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NOIDA INSTITUTE OF ENGINEERING AND TECHNOLOGY ,GREATER NOIDA

(An Autonomous Institute Affiliated to AKTU, Lucknow)

MASTER OF BUSINESS ADMINISTRATION (MBA)

(SEM: 01 Theory Examination (2020-2021)

SUBJECT NAME: FINANCIAL ACCOUNTING & ANALYSIS

Time: 3Hours **Max. Marks:100**

General Instructions:

- All questions are compulsory. Answers should be brief and to the point.
- This Question paper consists of 04 pages & 8 questions.
- It comprises of three Sections, A, B, and C. You are to attempt all the sections.
- Section A -Question No- 1 is objective type questions carrying 1 mark each, Question No- 2 is very short answer type carrying 2 mark each. You are expected to answer them as directed.
- Section B - Question No-3 is Long answer type -I questions with external choice carrying 6 marks each. You need to attempt any five out of seven questions given.
- Section C -Question No. 4-8 are Long answer type –II (within unit choice) questions carrying 10 marks each. You need to attempt any one part *a or b.*
- Students are instructed to cross the blank sheets before handing over the answer sheet to the invigilator.
- No sheet should be left blank. Any written material after a blank sheet will not be evaluated/checked.

SECTION – A

1.	**Answer all the parts-**	**[10×1=10]**	**CO**
a.	The determination of expenses for an accounting period is based on which of the accounting principle.	(1)	**CO1**
b.	Name one asset which does not depreciate?	(1)	**CO1**
c.	Disadvantage of single entry system.	(1)	**CO2**
d.	The long term assets that have no physical existence but are rights that have value is known as which type of assets.	(1)	**CO2**
e.	The balance in the petty cash book is expense, profit or an asset. Explain.	(1)	**CO3**
f.	Define Position Statement.	(1)	**CO3**
g.	Define Market capitalization.	(1)	**CO4**
h.	Explain Acid Test ratio.	(1)	**CO4**
i.	Under which type of activity will you classify ‘refund of income tax received’ while preparing the cash flow statement?	(1)	**CO5**
j.	Define Working Capital.	(1)	**CO5**
2.	**Answer all the parts-**	**[5×2=10]**	**CO**
a.	List out factors which determine the amount of depreciation.	(2)	**CO1**
b.	What are the advantages of converting to IFRS.	(2)	**CO2**
c.	Accounting treatment of Trade discount and cash discount.	(2)	**CO3**
d.	How is trend analysis used to evaluate the financial health of an organization?	(2)	**CO4**
e.	How are the various activities classified as per AS-3 revised while preparing cash flow statement?	(2)	**CO5**

SECTION – B

3.	**Question- Answer any five of the following-**	**[5×6=30]**	**CO**
a.	Accounting principles become Generally Accepted Accounting Principles when they satisfy certain norms. What are those norms? Explain.	**(6)**	**CO1**
b.	What is the need of Human Resource Accounting? Give its objectives and limitations.	**(6)**	**CO2**
c.	Following are the extracts from a trial balance of ABC Ltd as on 31st march 2020:	**(6)**	**CO3**

Particulars	**Dr. (Rs.)**	**Cr. (Rs.)**
Sundry Debtors	2,05000	
Provision for Doubtful Debts		10,000
Provision for Discount on Debtors		1,800
Bad Debts	3,000	
Discount	1,000	

Additional Information:

i. Additional bad debts Rs. 4000
ii. Additional discount allowed to Debtors Rs. 1000
iii. Maintain a provision for bad debts 10% on Debtors
iv. Maintain a provision for discount @ 2% on debtors

Prepare the final accounts using the above given information..

d.	What is the importance of comparative statements? Illustrate your answer with particular reference to comparative income statement.	**(6)**	**CO4**
e.	Explain the difference between direct and indirect methods of reporting cash flows from operating activities with reference to Accounting Standard 3, (AS 3) revised.	**(6)**	**CO5**
f.	Discuss the financial ratios for evaluating company performance on operating efficiency and liquidity position aspects.	**(6)**	**CO4**
g.	What is the trade-off between long term and short term financing of working capital.	**(6)**	**CO5**

SECTION – C

CO

4	**Answer any one of the following-**	**[5×10=50]**	**CO**
a.	The LG Transport company purchased 10 trucks at Rs.45,00,000 each on 1st April 2014. On October 1st,2016, one of the trucks is involved in an accident and is completely destroyed and Rs.27,00,000 is received from the insurance in full settlement. On the same date another truck is purchased by the company for the sum of Rs.50,00,000. The company write off 20% on the original cost per annum. The company observe the calendar year as its financial year. Give the motor truck account for two year ending 31 Dec, 2017.	**(10)**	**CO1**
b.	Distinguish between Straight line method of depreciation and Written down value method of depreciation.	**(10)**	**CO1**
5.	**Question- Answer any one of the following-**		
a.	What is the need of IFRS? Also Differentiate between IFRS and IAS.	**(10)**	**CO2**
b.	What do you understand by Accounting Standards? What purpose do these standards serve? How does this standard help in bringing transparency and uniformity in accounting?	**(10)**	**CO2**

6. Answer any one of the following-

a. On 30th December, 2020 the bank column of A. Philip's cash book showed a debit balance of Rs. 4,610. On examination of the cash book and bank statement: **(10)** **CO3**

1. Cheques amounting to Rs. 6,30,000 which were issued to trade payables and entered in the cash book before 30th December, 2020 were not presented for payment until that date.
2. Cheques amounting to Rs. 2,50,000 had been recorded in the cash book as having been paid into the bank on 30th December, 2020, but were entered in the bank statement on1st January, 2018.
3. A cheque for Rs. 73,000 had been dishonoured prior to 30th December, 2020, but no record of this fact appeared in the cash book.
4. A dividend of Rs. 3,80,000, paid direct to the bank had not been recorded in the cash book.
5. Bank interest and charges amounting to Rs. 4,200 had been charged in the bank statement but not entered in the cash book.
6. No entry had been made in the cash book for a trade subscription of Rs. 10,000 paid vide banker's order in November, 2020.
7. A cheque for Rs. 27,000 drawn by B. Philip had been charged to A. Philip's bank account by mistake in December, 2020.

You are required: (a) to make appropriate adjustments in the cash book bringing down the correct balance, and (b) to prepare a statement reconciling the adjusted balance in the cash book with the balance shown in the bank statement.

b. *The balance sheet of Tappan on 1st January, 2017 was as follows:* **(10)** **CO3**

Liabilities	***Amount*** Rs.	***Assets***	***Amount*** Rs.
Trade Payables	*15,00,000*	*Plant and machinery*	*30,00,000*
Expenses Payable	*1,50,000*	*Furniture & Fixture*	*3,00,000*
Capital	*50,00,000*	*Trade receivables*	*14,00,000*
		Cash at Bank	*6,50,000*
		Inventories	*13,000,000*
Total	*66,50,000*	Total	*66,50,000*

During 2017, his Profit and Loss Account revealed a net profit of Rs. *15,30,000. This was after allowing for the following :*

(a) Interest on capital @ 6% p.a.

(b) Depreciation on Plant and Machinery @ 10% and on Furniture and Fixtures @ 5%.

(c) A provision for Doubtful Debts @ 5% of the trade receivables as at 31st December, 2017.

But while preparing the Profit and Loss Account he had forgotten to provide for (1) outstanding expenses totalling Rs. *1,80,000 and (2) prepaid insurance to the extent of* Rs. *20,000.*

His current assets and liabilities on 31st December, 2017 were : Inventories Rs. *14,50,000; Trade receivables* Rs. *20,00,000; Cash at Bank* Rs. *10,35,000 and Trade payables* Rs. *11,40,000.*

During the year he withdrew Rs.*6,00,000 for domestic use.*

Required

Draw up his Balance Sheet at the end of the year.

7. Answer any <u>one</u> of the following-

a. Prepare a Common Size balance sheet from the following balance sheet of Aditya Ltd., and Anjali Ltd.: **(10)** **CO4**

Particulars	Aditya Ltd. (Rs.)	Anjali Ltd. (Rs.)
I. Equity and Liabilities		
a) Equity share capital b) Reserves and surplus c) Current liabilities	6,00,000 3,00,000 1,00,000	8,00,000 2,50,000 1,50,000
Total	10,00,000	12,00,000
2. Assets		
a) Fixed assets b) Current Assets	4,00,000 6,00,000	7,00,000 5,00,000
Total	10,00,000	12,00,000

b. X Co. has made plans for the next year. It is estimated that the company will employ total assets of Rs. 8,00,000; 50 per cent of the assets being financed by borrowed capital at an interest cost of 8 per cent per year. The direct costs for the year are estimated at Rs. 4,80,000 and all other operating expenses are estimated at Rs. 80,000. The goods will be sold to customers at 150 per cent of the direct costs. Tax rate is assumed to be 50 per cent. You are required to calculate: (i) net profit margin; (ii) return on assets; (iii) asset turnover and (iv) return on owners' equity. **(10)** **CO4**

8. Answer any one of the following-

a. Prepare Cash flow for Gamma Ltd., for the year ending 31.3.2021 from the following information: (1) Sales for the year amounted to Rs.135 crores out of which 60% was cash sales. (2) Purchases for the year amounted to Rs. 55 crores out of which credit purchase was 80%. (3) Administrative and selling expenses amounted to Rs.18 crores and salary paid amounted to Rs.22 crores. (4) The Company redeemed debentures of Rs. 20 crores at a premium of 10%. Debenture holders were issued equity shares of Rs. 15 crores towards redemption and the balance was paid in cash. Debenture interest paid during the year was Rs.1.5 crores. (5) Dividend paid during the year amounted to Rs.11.7 crores(including Dividend distribution tax) was also paid. (6) Investment costing Rs.12 crores were sold at a profit of Rs. 2.4 crores. (7) Rs. 8 crores was paid towards income tax during the year. (8) A new plant costing Rs. 21 crores was purchased in part exchange of an old plant. The book value of the old plant was Rs.12 crores but the vendor took over the old plant at a value of Rs.10 crores only. The balance was paid in cash to the vendor. (9) The following balances are also provided: **(10)** **CO5**

	(Rs.) in Crore 1.4. 2020	(Rs.) in Crore 31.3. 2021
Debtors	**45**	**50**
Creditors	**21**	**23**
Bank	**6**	**-**

b. As a part of the strategy to increase sales and profits, the sales manager of a company proposes to sell goods to a group of new customers with 10% risk of non-payment. This group would require one and a half months credit and is likely to increase sales by Rs. 1,00,000 p.a. Production and Selling expenses amount to 80% of sales and the income-tax rate is 50%. The company's minimum required rate of return (after tax) is 25%. Should the sales manager's proposal be accepted? Compute the degree of risk of non-payment that the company should be willing to assume if the required rate of return (after tax) were (i) 30%, (ii) 40% and (iii) 60%. **(10)** **CO5**