

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

PAPER ID : 7103

Roll No.

11111A70042

M.B.A.

(Semester-I) Theory Examination, 2011-12

ACCOUNTING & FINANCIAL ANALYSIS

Time : 3 Hours]

[Total Marks : 100

Note : Attempt questions from each Section as indicated.

Section-A

Ten statements are given below. State whether they are true or false with reasons in not more than 50 words each. $2 \times 10 = 20$

- (a) Leverage ratio is the measurement of long term financial position of a firm.
- (b) Funds flow statement is a static measure of financial performance in comparison to balance sheet.

- (c) Inventory is valued on the basis of cost or market price whichever is less. F
- (d) When owners withdraw funds from the business, it is called as drawings. T
- (e) Operating profit is the earnings before interest and taxes.
- (f) On land 100% depreciation could be charged in the first year of its purchase. F
- (g) When cost of goods sold is deducted from net sales the resultant is gross profit. F
- (h) Accounting equation states that all assets are equal to the sum of equity and external liability. F
- (i) Cash from investment activity is an essential component of cash flow statement. T
- (j) Common size statement is an example of vertical analysis of financial statement. T

Section-B

Attempt any *three* out of five parts (each answer in not more than 200 words). $10 \times 3 = 30$

2. (a) Differentiate between revenue realisation and matching concept.
- (b) Journalise the following transactions :
- (i) Goods worth Rs. 2,500 were given away as charity.
 - (ii) Goods worth Rs. 2,500 were distributed as free samples.
 - (iii) Goods worth Rs. 5,000 and cash Rs. 4,000 were stolen by an employee.
 - (iv) Goods worth Rs. 1,000 were destroyed by fire.
 - (v) Interest charged on drawings @ 5% on the total drawings of Rs. 10,000.
- (c) Differentiate between funds flow statement and balance sheet.
- (d) Explain in brief the following terms : amortisation, depreciation and depletion.
- (e) Differentiate between book-keeping and double entry system of accounting.

Section-C

All questions are compulsory in this section.

10×5=50

3. From the following trial balance prepare Trading and Profit & Loss Account and Balance Sheet for the year ended 31st December, 2010 :

Particulars	Dr. (in Rs.)	Cr. (in Rs.)
Commission received	-	3,300
Investments as on Jan. 1	-	-
@ 10%	3,000	-
Sales return and Sales	100	2,08,950
Drawings	1,000	-
Printing	264	-
Opening Stock	36,000	-
Cash	1,400	-
Rent rates and Insurance	500	-
Bank	36,560	-
Freehold Premises	25,000	-
Trade Expenses	900	-
Professional Charges	300	-
Interest on above	-	200
Debtors and Creditors	42,000	29,000
Purchase and Purchase Return	1,50,000	200
Wages	35,000	-
Salaries	15,000	-
Capital	-	1,03,044
Income-tax	1,500	-
Discount Allowed and Received	6,000	5,300
Bills Receivable and Bills Payable	2,900	9,800
Office Furniture	2,950	-
Bad Debts Provision	-	580
Total	3,60,374	3,60,374

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Adjustments :

- (i) Write-off depreciation on freehold premises and 8% on office furniture.
- (ii) Provide for wages Rs. 5,000.
- (iii) Provide for doubtful debts @ 3% on debtors.
- (iv) Further bad debts are Rs. 2,500.
- (v) Make provision for discount on debtors and reserve for discount on creditors @ 2%.
- (vi) Closing stock Rs. 52,000.

Or

With the following ratios and further information given below prepare a balance sheet of ABC Enterprise :

Net profit/sales	15 per cent
Gross profit ratio	35 per cent
Net Profit top capital	1/2
Stock turnover ratio	20 per cent
Fixed assets/capital	3/2
Capital to total liabilities	1/2.5
Fixed assets/total current assets	6/7
Fixed assets	Rs. 20,00,000
Closing stock	Rs. 1,50,000

4. What is schedule of working capital changes?
How is it different from funds flow statement?

Or

Explain the following terms :

- (a) Cash from operating activity
(b) Cash from financing activity
(c) Cash from investment activity.
5. From the following particulars, prepare funds flow statement :

(in Rs.)

Assets	March 2008	March 2009	Liabilities	March 2008	March 2009
Current Assets	90,000	90,000	Current Liabilities	28,000	39,000
Land	20,000	35,000	Bank Loan	30,000	39,000
Buildings	45,000	55,000	Capital	1,69,000	1,81,000
Machinery	72,000	79,000			
Total	2,27,000	2,59,000		2,27,000	2,59,000

During the year, drawings by the proprietor for personal use amounted to Rs. 35,000. Rs. 11,000 were charged as depreciation on machinery during the year ending March 31st, 2009.

Or

Explain the following accounting conventions :

- (a) Materiality
- (b) Conservatism
- (c) Consistency
- (d) Full disclosure.

6. From the following cash account of X Ltd. Prepare cash flow statement for the year ended 31st March, 2010 in accordance with AS-3 (Revised) :

Particulars	Amount (in Rs. 000)	Particulars	Amount (in Rs. 000)
Balance on 1.4.2009	52	Purchase of fixed assets	150
Issue of equity shares	250	Payment to suppliers	2,285
Receipt from customers	2,900	Dividend	48
Sale of fixed assets	215	Wages and salaries	96
		Taxation	196
		Overhead expenses	198
		Repayment of loan	296
		Balance on 31.3.2010	148
Total	3,417		3,417

Or

What is ratio analysis? Discuss the relevance and significance of various kinds of ratios used to measure the financial health of a business concern.

7. A Co. purchased a machine for Rs. 40,000 on April 1st, 2006. It immediately spent Rs. 10,000 for installation. After using it for 5 years it was sold at Rs. 27,000. You are required to prepare a Machine account. The rate of depreciation is

10% per annum on straight line method.

Or

What are international accounting standards? Also discuss the important issues involved in the matching of Indian accounting standards with the international accounting standards.

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