1956 by the merger of three Unilever group companies. The Unilever group has 51 per cent stake in HLL. HLL manufactures soaps and detergents (43 per cent of turnover), beverages (20 per cent), personal products (11 per cent), oil and vanspati (7 per cent) and some other products. Between 1992 and 1998, Hll adopted a strategy of growth through acquisition. The company has more than 50 manufacturing units. The total income of HLL for the year 2000 was Rs. 10,858.42 crore.

Nirma Ltd. (Nirma) was incorporated in 1980. Until January 1986, Nirma was a single product company producing 'Nirma detergent powder'. It diversified later into the manufacture of toilet soaps etc. The company has manufacturing facilities in different locations with its main facility located in Gujarat. The total income of Nirma Ltd. for the year 2000 was Rs. 1477.01 crore.

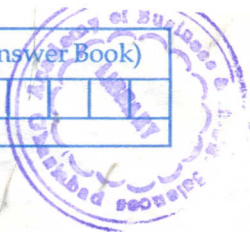
[PAT-Profit after Tx; NOPLAT-Net operating Profit less adjusted for Tax; ROIC-Return on Invested capital; PBIT-Profit Before Interest and Tax]

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**MBA**

FIRST SEMESTER EXAMINATION, 2005-2006

**ACCOUNTING AND FINANCIAL ANALYSIS**

Time : 3 Hours

Total Marks : 100

- Note :
- (i) Answer **ALL** questions.
  - (ii) All questions carry equal marks.
  - (iii) In case of numerical problems assume data wherever not provided.
  - (iv) Be precise in your answer.

1. Attempt **any four** of the following in about 250 words each:
- (a) What are the basic principles of the 'Double Entry Accounting System' ? Explain with examples.
  - (b) How is the 'Balance sheet' prepared ? Give its basic format with some items of Assets and Liabilities.
  - (c) State and explain any two of the 'Accounting Concepts'.
  - (d) What are the objectives of the 'Analysis of Financial Statements' ? Give illustrations to illustrate your answer.

- (e) Explain the difference between 'Gross Working Capital' and 'Net Working Capital', by giving examples.
- (f) How are the intangible assets like copy right, trade mark, patent and goodwill, etc. are dealt within the books of accounts ? Explain clearly.
- (a) Explain the importance of 'Depreciation' and distinguish between the 'Original Cost Method' and 'Diminishing Balance Method' by which depreciation is provided on the fixed assets.
- (b) A second-hand machinery was purchased on 1st January, 2001 for Rs. 30,000 and Rs. 6,000 and Rs. 4,000 were spent on its repairs and erection immediately. On 1st July, 2002 another machinery was purchased for Rs. 26,000 and on 1st July, 2003 the first machinery having become obsolete was auctioned for Rs. 30,000. On the same date another machinery was purchased for Rs. 25,000. On 1st July, 2004, the second machinery was also sold off and it fetched Rs. 23,000.

Depreciation was provided on machinery at the rate of 10 percent on the original cost annually on 31st December. In 2003, the method of providing depreciation was changed to the written down (diminishing) value method, the rate of depreciation being 15 per cent.

You are required to prepare Machinery Account for the calendar years mentioned heretofore.

OR



From the following balances extractes from the books of Messrs. Nirmala and Sons, Chandigarh and the adjoining in formation, you are required to prepare the Profit and Loss Account for the year ended 31st March, 2004 and also the Balance Sheet as on that date :

<b>TRIAL BALANCE</b>		
<b>Particulars</b>	<b>Debit (Rs)</b>	<b>Credit (Rs)</b>
Opening Stock	60,500	
Purchases / Sales	90,500	1,37,200
Returns	2,000	1,300
Capital Account		30,000
Drawings Account	4,500	
Land and Buildings	30,000	
Furniture and Fittings	8,000	
Sundry Debtors and Creditors	25,000	45,000
Cash in hand	3,500	
Investments	10,000	
Interest		500
Commission		3,000
Total Direct Expenses	7,500	
Postags and Stationery	2,500	
Insurance Premium	2,000	
Salaries	11,000	
Bank Overdraft		40,000
<b>Total</b>	<b>2,57,000</b>	<b>2,57,000</b>

**Additional Information :**

- (a) Closing stock on 31st March, 2004 was valued at Rs. 65,000.
- (b) Depreciation is to be provided on Land and Buildings @ 5% and on furniture and fittings @ 10%.
- (c) 5% provision is to be provided on Sundry Debtors for Bad and Doubtful Debts
- (d) The bank has charged interest on the Overdraft @10%.
- (e) Salary outstanding for the month of March, Rs. 1,000.

3. (a) What do you understand by a "Common Size Statement" and what purpose does it serve in the analysis and interpretation of financial statements ? Explain.
- (b) Given below is the Balance Sheet of Neha Company Ltd. as on 31st December, 2004 :

<b>BALANCE SHEET</b>			
<b>Liabilites</b>	<b>(Rs.)</b>	<b>Assets</b>	<b>(Rs.)</b>
Equity Share Capital	15,00,000	Goodwill	5,00,000
General Reserve	1,00,000	Machinery	6,00,000
P/L Account	4,00,000	Building	7,00,000
Provision for Tax	1,76,000	Furniture	1,00,000
Bills Payable	1,24,000	Stock-in-trade	6,00,000
Bank Overdraft	20,000	Bills Receivable	30,000
Creditors	80,000	Debtors	1,50,000
12% Debentures	5,00,000	Bank	2,00,000
		Securities	20,000
<b>Total</b>	<b>29,00,000</b>	<b>Total</b>	<b>29,00,000</b>

Calculate the following accounting ratios and interpret them as briefly as possible :

- (i) Current Ratio
- (ii) Quick Ratio
- (iii) Debt to Equity Ratio
- (iv) Fixed Assets Ratio
- (v) Capital Gearing Ratio

**OR**

- a) "The cash flow statement is very useful to management for short-term planning of business". Briefly discuss this statement, showing the various elements and uses of the cash flow statement.
- b) From the following summarised financial statements of Krishna Gopal Co. Ltd. of Rewa as at 31st March, 2003 and 31st March, 2004, respectively, prepare a cash flow statement :

<b>LIABILITIES</b>		
<b>Particulars</b>	<b>2003 (Rs.)</b>	<b>2004(Rs.)</b>
Share Capital	15,00,000	20,00,000
Securities Premium	-	50,000
General Reserve	6,00,000	7,00,000
Profit & Loss A/C	3,60,300	4,90,640
Secured Loans	8,60,000	8,60,000
Proposed Divident	1,00,000	1,50,000
Sundry Creditors	11,79,700	12,39,360
Total	46,00,000	54,90,000

Particulars	2003 (Rs.)	2004 (Rs)
Land	2,30,000	2,30,000
Buildings (at cost less Depreciation)	6,40,000	6,10,000
Plant & Machinery (at cost less Depreciation)	18,35,000	22,20,400
Investments	50,000	75,600
Stock-in-trade	8,40,430	9,16,340
Book Debts (Good)	9,85,370	13,68,650
Cash and Bank Balance	19,200	69,010
<b>Total</b>	<b>46,00,000</b>	<b>54,90,000</b>

During 2003-2004, depreciation provided on assets amounted to Rs.30,000 on Buildings and Rs. 2,40,500 on Plant & Machinery. The final dividend for the year 2002-2003 amounting to Rs. 1,00,000 was paid on 8th October, 2003

- a) Discuss briefly the various stages involved in the preparation of the funds flow statement. What is the importance of this statement to a company ?
- b) From the figures given below, you are required to prepare a schedule of changes in working capital and the funds flow statement of Banerjee and co. of Chakradharpur on 31st December, 2004 :

## BALANCE SHEET

Liabilities	As on 31st, December		Assets	As on 31st December	
	2003	2004		2003	2004
Share Capital	1,00,000	1,10,000	Buildings	40,000	38,000
General Reserve	14,000	18,000	Plant & Machinery	37,000	36,000
Profit & Loss A/c	16,000	13,000	Investments	10,000	21,000
Creditors	8,000	5,400	Stock-in-trade	30,000	23,400
Bills Payable	1,200	800	Bills Recievable	2,000	3,200
Provision for Taxes	16,000	18,000	Sundry Debtors	18,000	19,000
Provision fo Bad Debts	400	600	Cash in hand	6,600	15,200
			Preliminary Expenses	12,000	10,000
<b>Total</b>	<b>1,55,600</b>	<b>1,65,800</b>	<b>Total</b>	<b>1,55,600</b>	<b>1,65,800</b>

### Additional Information :

- (i) Depreciation charged on plant was Rs. 4,000.
- (ii) Provision for Taxation Rs. 19,000 was made during the year 2004.
- (iii) Interim dividend of Rs.8,000 was paid during the year.
- (iv) A piece of machinery was sold for Rs. 8,000 during the year 2004. It had costed Rs. 12,000, depreciation of Rs. 7,000 has been provided for it.

### OR

- (a) What are the different books of accounts that are generally maintained by a commercial organisation ? Discuss, with examples, the objectives and uses of any two of them.
- (b) Enter the following business transactions in the Journal of M/s, Anurag and Co. of Gwalior, giving the necessary narrations :

2004

- January 1 Cash Sales Rs. 18,000
- 3 Paid into Bank Rs. 7,500
- 4 Received a cheque from Mr. Rajesh for Rs. 11,000 which was deposited in the bank.
- 7 With drawn from Bank for office Rs. 6,500.
- 9 Paid salaries by cheque Rs. 7,500 and in cash Rs. 2,500.
- 10 Cash sale Rs. 8,300 deposited in Bank.
- 12 Paid insurance premium Rs. 575.
- 15 Goods sold to Mahendra and Sons Rs. 12,000.
- 18 Mahendra and Sons paid Rs. 12,000 in full settlement of his account.
- 20 Sold investments amounting to Rs. 9,200.
- 24 Bought furniture on credit from Vishal Furnitures Ltd. Rs. 17,500.
- 27 With drew from Bank for private use Rs. 2,650.
- 31 Returned some furniture purchased from Vishal Furnitures Ltd. Rs. 675.

Write notes on *any two* of the following :

- (a) Accounting Conventions.
- (b) Profit and Loss A/c and Profit and Loss Appropriation A/c.
- (c) Profitability and Solvency Ratios.
- (d) Accounting Standards.



Following Paper ID and Roll No. to be filled in your Answer Book)

**PAPER ID : 7027**

Roll No. 

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**MBA**

FIRST SEMESTER EXAMINATION, 2004-2005

**ACCOUNTING AND FINANCIAL ANALYSIS**

Time : 3 Hours

Total Marks : 100

- Note :** (i) Attempt *ALL* questions.  
(ii) All questions carry equal marks.

1. Answer *any four* of the following in about 250 words each :— **(5x4=20)**
- (a) "Accounting is both a Science and an Art". Examine this statement.
  - (b) How will you explain this statement that for every debit there must be an equivalent credit and vice versa, if the accounts are to be strictly maintained under the Double Entry System ?
  - (c) What are the uses of Accounting Ratios for the shareholders and creditors of a company ? Give examples in support of your answer.
  - (d) Explain with examples, any two of the following accounting concepts :
    - (i) Realisation concept
    - (ii) Going concern concept
    - (iii) Materiality concept

(iv) Matching concept

- (e) How do you perform the vertical and horizontal analysis of the financial statements? Explain clearly.
- (f) What are Intangible Assets? Discuss briefly their characteristic features.

The Trial Balance of Hindustan Biscuit Co. Ltd. showed the following balances on the 31st December, 2003.

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**TRIAL BALANCE**

	Debit (Rs.)	Credit (Rs.)
Land and Buildings	7,10,000	
Plant and Machinery	6,75,000	
Furniture	40,000	
Motor Lorry	50,000	
Electric Fittings	15,000	
Reserve Fund		2,65,000
Sundry Debtors and Creditors	3,00,000	2,49,000
Cash in hand	1,500	
Cash at Bank	1,86,000	
Director's Fees	3,000	
General Expenses	90,000	
Preliminary Expenses	1,00,000	
Purchase and Sales	6,35,000	12,57,500
Interest Received		6,000
Unclaimed Dividend		5,000
Bank Loan		2,00,000
Investments	2,32,000	



Stock on 01.01.2003	3,00,000	
Salaries to Staff	1,25,000	
Providend Fund		55,000
Share Capital (14,000 fully paid shares of 100 each)		14,00,000
Interest on Bank Loan	9,500	
Calls in Arrears	50,000	
Profit and Loss A/c (01.01.2003)		84,000
<b>TOTAL</b>	<b>35,22,000</b>	<b>35,22,000</b>

Taking into account the following adjustments, prepare the Trading and Profit and Loss A/c, Profit and Loss Appropriation A/c for the year ended 31st December, 2003 and a Balance Sheet of the company as on that date :

- (a) Closing Stock of biscuits on 31st December, 2003 Rs. 3,25,000.
- (b) Depreciate Plant and Machinery by Rs. 25,000, Land and Buildings by Rs. 15,000, Furniture by Rs. 5,000 and Motor Lorry by Rs. 5,000.
- (c) Rs. 500 is to be received as interest on Investments.
- (d) Transfer Rs. 75,000 to Reserve Fund and make a provision for taxation on income Rs. 40,000.
- (e) Write off 50% of Preliminary Expenses.
- (f) The Authorised Capital of the company is

Rs. 15,00,000 divided into 15,000 shares of Rs. 100 each.

OR

- (a) Explain the concept of 'Depreciation' in accounting. What are the various methods of providing depreciation on the fixed assets ?

Explain briefly.

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- (b) Priya Ltd. is intending to purchase a machine of which two models A and B are available in the market. The cost of each machine Rs. 6,00,000. In comparing the profitability of the machines a discount rate of 10% is to be used. The earnings after tax are expected to be as follows :

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Cash Flow (Rs.)

Year	Machine 'A'	Machine 'B'
1	1,70,000	1,00,000
2	2,50,000	1,50,000
3	2,50,000	2,50,000
4	1,70,000	3,00,000
5	1,30,000	2,00,000

Recommend with reasons, which machine should be purchased by the company ?

Net present value of Rs. 1 at 10% Discount rate :

Year	:	1	2	3	4	5
NPV	:	0.909	0.826	0.751	0.683	0.621

(a) What are the objectives of the analysis and interpretation of financial statements ? Discuss, with appropriate examples, the various tools of financial analysis pointing out their nature and significance.

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(b) The following is the Trading and Profit and Loss account of Mercury Ltd. for the year ending 31st December, 2001, followed by the Balance Sheet of the company.

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#### Trading and Profit and Loss Account

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To opening stock	5,80,000	By sales	30,00,000
To purchases	24,40,000	By Closing Stock	6,20,000
To Gross Profit	6,00,000		36,20,000
	36,20,000	By Gross Profit	6,00,000
To Sundry Expenses	3,20,000		
To Net Profit	2,80,000		
<b>Total</b>	<b>6,00,000</b>	<b>Total</b>	<b>6,00,000</b>

#### Balance Sheet

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Share Capital	28,00,000	Fixed Assets	22,00,000
Reserves and Surplus	2,00,000	Stock	6,20,000
Bank Overdraft	1,40,000	Debtors	3,20,000
Creditors	6,00,000	Bank	8,00,000
Profit for the year	2,80,000	Cash	80,000
<b>Total</b>	<b>40,20,000</b>	<b>Total</b>	<b>40,20,000</b>

On the basis of the above data, you are required to calculate the following ratios and interpret them as briefly as possible.

(i) Current Ratio

- (ii) Quick Ratio
- (iii) Gross Profit Ratio
- (iv) Stock Turnover Ratio
- (v) Debtor's Turnover Ratio
- (vi) Net Profit to Capital Ratio

**OR**

- (a) "Cash Flow Analysis is very useful to the management for short-term financial planning because it is a very effective tool for controlling the cash flows of a business". Elucidate this statement.
- (b) The Comparative Balance Sheets of M/s. Aparna Co. Ltd., for the year 2002 and 2003 are as follows :

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BALANCE SHEETS  
as on 31st December, 2002 and 2003

Liabilities	2002 (Rs.)	2003 (Rs.)	Assets	2002 (Rs.)	2003 (Rs.)
Capital	1,50,000	1,75,000	Land and Buildings	1,10,000	1,50,000
Loan from Bank	1,60,000	1,00,000	Machinery	2,00,000	1,40,000
Creditors	85,000	93,000	Stock	50,000	45,000
Outstanding Expenses	5,000	7,000	Debtors	70,000	80,000
Bills Payable	50,000	40,000	Cash in hand	15,000	22,000
Loan from SBI	-	25,000	Prepaid Expenses	5,000	3,000
<b>Total</b>	<b>4,50,000</b>	<b>4,40,000</b>	<b>Total</b>	<b>4,50,000</b>	<b>4,40,000</b>

Additional Information :

- (i) Net profit for the year 2003 amounted to Rs. 60,000.
- (ii) During the year, a machine costing Rs. 25,000 (accumulated depreciation Rs. 10,000) was sold for Rs. 13,000. The provision for depreciation against machinery on 31.12.2002 was Rs. 50,000 and on 31.12.2003 was Rs. 85,000.

You are required to prepare a Cash Flow

statement, furnishing all the necessary details.

- (a) What is a funds flow statement ? Explain clearly. Do you agree with this views that 'a funds flow statement is a better substitute for an Income Statement ?
- (b) Given below are the Balance Sheets of Star Co. Ltd. as on 31st December, 2002 and 2003 :

<u>Capital and Liabilities :</u>	31.12.2002	31.12.2003
	(Rs.)	(Rs.)
Share Capital (50,000 Shares of Re. 1 each fully paid)	50,000	50,000
General Reserve	-	3,000
6% Debentures	-	50,000
Bank Loan	-	20,000
Trade Creditors	18,000	22,000
Proposed Dividend	3,000	-
Provision for Taxation	6,000	8,000
Profit and Loss Account	15,000	35,000
<b>Total</b>	<b>92,000</b>	<b>1,88,000</b>

<u>Property and Assets :</u>	31.12.2002	31.12.2003
	(Rs.)	(Rs.)
Plant at Cost	20,000	25,000
Less Depreciation	8,000	12,000
	<u>12,000</u>	<u>13,000</u>
Freehold Property	-	1,00,000
Investment (Long-term)	15,000	-
Stock-in-trade	30,000	44,000
Sundry Debtors	20,000	30,000
Cash in hand	15,000	1,000
<b>Total</b>	<b>92,000</b>	<b>1,88,000</b>

ou are required to prepare for the year 2003  
'statement showing the sources and uses of funds'  
~~You are required to prepare for the year 2003 a~~  
'statement showing the sources and uses of funds'

and a 'schedule of changes in working capital after taking the following facts into consideration :

- (i) A dividend of 8% per annum was declared during 2003.
- (ii) Plants sold during the year for Rs. 3,500 was originally purchased for Rs. 5,000 on which Rs. 1,800 depreciation had accumulated.
- (iii) Total bank loan raised during the year was Rs. 28,000.

OR

- (a) Explain the concept of 'Working Capital'. How is the concept of 'Gross Working Capital' different from the concept of 'Net Working Capital' ? Give examples to illustrate your answer.
- (b) What are the major determinants of Working Capital ? Discuss, in brief, how the Working Capital needs of an organisation determined.

5. Answer *any two* of the following :-

(10x2=20)

- (a) Difference between Trial Balance and Balance Sheet.
- (b) Principles of Journalising the Business Transaction.
- (c) Accounting of Copyright, Trademarks and Goodwill.
- (d) Matching of Indian Accounting Standards with International Accounting Standards.