

**FINANCIAL ACCOUNTING FOR MANAGERS**

(For students admitted in 2017, 2018 & 2019 only)

Time: 3 hours

Max. Marks: 60

All questions carry equal marks

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**SECTION – A**

(Answer the following: 05 X 10 = 50 Marks)

- 1 Who are the users of accounting information? Explain.

**OR**

- 2 How do you classify accounts? What are the rules for debit and credit? Explain with examples.

- 3 Write a detailed note on purchase book and three column cash book.

**OR**

- 4 Prepare the Trading and Profit & Loss A/c and Balance Sheet for Mr.Sriram from the following balances extracted from his accounting records on 31-12-2012.

|                   | ₹      |                       | ₹      |
|-------------------|--------|-----------------------|--------|
| Capital account   | 9,000  | Purchases             | 15,000 |
| Furniture         | 800    | Carriage outwards     | 200    |
| Creditors         | 1,600  | Salaries              | 2,000  |
| Premises          | 13,000 | Rent received         | 18,000 |
| Bad debts         | 80     | Discount allowed      | 800    |
| Cash              | 40     | Loan                  | 180    |
| Drawings          | 900    | Reserve for bad debts | 4,000  |
| Overdraft at bank | 905    | Expenses              | 100    |
| Debtors           | 1,500  |                       | 705    |

Adjustments: (i) Make provision for bad debts @3%.

(ii) Salary due ₹200.

(iii) Stock on 31-12-2012 ₹3,500.

(iv) Write off 10% from furniture for depreciation.

(v) Rent due from tenants ₹100.

- 5 Explain in detail about the methods of goodwill valuation.

**OR**

- 6 On 1<sup>st</sup> January 2011 Sri Krishna Ltd purchased a machine for ₹1,50,000 and on 1<sup>st</sup> July 2011 it acquired additional machinery at a cost of ₹40,000. On 1<sup>st</sup> April 2012, it sold the machinery purchased on 1<sup>st</sup> July 2011 for ₹32,500, and bought a new machinery for ₹50,000. Depreciation is provided at a rate of 15% per annum using written down value method. Show the machinery account up to 31<sup>st</sup> December 2014.

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|   |  |             |
|---|--|-------------|
| 7 | Share capital (20,000 equity shares of ₹10 each) = ₹2,00,000 |             |
|   | Sales for the year   | = ₹4,00,000 |
|   | Credit sales   | = ₹3,00,000 |
|   | Stock  | = ₹2,00,000 |
|   | Debtors  | = ₹1,50,000 |
|   | Total assets   | = ₹6,00,000 |
|   | Net profit   | = ₹1,00,000 |
|   | Market price of share  | = ₹20       |

From the above information compute:

- Stock turnover ratio.
- Debtors turnover ratio.
- Net profit to total assets ratio.
- Price earnings ratio.
- Earnings per share.

**OR**

- 8 Explain in detail about the limitations of accounting ratios.
- 9 What is funds flow statement? What are its objectives? Explain.

**OR**

- 10 The Balance Sheets of Srinivas Ltd as on 31-12-2013 and 31-12-2014.

| Liabilities                | 2013(₹) | 2014(₹)  | Assets   | 2013(₹)  | 2014(₹)  |
|----------------------------|---------|----------|----------|----------|----------|
| Share capital              | 70,000  | 74,000   | Cash     | 9,000    | 7,800    |
| Debentures                 | 12,000  | 6,000    | Debtors  | 14,900   | 17,700   |
| Reserve for doubtful debts | 700     | 800      | Stock    | 49,200   | 42,700   |
| Trade creditors            | 10,360  | 11,840   | Land     | 20,000   | 30,000   |
| P&L A/c                    | 10,040  | 10,560   | Goodwill | 10,000   | 5,000    |
| Total                      | 103,100 | 1,03,200 |          | 1,03,100 | 1,03,200 |

In addition, you are given:

- Dividend paid total ₹3,500.
- Land was purchased for ₹10,000.
- Amount provided for amortization of goodwill ₹5,000.
- Debentures paid off ₹6,000.

Prepare cash flow statement.

### SECTION – B

(Compulsory question, 01 X 10 = 10 Marks)

- 11 **Case Study:**

From the following information make out a balance sheet with as many details as possible:

Gross profit turnover ratio = 25%

Debtors velocity = 3 months

Creditors velocity = 2 months

Stock velocity = 8 times

Capital turnover ratio = 2.5 times

Fixed assets turnover ratio (based on cost of capital) = 8 times.

Gross profit for year ended on 31<sup>st</sup> December 2018 was ₹ 80,000. There was no long-term loan or overdraft. Reserves & surplus amounted to ₹28,000. Liquid assets were ₹ 97,333. Closing stock of the year was ₹2,000 more than the opening stock. Bills receivable and Bills payable were ₹5,000 and ₹2,000 respectively.

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**SECTION – A**

(Answer the following: 05 X 10 = 50 Marks)

- 1 Discuss the uses of accounting. What are its limitations?
- OR**
- 2 Explain the steps involved in the double entry system. What are its advantages and limitations?
- 3 Enter the following transactions in proper subsidiary books and post the same in the relevant ledger accounts.

| 2003<br>Aug | Particulars                       | Amount<br>(Rs) |
|-------------|-----------------------------------|----------------|
| 1           | Bought goods from Ganga           | 2,500          |
| 2           | Returned goods to Yamuna          | 150            |
| 5           | Yamuna sold goods to us           | 1,500          |
| 8           | Krishna purchased goods from us   | 1,200          |
| 11          | Received goods returned by Kaveri | 150            |
| 13          | Returned goods to Ganga           | 100            |
| 17          | Sold goods to Ponni               | 800            |
| 22          | Purchased goods from Sindhu       | 900            |
| 27          | Returned goods to Yamuna          | 150            |

**OR**

- 4 (a) Differentiate between journal and ledger.  
(b) What are the errors disclosed by the trial balance?
- 5 The stock of a material as on 1<sup>st</sup> April 1998 was 200 units at Rs.2 each. The following purchases and issues were made subsequently. Prepare stores ledger account showing how the value of the issues would be recorded under:
  - (i) FIFO and
  - (ii) LIFO methods.1998 April 5 purchases 100 units at Rs.2.20 each.  
10 purchases 150 units at Rs.2.40 each.  
20 purchases 180 units at Rs.2.50 each.  
2 issues 150 units  
7 issues 100 units  
12 issues 100 units  
28 issues 200 units

**OR**

- 6 Differentiate between straight line and diminishing balance methods of depreciation.

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- 7 From the following profit and loss account and balance sheet relating to XYZ co Ltd as on 31<sup>st</sup> March 2003,

| Particulars                          | Rs.      | Particulars          | Rs.      |
|--------------------------------------|----------|----------------------|----------|
| To opening stock                     | 3,000    | By Net sales         | 1,95,000 |
| To purchases                         | 1,20,000 | By closing stock     | 5,000    |
| To wages                             | 7,000    |                      |          |
| To gross profit c/d                  | 70,000   |                      |          |
|                                      | 2,00,000 |                      | 2,00,000 |
| To administrative expenses           | 20,000   | By gross profit b/d  | 10,000   |
| To selling and distribution expenses | 15,000   | By dividend received | 70,000   |
| To loss on sale of fixed assets      | 5,000    |                      |          |
| To net profit                        | 40,000   |                      |          |
|                                      | 80,000   |                      | 80,000   |

Balance sheet as on March 31<sup>st</sup> March 2003

| Liabilities  | Rs.      | Assets              | Rs.      |
|--|----------|---------------------|----------|
| Equity share capital<br>(5,000 equity shares of Rs.100 each) | 5,00,000 | Land                | 1,50,000 |
| General reserve  | 50,000   | Building            | 2,00,000 |
| Profit and loss account                                      | 70,000   | Plant and machinery | 2,00,000 |
| Sundry creditors   | 80,000   | Stock               | 80,000   |
|  |          | Debtors             | 50,000   |
|  |          | Bank balance        | 20,000   |
|  | 7,00,000 |                     | 7,00,000 |

You are required to calculate the following: (i) Gross profit ratio. (ii) Operating ratio & operating profit ratio. (iii) Net profit to capital employed ratio. (iv) Current ratio & liquid ratio. (v) Stock turnover ratio.

**OR**

- 8 Define 'ratio'. Explain its uses, merits and demerits.
- 9 Discuss the steps involved in the preparation of a fund flow statement.

**OR**

- 10 From the balance sheets of XYA co Ltd., prepare a cash flow statement.

| Capital & liabilities  | 2002   | 2003   | Assets           | 2002   | 2003   |
|------------------------|--------|--------|------------------|--------|--------|
| Equity share capital   | 15,000 | 20,000 | Good will        | 5,750  | 4,500  |
| Preference share       | 7,500  | 5,000  | Land &           | 10,000 | 8,500  |
| Capital                | 2,000  | 3,500  | Buildings        | 4,000  | 10,000 |
| General reserve        | 1,500  | 2,400  | Machinery        | 8,000  | 10,000 |
| Profit & Loss a/c      | 2,100  | 2,500  | Trade debtors    | 3,850  | 5,450  |
| Proposed dividend      | 2,750  | 4,150  | Stock            | 1,000  | 1,500  |
| Trade creditors        | 1,000  | 800    | Bills receivable | 750    | 500    |
| Bills payable          | 2,000  | 2,500  | Cash in hand     | 500    | 400    |
| Provision for taxation |        |        | Cash at bank     |        |        |
|                        | 33,850 | 40,850 |                  | 33,850 | 40,850 |

Additional information:

- (i) Depreciation on machinery of jRs.500 during the 2003 has to be provided.
- (ii) Depreciation of land & building of Rs.1,000 during the year 2003.
- (iii) An interim dividend of Rs.1,000 was paid during the year 2003.
- (iv) Income tax Rs.1,750 was paid during the year 2003.

Contd. in page 3

**SECTION – B**

(Compulsory question, 01 X 10 = 10 Marks)

- 11 **Case Study:**  
The following trial balance have been taken out from the books of XYZ as on 31<sup>st</sup> December 2005.

|                       | Dr.     | Cr.     |
|-----------------------|---------|---------|
|                       | Rs.     | Rs.     |
| Plant and machinery   | 100,000 |         |
| Opening stock         | 60,000  |         |
| Purchases             | 160,000 |         |
| Building              | 170,000 |         |
| Carriage inward       | 3,400   |         |
| Carriage outward      | 5,000   |         |
| Wages                 | 32,000  |         |
| Sundry debtors        | 100,000 |         |
| Salaries              | 24,000  |         |
| Furniture             | 36,000  |         |
| Trade expense         | 12,000  |         |
| Discount on sales     | 1,900   |         |
| Advertisement         | 5,000   |         |
| Bad debts             | 1,800   |         |
| Drawings              | 10,000  |         |
| Bills receivable      | 50,000  |         |
| Insurance             | 4,400   |         |
| Bank balances         | 20,000  |         |
| Sales                 |         | 480,000 |
| Interest received     |         | 2,000   |
| Sundry creditors      |         | 40,000  |
| Bank loan             |         | 100,000 |
| Discount on purchases |         | 2,000   |
| Capital               |         | 171,500 |
|                       | 795,500 | 795,000 |

Closing stock is valued at Rs.90,000

You are required to prepare the trading and profit and loss account of the business for the year ended 31.12.2005 and a balance sheet as at that date.

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**FINANCIAL ACCOUNTING FOR MANAGERS**

(For students admitted in 2017 & 2018 only)

Time: 3 hours

Max. Marks: 60

**SECTION – A**

(Answer the following: (05 X 10 = 50 Marks)

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- 1 Define accounting. Explain its objectives and merits.

**OR**

- 2 Explain the classification of accounts in detail.

- 3 Journalize the following transaction in the books of Shankar & Co. 1998 Rs.

June 1 started business with a capital of 60,000  
June 2 paid into bank 30,000  
June 4 purchased goods from Kamal on credit 10,000  
June 6 paid to Shiram 4,920  
June 6 discount allowed by him 80  
June 8 cash sales 20,000  
June 12 sold to Hameed 5,000  
June 15 purchased goods from Bharat on credit 7,500  
June 18 paid salaries 4,000  
June 20 received from Prem 2,480  
June 20 allowed him discount 20  
June 25 withdraw from bank for office use 5,000  
June 28 withdraw for personal use 1,000  
June 30 paid Hanif by cheque 3,000.

**OR**

- 4 Discuss the accounting principles in detail.

- 5 On April 1, 2011, company A purchased an equipment at the cost of Rs. 140,000. This equipment is estimated to have 5 year useful life. At the end of the 5<sup>th</sup> year, the salvage value (residual value) will be Rs. 20,000. Company A recognizes depreciation to the nearest whole month. Calculate the depreciation expenses for 2011, 2012 and 2013 using straight line depreciation method.

**OR**

- 6 Discuss any four methods of valuing the inventory.

- 7 The following is the Balance sheet of a company as on 31<sup>st</sup> March:

| Liabilities             | Rs       | Assets              | Rs       |
|-------------------------|----------|---------------------|----------|
| Share capital           | 2,00,000 | Land and building   | 1,40,000 |
| Profit and loss account | 30,000   | Plant and machinery | 3,50,000 |
| General reserve         | 40,000   | stock               | 2,00,000 |
| 12% debentures          | 4,20,000 | Sundry debtors      | 1,00,000 |
| Sundry creditors        | 1,00,000 | Bills receivable    | 10,000   |
| Bills payable           | 50,000   | Cash at bank        | 40,000   |
|                         | 8,40,000 |                     | 8,40,000 |

Calculate: (i) Current ratio and quick ratio. (ii) Debt to equity ratio. (iii) Proprietary ratio. (iv) Capital gearing ratio. (v) Current assets to fixed assets ratio.

**OR**

- 8 How ratios are classified? Explain.

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- 9 What are the objectives of fund flow statement? Explain the merits and demerits of fund flow statement.

**OR**

- 10 Differentiate between fund flow and cash flow statement.

**SECTION – B**

(Compulsory question, 01 X 10 = 10 Marks)

- 11 **Case Study:**

From the following Trial balance of Raj Kumar prepare Trading, profit and loss account for the year ended 31<sup>st</sup> Mar 2002 and balance sheet as on that date:

Trial Balance of Raj Kumar for the year ending 31<sup>st</sup> March 2002.

| Particulars           | Dr(Rs)   | Cr(Rs)   |
|-----------------------|----------|----------|
| Capital               |          | 60,000   |
| Drawings              | 10,000   |          |
| furniture             | 5,200    |          |
| Bank overdraft        |          | 8,400    |
| Taxes and insurance   | 4,000    |          |
| Creditors             |          | 27,600   |
| Buildings             | 40,000   |          |
| Opening stock         | 44,000   |          |
| Debtors               | 36,000   |          |
| Rents                 |          | 2000     |
| Purchases             | 2,20,000 |          |
| Sales                 |          | 3,00,000 |
| Sales returns         | 4,000    |          |
| General expenses      | 8,000    |          |
| Salaries              | 18,000   |          |
| Commission            | 4,400    |          |
| Carriage on purchases | 3,600    |          |
| Bad debts             | 1,600    |          |
| Discount              | 3,200    |          |
| Total                 | 4,02,000 | 4,02,000 |

The following adjustments are to be made:

- (i) The closing stock was valued at Rs. 40,120, but there has been a loss of stock by fire during the period to the extent of Rs. 10,000 not covered by insurance.
- (ii) Depreciation on buildings Rs. 2,000 and on furniture Rs. 500 is to be provided for.
- (iii) A provision for doubtful debts at 5% on debtors is required.
- (iv) Unexpired insurance amounted to Rs. 400.
- (v) Interest on capital at 5% per annum is to be provided.

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MBA I Semester Supplementary Examinations December/January 2018/19

**FINANCIAL ACCOUNTING FOR MANAGERS**

(For students admitted in 2014 (LC), 2015 & 2016 only)

Time: 3 hours

Max. Marks: 60

**SECTION – A**

(Answer the following: (05 X 10 = 50 Marks)

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- 1 What are the primary objectives of financial accounting? Explain.

**OR**

- 2 Discuss the main systems of recording business transactions.

- 3 Journalize the following transactions of Mr. Ramesh: 2013.

April 1 Ramesh started business with cash Rs.10,000

April 2 paid into bank Rs,7,000

April 3 bought goods for cash Rs.500

April 4 drew cash from bank for office use Rs.100

April 13 sold goods to Krishna on credit Rs.150

April 20 bought goods from Shyam on credit Rs.225

April 24 received from Krishna Rs.145, allowed him discount Rs.5

April 28 paid Shyam cash Rs.215, discount allowed Rs.10

April 30 cash sales for the month Rs.800, rent paid Rs.50 and paid salary Rs.100

**OR**

- 4 The following balances were extracted from the books of Rajaram on 31-12-2012.

|                   | Rs     |                       | Rs     |
|-------------------|--------|-----------------------|--------|
| Capital account   | 9,000  | Purchases             | 15,000 |
| Furniture         | 800    | Carriage outwards     | 200    |
| Creditors         | 1,600  | Salaries              | 2,000  |
| Premises          | 13,000 | Sales                 | 18,000 |
| Bad debts         | 80     | Rent received         | 800    |
| Cash              | 40     | Discount allowed      | 180    |
| Drawings          | 900    | Loan                  | 4,000  |
| Overdraft at bank | 905    | Reserve for bad debts | 100    |
| Debtors           | 1,500  | Expenses              | 705    |

Adjustments:

(i) Make provision for bad debts @3%. (ii) Salary due Rs.200. (iii) Stock on 31-12-2012 Rs.3,500. (iv) Write off 10% from furniture for depreciation. (v) Due from tenants rent Rs.100.

- 5 On 1<sup>st</sup> January 2011, X Ltd purchased a machine for Rs. 1,50,000 and on 1<sup>st</sup> July 2011 it acquired additional machinery at a cost of Rs. 40,000. On 1<sup>st</sup> April 2012, it sold the machinery purchased on 1<sup>st</sup> July 2011 for Rs. 32,500 and bought new machinery for Rs. 50,000. Depreciation is provided at a rate of 15% per annum using written down value method. Show the machinery account.

**OR**

Contd. in page 2



- 6 The following transactions occur in the purchase and issue of a material:

Jan 2 purchased 4,000 units @ Rs.4 per unit  
Jan 20 purchased 500 units @ Rs.5 per unit  
Feb 5 issued 2,000 units  
Feb 10 purchased 6,000 units @ 6 per unit  
Feb 12 issued 4,000 units  
March 2 issued 1,000 units  
March 5 issued 2,000 units  
March 15 purchased 4,500 units @ 5.50 per unit  
March 20 issued 3,000 units

From the above, prepare the Stores Ledger Account using FIFO method.

- 7 Distinguish between funds flow statement and cash flow statement.

**OR**

- 8 From the following balances you are required to calculate cash from operations:

|                             | 31-12-2016 | 31-12-2017 |
|-----------------------------|------------|------------|
| Debtors                     | 50,000     | 47,000     |
| Bills receivables           | 10,000     | 12,500     |
| Creditors                   | 20,000     | 25,000     |
| Bills payables              | 8,000      | 6,000      |
| Outstanding expenses        | 1,000      | 1,200      |
| Prepaid expenses            | 800        | 700        |
| Accrued income              | 600        | 750        |
| Income received in advance  | 300        | 250        |
| Profit made during the year |            | 1,30,000   |

- 9 What are the uses and limitations of ratio analysis? Explain.

**OR**

- 10 Using the following information calculate: (i) Sales.(ii) Closing stock. (iii) Sundry debtors. (iv) Sundry creditors.

Gross profit ratio: 25%

Debtors turnover ratio 4 months

Stock turnover ratio 4 months

Creditors turnover ratio 6 months

Closing stock is Rs.10,000 more than the opening stock. Bills receivable amount Rs.65,000 and Bills payable to Rs.80,000, cost of goods sold for the year is Rs.9,00,000.

### **SECTION – B**

(Compulsory question, 01 X 10 = 10 Marks)

- 11 **Case Study:**

From the following information prepare a summarized balance sheet as on 31<sup>st</sup> March 2013.

Working capital Rs. 1,20,000

Reserves & Surplus Rs. 80,000

Bank overdraft Rs. 20,000

Assets(fixed) to proprietary ratio = 0.75

Current ratio = 2.5

Liquidity ratio = 1.5.

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**Code: 17E00104**

**MBA I Semester Regular Examinations December/January 2017/2018**

**FINANCIAL ACCOUNTING FOR MANAGERS**

(For students admitted in 2017 only)

Time: 3 hours

Max. Marks: 60

**SECTION – A**

(Answer the following: (05 X 10 = 50 Marks))

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- 1 What are the different objectives of accounting?  
**OR**
- 2 Explain the classification of accounts and also discuss the rules of debit and credit.
- 3 Prepare a model of Trial Balance of your choice.  
**OR**
- 4 Enumerate the accounting principles in brief.
- 5 Describe different methods of valuation of goodwill in brief.  
**OR**
- 6 What are the limitations of straight line method of depreciation?
- 7 What are the objectives of preparing cash flow statement?  
**OR**
- 8 Explain the following:  
(a) Leverage ratio.  
(b) Profitability ratio.
- 9 What do you understand by interpretation of financial statements? Explain briefly.  
**OR**
- 10 Explain the steps involved in preparation of funds flow statement.

**SECTION – B**

(Compulsory question, 01 X 10 = 10 Marks)

**11 Case Study:**

From the following information prepare a store's ledger accounting under FIFO and LIFO methods.

|           |               |                             |
|-----------|---------------|-----------------------------|
| 2-1-2012  | Opening stock | 2000 units @ Rs. 10 each    |
| 7-1-2012  | Purchased     | 1800 units @ Rs. 12 each    |
| 12-1-2012 | Issued        | 2400 units                  |
| 14-1-2012 | Purchased     | 1600 units @ Rs. 12.40 each |
| 16-1-2012 | Purchased     | 600 units @ Rs. 12.80 each  |
| 20-1-2012 | Issued        | 1200 units                  |
| 28-1-2012 | Purchased     | 400 units @ Rs. 13 each     |
| 31-1-2012 | Issued        | 400 units                   |

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**PART – A**

(Answer the following: (05 X 10 = 50 Marks))

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- 1 How accounts are classified? Explain.

**OR**

- 2 What is the difference between book-keeping and accounting system?

- 3 The following are the closing balances extracted from the books of Sandeep traders for the year ending 31<sup>st</sup> Dec, 2015 with the help of which prepare trading A/c, profit & loss A/c and balance sheet.

| Debit balance    | Rs.   | Credit balance    | Rs.   |
|------------------|-------|-------------------|-------|
| Opening stock    | 6050  | Sales             | 13720 |
| Purchases        | 9030  | Purchase returns  | 130   |
| Carriage         | 220   | Capital           | 3000  |
| Drawings         | 450   | Creditors         | 4500  |
| Investments      | 3800  | Discount received | 350   |
| Debtors          | 2500  | Mortgage loan     | 4000  |
| Printing charges | 1200  |                   |       |
| Wages            | 1100  |                   |       |
| Total            | 25700 | Total             | 25700 |

**Adjustments:**

- (a) Closing stock was valued at Rs. 16000.
- (b) Wages outstanding by Rs. 900.
- (c) Outstanding discounts receivables Rs. 150.
- (d) Write off bad debts Rs. 500.
- (e) Create a reserve for bad and doubtful debts Rs. 500.

**OR**

- 4 What is trading account? What purpose does it serve?

- 5 Discuss various methods of calculating depreciation.

**OR**

- 6 From the following details, prepare stores ledger using simple average method of pricing the issues. January 2016:

- 1<sup>st</sup>: Received 500 units @ Rs. 20 per unit.
- 10<sup>th</sup>: Received 300 units @ Rs. 24 per unit.
- 15<sup>th</sup>: Issued 700 units.
- 20<sup>th</sup>: Received 400 units @ Rs. 28 per unit.
- 25<sup>th</sup>: Issue 300 units.
- 27<sup>th</sup>: Received 500 units @ Rs. 22 per unit.
- 31<sup>st</sup>: Issued 200 units.

Contd. in page 2

7 What are the uses and limitations of cash flow analysis?

**OR**

8 The following are the summary of cash transactions extracted from the books of XYZ Ltd:

(Rs. in '000's)

|   |              |
|---|--------------|
| Balance as on 1 <sup>st</sup> April, 2015 | 140          |
| Receipts from customers                   | 11132        |
| Issue of shares                           | 1200         |
| Sale of fixed assets                      | 512          |
|   | <u>12984</u> |

|                           |              |
|---------------------------|--------------|
| Payments to suppliers     | 8188         |
| Payments for fixed assets | 920          |
| Payments for overheads    | 460          |
| Wages and salaries        | 276          |
| Taxation                  | 972          |
| Dividends                 | 320          |
| Repayment of bank loans   | 1000         |
|                           | <u>12136</u> |

Balance as on 31<sup>st</sup> March, 2016 is 848. You are required to prepare a cash flow statement of the company for the period ended 31<sup>st</sup> March, 2016.

9 What is ratio? Explain different ratios.

**OR**

10 How do you analyze and interpret financial statements of a company for reporting on the soundness of its capital structure and solvency?

### **PART – B**

(Compulsory question, 01 X 10 = 10 Marks)

11 **Case study:**

The particulars of income and expenses of a XYZ company are given below for the year ending 31/03/2016.

| Particulars                     | Rs.      | Particulars            | Rs.      |
|---------------------------------|----------|------------------------|----------|
| Opening stock                   | 76250    | Sales                  | 5,00,000 |
| Purchases                       | 315250   | Closing stock          | 98500    |
| Manufacturing expenses          | 7000     | Income from investment | 6000     |
| Administration expenses         | 1,00,000 |                        |          |
| Selling & distribution expenses | 12000    |                        |          |
| Loss by fire                    | 13000    |                        |          |

From the above information you are required to find :

- Operating ratio.
- Operating profit ratio.
- Stock turnover ratio.
- Gross profit ratio.
- Net profit ratio.

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**SECTION - A**

Answer the following: (05 X 10 = 50 Marks)

- 1 Define financial accounting and explain in detail the principles of accounting.  
(OR)
- 2 What is dual concept of accounting and explain the accounting equation with suitable example transaction.
- 3 What are subsidiary books of accounts? Discuss in detail the three column cash book.  
(OR)
- 4 From the given balances extracted at the close of the year ended 31.03.2013, prepare profit and loss account of Satyam company limited.

| Particulars                  | Amount in Rs. |
|------------------------------|---------------|
| Gross profit                 | 1,01,000      |
| Carriage outward             | 2,500         |
| Salaries                     | 5,500         |
| Rent                         | 4,100         |
| Fire insurance premium       | 900           |
| Bad debts                    | 2,100         |
| Income tax paid              | 3,500         |
| Life insurance premium       | 3,000         |
| Discount (dr.)               | 500           |
| Apprentice premium (cr.)     | 1,500         |
| Printing and stationery      | 250           |
| Rates and taxes              | 350           |
| Travelling expenses          | 200           |
| Sundry trade expenses        | 300           |
| Rent received on sub letting | 1,000         |

- 5 Discuss the various methods of inventory issue and write merits and demerits of each method.  
(OR)
- 6 On 1.7.2010 XYZ Ltd. purchased a machine for Rs.40,000 and spent Rs.6,000 for installation. On 1.1.2011 a new machine was purchased for Rs.24,000. On 30.6.2012 the machine purchased on 1.1.2011 was sold for Rs.16,000 and another machine was installed for Rs.30,000. The company writes off 10 percent on straight line method of depreciation on every year of 31<sup>st</sup> March. Show the machinery account.
- 7 Explain the steps in the preparation of funds flow statement. Discuss in brief about uses of funds flow statement.  
(OR)
- 8 Distinguish among cash flow from operating, investing and financing activities. Provide examples of each type of activity as per AS 3 and show a proforma statement of cash flows.

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- 9 What is meant by horizontal and vertical analysis of financial statement and explain by giving suitable examples.

(OR)

- 10 From the following information of ABC Ltd. You are required to calculate the following ratios.

- (i) Gross profit percent. (ii) Net profit percent. (iii) Return on total assets.  
(iv) Quick assets ratio. (v) Debtors collection period. (vi) Stock turnover ratio.

| Particulars                         | Amount in Rs. |
|-------------------------------------|---------------|
| Sales for the year                  | 3,100         |
| Gross profit                        | 1,725         |
| Expenses                            | 805           |
| Depreciation                        | 250           |
| Share capital                       | 450           |
| Retained earnings                   | 240           |
| 12% debentures                      | 700           |
| Creditors                           | 620           |
| Proposed dividends                  | 45            |
| Fixed assets net after depreciation | 875           |
| Stocks                              | 310           |
| Debtors                             | 770           |
| Bank balance                        | 100           |

**SECTION – B**

(Compulsory Question)

01 X 10 = 10 Marks

- 11 **Case study:**

From following details relating to the accounts of Grow More Ltd. Prepare cash flow statement:

| Particulars            | 31.03.2007<br>Rs. | 31.03.2006<br>Rs. |
|------------------------|-------------------|-------------------|
| Liabilities            |                   |                   |
| Share capital          | 1,000             | 800               |
| Reserves               | 200               | 150               |
| Profit and loss a/c    | 100               | 60                |
| Debentures             | 200               | -                 |
| Provision for taxation | 100               | 70                |
| Proposed dividends     | 200               | 100               |
| Sundry creditors       | 700               | 820               |
| Total                  | 2,500             | 2,000             |
| Assets                 |                   |                   |

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MBA I Semester Regular Examinations February/March 2015

**FINANCIAL ACCOUNTING FOR MANAGERS**

(For students admitted in 2014 only)

Time: 3 hours

Max. Marks: 60

All questions carry equal marks

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**SECTION – A**

Answer the following: (05 X 10 = 50 Marks)

- 1 Discuss in detail about concepts and conventions of financial accounting.  
(OR)
- 2 Classify the types of accounts and write accounting rules with example transaction for each type of account.
- 3 What do you understand by trial balance? Explain its uses in preparation of final accounts and rectification of errors.

(OR)

- 4 From the following data of ABC company, prepare cash book with cash and bank columns:

|  |          |
|--|----------|
| June 1 cash balance                      | 50,000   |
| Bank balance                             | 1,75,000 |
| June 5 cash received from sale of shares | 5,50,000 |
| June 6 paid into bank                    | 5,00,000 |
| June 7 paid S.Bose by cheque             | 1,25,000 |

June 20 received from Mukerjee by cheque for Rs 60,000 and deposited the same in the bank.

- 5 Discuss in detail the concept of depreciation and write a brief note on methods of depreciation.  
(OR)
- 6 Show the store's ledger entries as they would appear when using:  
(i) Weighted average method.  
(ii) LIFO method of pricing the issues in connection with the following transactions.

| April             | Unit | Value |
|-------------------|------|-------|
| 1 balance in hand | 300  | 600   |
| 2 purchased       | 200  | 450   |
| 4 issued          | 150  | -     |
| 6 purchased       | 200  | 460   |
| 11 issued         | 150  | -     |
| 19 issued         | 200  | -     |
| 20 purchased      | 200  | 480   |
| 27 issued         | 250  | -     |

Contd. in page 2



- 7 "A cash flow statement is required to explain the changes in cash account balances between balance sheet dates". Explain the statement.

**(OR)**

- 8 From the following sheets for the year 2010 and 2011 find out funds from operations.

| Particulars                           | 2010 (Rs) | 2011 (Rs) |
|---------------------------------------|-----------|-----------|
| General reserve                       | 10000     | 12500     |
| Good will                             | 5000      | 2500      |
| Provision for depreciation on plant   | 5000      | 6000      |
| Preliminary expenses                  | 3000      | 2000      |
| Profit and loss appropriation account | 15000     | 20000     |

- 9 Explain the significance of ratio analysis in interpretation of final accounts. Discuss in brief the various categories of ratios.

**(OR)**

- 10 The total sales (all credit) of a firm is Rs 64, 0000. It has gross profit margin of 15% and a current ratio of 2.5. The firms current liabilities are Rs 96,000; inventories Rs 48,000 and cash Rs 16,000. (i) Determine the average inventory to be carried by the firm, if an inventory turnover of 5 times is expected. (ii) Determine the average collection period, if the opening balance of debtors is intended to be of Rs 80,000.

**SECTION – B**

(Compulsory Question)

01 X 10 = 10 Marks

- 11 Case study:

The book value of plant and machinery on 1.1.2010 was Rs 200000. New machinery for Rs 10000 was purchased on 1.10.2010 and for Rs 20000 on 1.7.2011. On 1.4.2012 a machinery whose book value had been Rs 30000 on 1.1.2010 was sold for Rs 16000 and the entire amount was credited to plant and machinery account. Depreciation has charged at 10 percent per annum on book value 1.1.2010 on straight line method. It was decided on 31.12.2012 that depreciation at the rate of 20 percent per annum on diminishing balance method should be charged with a retrospective effect since 1.1.2011. Show the plant and machinery account from 1.1.2010 to 31.12.2012.

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