

FINANCIAL ACCOUNTING FOR MANAGERS

(Common to MBA, Finance, Fintech, Business DA, Big DA, B&FS and HC&HM)

Time: 3 Hours

Max. Marks: 60

All questions carry equal marks

SECTION – A

Answer the following: 05 X 10 = 50 Marks)

- 1 What are the general goals of accounting, and how do they lead to effective management of a business? 10M
- OR
- 2 How do accounting principles/standards, such as GAAP and IFRS, impact the preparation and presentation of financial statements? 10M
- 3 What is a ledger? With the distinguishing features between a ledger and a journal, indicate the importance of maintaining a ledger in financial accounts. 10M
- OR
- 4 How final accounts are prepared with special reference to trading, profit and loss account and balance sheet that carry the necessary adjustments? 10M
- 5 Explain the process of evaluation of impact of inflation on financial statements. 10M
- OR
- 6 Investment decisions are affected by asset valuation – discuss. 10M
- 7 From sample financial data, determine a few common liquidity ratios and what the ratios could explain about a firm's current health explain in detail. 10M
- OR
- 8 Explain the Du Pont model and how it might enable understanding of a firm's return on equity (ROE) in terms of its components. 10M
- 9 Explain the preparation of cash flows under direct & indirect method and discuss advantages and disadvantages of each. 10M
- OR
- 10 What is the significance of ratio analysis in financial accounting, and how can key ratios provide insights into a company's operational efficiency and financial stability? 10M

Contd. in page 2

SECTION – B

(Compulsory question, 01 X 10 = 10 Marks)

11 **Case Study/Problem:**

10M

Case Study: Stock Options as Employee Compensation

Background: The case study deals with the accounting treatment of stock options granted to employees in the form of compensation. It discusses how companies value these options and report them in financial statements. A comparison is also made of the fair value method with respect to the intrinsic value method used in recognizing stock option expenses.

The case highlights the difficulty in measuring the fair value of stock options because of among other things volatility, exercise price and expected term. It also describes how wrong accounting for stock options may lead to misleading financial statements affecting, consequently the company's valuation as well as the perception that investors have.

Questions:

(i) Compare and contrast the fair value method and the intrinsic value method of accounting for stock options. How do the two methods compare in terms of advantages and disadvantages?

(ii) How does the accounting for stock options underlie accounting treatment in relation to EPS? Which implications would an investor have in such conditions?

Code: 21E00104

MBA I Semester Supplementary Examinations July 2024
FINANCIAL ACCOUNTING FOR MANAGERS
(Common to MBA & Finance Fintech, BDA, BigDA, BFS & H&HM)

Time: 3 hours

All questions carry equal marks

Max. Marks: 60

SECTION-A

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

1. (a) Explain nature and importance of accounting. 5M
(b) Write a short note on (i) Personal Account (ii) Nominal Account and (iii) Real Account. 5M
OR
2. (a) Distinguish between book keeping and accounting. 5M
(b) According to the principle of "Double Entry System", 'Every debit has a corresponding Credit'. Justify the statement. 5M
OR
3. (a) What do you mean by trail balance? Explain the methods of preparing trail balance. 5M
(b) Define Journal. Draw the proforma and describe the steps in journalizing. 5M
OR
4. The Following balances has been extracted from the books of Munna on 31-12-2022. 10M

| Particulars | Amount (Rs) | Particulars | Amount (Rs) |
|-------------------|-------------|-----------------------|-------------|
| Capital Account | 18,000 | Purchases | 45,000 |
| Furniture | 2,400 | Carriage Outwards | 600 |
| Creditors | 4,800 | Salaries | 6,000 |
| Premises | 39,000 | Sales | 54,000 |
| Bad debts | 240 | Rent Received | 2,400 |
| Cash | 120 | Discount Allowed | 540 |
| Drawings | 2,700 | Loan | 12,000 |
| Overdraft at Bank | 2,715 | Reserve for Bad debts | 300 |
| Debtors | 4,500 | Expenses | 2,115 |

Adjustments:

1. Make provision for bad debts @ 3%
2. Salary due Rs.600
3. Stock on 31-12-2022. Rs.10,500
4. Write off 10% from furniture for depreciation.
5. Due from tenants rent Rs.300.
5. (a) Define Depreciation. What are its objectives and reasons? 5M
(b) Calculate the rate of depreciation under straight line method and draw depreciation account for three years. 5M
On 1st April 2020 a truck was purchased at Rs.80,000 and spent installation charges Rs.20,000. The residual value is 40,000. Expected useful life is 4 years.
OR
6. (a) Explain the methods of valuation of inventory. 5M
(b) From the following information, prepare stores ledger showing issue of materials on LIFO SM 5M

| Date | Receipt | | Issues | |
|--------|----------------|----------------|---------|----------------|
| | Quantity (KGS) | Rate per KG() | Date | Quantity (KGS) |
| 2014 | | | 2014 | |
| Jan 01 | 100 | 20 | Jan, 04 | 50 |
| 16 | 300 | 30 | 17 | 200 |
| 27 | 50 | 50 | 29 | 200 |

7. (a) Who are the parties interested in financial statement analysis? 5M
(b) State the pros and cons of financial statement analysis. 5M
OR
8. (a) Explain the nature and objectives of ratio analysis. 5M
(b) Write a short note on DU-PONT Chart. 5M
9. (a) Explain the Objectives of Cash Flow Statement. 5M
(b) What are the steps in preparation of Cash flow statement? 5M
OR
10. (a) List out the advantages and disadvantages of Funds flow statement. 5M
(b) Distinguish between cash flow statement and Funds flow statements. 5M

SECTION-B

(Compulsory question, 01 X 10 = 10 Marks)

11. **Case Study/Problem:** 10M

Problem

Calculate the following ratios.

1. Gross profit ratio
2. Net profit ratio
3. Current ratio
4. Liquid ratio
5. Proprietary ratio

| Particulars | Amount (Rs) | Particulars | Amount (Rs) |
|----------------------|-------------|------------------------------------|-------------|
| Sales | 30,00,000 | Fixed Assets | 15,40,000 |
| Cost of Sales | 20,00,000 | Net Worth | 15,00,000 |
| Net Profit | 4,00,000 | Debts (Long Term) | 9,00,000 |
| Average Inventory | 8,00,000 | Current Liabilities | 5,00,000 |
| Other Current Assets | 7,00,000 | Net Profit before tax and interest | 8,00,000 |

Code: 17E00104

MBA I Semester Supplementary Examinations October/November 2022
FINANCIAL ACCOUNTING FOR MANAGERS
 (Common to HC&HM, B&FS and MBA)
 (For students admitted in 2020 only)

Time: 3 hours

Max. Marks: 60

All questions carry equal marks

SECTION - A

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

- 1 (a) What are the characteristics of modern accounting? State the advantages and limitations of accounting.
 - (b) Differentiate single entry and double entry system of recording financial accounting information. What are the limitations of single system of recording transactions?
- OR**
- 2 (a) What is book-keeping? Distinguish functions of book-keeping and accounting.
 - (b) What is a double system of recording transactions? Explain in detail the rules of accounting.
- 3 (a) Explain in detail the concepts and conventions of accounting.
 - (b) From the following Trial Balance Satwik Manufacturing Limited as on 31st March, 2020.

| Debit Balances | Amount | Credit Balances | Amount |
|--------------------|------------------|------------------|------------------|
| Opening stock | 1,60,000 | Sundry creditors | 1,50,000 |
| Purchases | 4,00,000 | Bank loan | 87,200 |
| Bills Receivable | 4,000 | Sales | 8,40,000 |
| Cash in hand | 26,000 | Bills payable | 40,000 |
| Bad debts | 2,000 | Interest | 10,000 |
| Machinery | 1,32,000 | Capital | 5,20,000 |
| Advertisement | 16,000 | | |
| Sundry debtors | 1,00,000 | | |
| Goodwill | 1,40,000 | | |
| Land and Building | 4,50,000 | | |
| Fuel | 30,000 | | |
| Wages and salaries | 80,000 | | |
| Rent and taxes | 40,000 | | |
| Discount | 17,200 | | |
| Commission | 20,000 | | |
| Furniture | 30,000 | | |
| Total | 16,47,200 | | 16,47,200 |

From the following additional information, prepare Trading, Profit and Loss Account and for the year ended 31st March 2020 and the Balance sheet as on that date.

1. Closing stock as on 31st March, 2020.
2. Depreciation on Machinery by 10% and furniture by 5%.
3. Create a reserve of 5% on sundry debtors for doubtful debts.

OR

Contd. in page 2

Page 1 of 4

Code: 17E00104

- 4 (a) What is a Trial Balance? What are the advantages and disadvantages of trial balance?
- (b) Prepare a Trial Balance for Star Manufacturing Private Limited as at March 31st, 2020.

| Description | Amount (Rs.) | Description | Amount (Rs.) | Description | Amount (Rs.) |
|----------------------|--------------|---------------------------------------|--------------|---------------------------|--------------|
| Bank Loan | 14,000 | Insurance Expense | 7,300 | Equipment | 40,000 |
| Marketable Security | 6,500 | Owner's Investments | 95,000 | Maintenance Expenses | 5,000 |
| Bill Payable | 1,000 | Rent & Rates Expense | 400 | Miscellaneous Expenses | 4,800 |
| Unearned Revenue | 3,500 | Accumulated Depreciation on Equipment | 14,000 | Accrued Expenses | 1,500 |
| Sundry Debtors | 12,000 | Accrued Revenue | 15,000 | Depreciation on Equipment | 2,000 |
| Outstanding Salaries | 2,500 | Machinery | 25,000 | Unexpired Insurance | 8,500 |
| Prepaid Rent | 2,000 | Drawings | 3,500 | Vendor's Payables | 500 |

- 5 (a) Define depreciation. Explain the various methods used in calculation of depreciation with examples.
 - (b) On October 1, 2008, the Akash Transport Company purchased a Truck for Rs. 8,00,000. On April 1, 2010, this Truck was involved in an accident and was completely destroyed and Rs. 6,00,000 were received from Insurance Company in full settlement. On the same date another Truck was purchased by the company for Rs. 10,00,000. The company writes off 20% depreciation p. a. on written down value method. Give the Truck Account from 2008 to 2010.
- OR**
- 6 (a) Explain various methods used in inventory valuation.
 - (b) The particulars of receipts and issues of materials in a factory in August 2020 are as under:
 August 01 Opening balance 1,500 kgs. @ Rs. 12 per kg.
 * 02 Issued 100 kgs.
 * 03 Issued 250 kgs.
 * 04 Issued 300 kgs.
 * 05 Purchased 400 kgs. @ Rs 12.50 per kg.
 * 09 Issued 300 kgs.
 * 10 Purchased 200 kgs @ Rs. 12.50 per kg.
 * 11 Issued 300 kgs.
 * 12 Returned from workshop issued on 3rd August 20 kgs.
 * 13 Issued 450 kgs.
 * 16 Purchased 500 kgs. Rs. 13.00 per kg.
 * 18 Issued 400 kgs.
 * 22 Issued 300 kgs.
 * 26 Purchased 400 kgs. @ Rs. 12.00 per kg.
 * 29 Issued 200 kgs. Pricing of issues is to be done on FIFO basis. Prepare the Stores Ledger Account for the month of August 2020.

Contd. in page 3

Page 2 of 4

Code: 17E00104

- 7 (a) What is the interpretation of financial statements? What are the various statements used in Financial statement analysis?
 (b) The following Trading and Profit and Loss Account of Fantasy Ltd. for the year 31-3-2000 is given below:

| Particular | Rs. | Particular | Rs. |
|------------------------------|-----------------|----------------------------|-----------------|
| To Opening Stock * | 76,250 | By Sales | 5,00,000 |
| Purchases | 3,15,250 | * Closing stock | 98,500 |
| * Carriage and Freight " | 2,000 | | |
| Wages | 5,000 | | |
| * Gross Profit b/d | <u>2,00,000</u> | | |
| | <u>5,98,500</u> | | |
| | | | <u>5,98,500</u> |
| To Administration expenses | | By Gross Profit b/d | 2,00,000 |
| * Selling and Dist. expenses | 1,01,000 | * Non-operating incomes: | |
| * Non-operating expenses " | 12,000 | * Interest on Securities | 1,500 |
| Financial Expenses | 2,000 | * Dividend on shares | 3,750 |
| Net Profit c/d | 7,000 | * Profit on sale of shares | <u>750</u> |
| | <u>84,000</u> | | |
| | 2,06,000 | | 2,06,000 |

Calculate:

1. Gross Profit Ratio 2. Operating Ratio
 3. Net Profit Ratio 4. Operating (Net) Profit Ratio 5. Stock Turnover Ratio.

OR

- 8 (a) What is a ratio? What are the various types of ratios used in the interpretation of financial statements?
 (b) The summarised Balance sheets of K Limited as on 31st March 2020 and 31st March, 2021, are as follows:

| Liabilities | 2020 | 2021 | Assets | 2020 | 2021 |
|-------------------------|------------------|------------------|------------------------|------------------|------------------|
| Share capital | 12,00,000 | 15,00,000 | Buildings | 8,00,000 | 7,60,000 |
| 14% debentures | 6,00,000 | 4,00,000 | Machinery | 5,00,000 | 7,20,000 |
| Profit and Loss account | 1,00,000 | 1,50,000 | Short-term investments | 3,00,000 | 4,50,000 |
| General Reserve | 3,00,000 | 3,50,000 | Inventories | 4,00,000 | 4,70,000 |
| Creditors | 4,90,000 | 5,60,000 | Debtors | 6,70,000 | 5,30,000 |
| Proposed Dividends | 1,20,000 | 1,80,000 | Cash at bank | 2,20,000 | 3,30,000 |
| Provision for Taxation | 1,00,000 | 1,30,000 | Prepaid expenses | 20,000 | 10,000 |
| | <u>29,10,000</u> | <u>32,70,000</u> | | <u>29,10,000</u> | <u>32,70,000</u> |

Additional Information:

- i. Debentures were redeemed at a premium of 10%.
 ii. Taxes paid during the year amounted to Rs.1,40,000.
 iii. A machine which prepared at a written-down value of Rs. 80,000 was sold for 1,30,000, and new machines worth Rs.3,60,000 were acquired during the year.
 You are required to prepare Funds Flow Statement.

Code: 17E00104

- 9 (a) Why do firms prepare Cash flow statement? What is the process of Cash flow statement?
 (b) From the following particulars, calculate Cash Flows from operating activities:

| Particulars | Amount (Rs.) | Particulars | Amount (Rs.) |
|------------------------------|--------------|---------------------------------------|--------------|
| Cash sales | 2,00,000 | Manufacturing Overheads paid | 30,000 |
| Cash purchases | 50,000 | Office & Administration Expenses paid | 20,000 |
| Cash receipts from customers | 4,00,000 | Selling & Distribution Expenses paid | 10,000 |
| Cash paid to suppliers | 1,00,000 | Income Taxes paid | |
| Trading commission received | 1,00,000 | Insurance proceeds from earthquake | 1,18,000 |
| Trading commission paid | 25,000 | Income tax refund received | 1,00,000 |
| Wages & Salaries paid | 40,000 | | |
| Rent paid | 10,000 | | |
| | | | 3,000 |

OR

- 10 (a) What is Cash flow Statement and how it is different from Funds Flow Statement?
 (b) What is a fund flow statement? Examine its use and significance for management?

SECTION - B

(Compulsory question, 01 X 10 = 10 Marks)

- 11 Case Study/Problem:

Following is the Trial Balance of M/s. Kasthuri Agencies as on 31st March, 2020. Prepare Trading and Profit and Loss Account for the year ended 31st March, 2020 and a Balance Sheet on that date:

| Particulars | Dr. | Cr. |
|------------------------------|-----------------|-----------------|
| Capital | | 1,00,000 |
| Drawings | 18,000 | |
| Buildings | 15,000 | |
| Furniture and Fittings | 7,500 | |
| Motor Van | 25,000 | |
| Loan from Hari @12% interest | | 15,000 |
| Interest paid on above | 900 | |
| Sales | | 1,00,000 |
| Purchases | 75,000 | |
| Opening Stock | 25,000 | |
| Establishment Expenses | 15,000 | |
| Wages | 2,000 | |
| Insurance | 1,000 | |
| Commission received | | 4,500 |
| Sundry debtors | 28,100 | |
| Bank balance | 20,000 | |
| Sundry creditors | | 10,000 |
| Interest | | 3,000 |
| Total: | <u>2,32,500</u> | <u>2,32,500</u> |

Additional Information:

- a) The value of stock on 31st March, 2020 was Rs. 32,000
 b) Outstanding wages Rs.500
 c) Prepaid Insurance Rs.300
 d) Commission received in advance Rs.1,000
 e) Depreciate building with 5%

Contd. in page 4

FINANCIAL ACCOUNTING FOR MANAGERS

(Common to HC&HM, B&FS and MBA)

(For students admitted in 2018, 2019 & 2020 only)

Time: 3 hours

Max. Marks: 60

All questions carry equal marks

SECTION – A

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

- 1 (a) What are the objectives of accounting? Who are the end users of financial accounting information?
(b) Explain different types of accounts and what are the rules of accounting?

OR

- 2 (a) What is financial accounting? What are the functions of financial accounting?
(b) What are the advantages and limitations of financial accounting?
- 3 (a) What is a subsidiary book? What are the various subsidiary books used in accounting?
(b) From the following particulars taken out from the books of Anurag Private Limited. You are required to prepare a trading and profit & loss account and balance sheet as of December 31st, 2020.

| | | | |
|--------------------|----------|---------------------------------------|--------|
| Sundry Debtors | 52,000 | Insurance Premium (paid on 1.10.2020) | 2,400 |
| Account Payable | 22,000 | Cash at bank | 6,200 |
| Cash in hand | 2,392 | Machinery | 24,000 |
| Furniture | 3,500 | Wages | 23,600 |
| Motor Car | 22,000 | General expenses | 2,680 |
| Purchases | 1,45,000 | Carriage Inward | 2,040 |
| Sales | 2,92,000 | Carriage Outward | 1,630 |
| Sales Returns | 2,600 | Transportation | 6,430 |
| Salaries | 8,420 | Capital | 20,000 |
| Opening Stock | 11,400 | Drawings | 8,000 |
| Motor Car expenses | 3,600 | Rent and taxes | 3,600 |
| Equipment | 2,508 | | |

Adjustments: (i) Closing stock Rs, 35,000. (ii) Provision for doubtful debts at 5% of sundry debtors.
(iii) Depreciation furniture and machinery by 10%.

OR

- 4 (a) What are final accounts? What are the various statements prepared in final accounts?
(b) Differentiate between journal and ledger.
- 5 (a) What is goodwill and what are the various methods used in the calculation of goodwill?
(b) On 1st January, 2003 a company purchased a plant for Rs.20,000. On 1st July in the same year, it purchased additional plant worth `8,000 and spent Rs.2,000 on its erection. On 1st July, 2004, the plant purchased on 1st Jan., 2003 having become obsolete, was sold off for Rs.12,500. On 1st October, 2005, fresh plant was purchased for Rs.28,000 and on the same date, the plant purchased on 1st July, 2003 was sold at Rs.6,000. Depreciation is provided at 10% per annum on original cost on 31st December every year. Show the plant account for 2003 to 2005.

OR

Contd. in page 2

6 (a) What is FIFO and LIFO methods of pricing materials? Write briefly merits and demerits of each method.

(b) The following is an extract of the record of receipts and issues of a chemical coded as chemical A3 during the month.

February 01 opening balance 500 tonnes Rs.200

" 03 Issue 70 tonnes

" 04 Issue 100 tonnes

" 08 Issue 80 tonnes

" 13 Received from supplier 200 tonnes Rs.190

" 14 Returned from works 15 tonnes

" 16 Issue 180 tonnes

" 20 Received from supplier 240 tonnes Rs.210

" 24 Issue 300 tonnes

" 25 Received from supplier 320 tonnes Rs.220

" 26 Issue 115 tonnes

" 27 Returned from works: 35 tonnes

" 28 Received from supplier 100 tonnes Rs.230 Issues are to be priced on FIFO. Prepare stores ledger account.

7 (a) What is a ratio and what is ratio analysis? How important is the ratio analysis in the interpretation of financial statements?

(b) The Balance Sheet of Punjab Auto Limited as on 31-12-2002 was as follows:

| Particulars | Rs. | Particulars | Rs. |
|----------------------|---------------|--------------------------|-----------------|
| Equity Share Capital | 40,000 | Plant and Machinery | 24,000 |
| Capital Reserve | 8,000 | Land and Buildings | 40,000 |
| 8% Loan on Mortgage | 32,000 | Furniture & Fixtures | 16,000 |
| Creditors | 16,000 | Stock | 12,000 |
| Bank overdraft | 4,000 | Debtors | 12,000 |
| Taxation: | | Investments (Short-term) | 4,000 |
| Current | 4,000 | Cash in hand | 12,000 |
| Future | 4,000 | | |
| Profit and Loss A/c | <u>12,000</u> | | |
| | 1,20,000 | | |
| | | | <u>1,20,000</u> |

From the above, compute: (i) The current ratio. (ii) Quick ratio. (iii) Debt-equity ratio. (iv) Proprietary ratio.

OR

8 (a) What are the various tools of analysis of financial statements? Critically examine.

(b) Calculate the following ratios from the given balance sheet: (i) Current ratio. (ii) Fixed assets to net worth ratio. (iii) Debt-equity ratio. (iv) Return on capital employed.

Balance Sheet

| Liabilities | Amount | Assets | Amount |
|-------------------------------|-----------------|----------------------|-----------------|
| 600 share of Rs.100 each | 60,000 | Land | 40,000 |
| General Reserve | 35,000 | Plant | 20,000 |
| Dividend Equalization Reserve | 5,000 | Machines | 27,500 |
| Long – Term Loans | | Investments | 25,000 |
| Bills Payable | 20,000 | Inventories | 30,000 |
| Provision for Taxation | 30,000 | Bills Receivables | 13,500 |
| Profit and Loss Account | 5,000 | Cash and Bank | 12,000 |
| Balance 1,000 | | Preliminary Expenses | 8,000 |
| Current year <u>20,000</u> | | | |
| | 21,000 | | |
| | 1,76,000 | | 1,76,000 |

Code: 17E00104

- 9 (a) What is the importance of the funds flow statement? What are the steps in preparation for the funds flow statement?
 (b) From the following Balance Sheets of Sehagal Limited, calculate cash from operating activities:

| Liabilities | 31.12.2020 | 31.12.2021 | Assets | 31.12.2020 | 31.12.2021 |
|---|-----------------|-----------------|----------------------------|-----------------|-----------------|
| Equity Share Capital | 3,00,000 | 4,00,000 | Goodwill | 1,15,000 | 90,000 |
| 15% Redeemable Preference Share Capital | 1,50,000 | 1,00,000 | Land & Building | 2,00,000 | 1,70,000 |
| General Reserve | 40,000 | 70,000 | Plant | 80,000 | 2,00,000 |
| Profit and Loss account | 30,000 | 48,000 | Debtors & Bills Receivable | 1,60,000 | 2,52,000 |
| Creditors and Bills payable | 55,000 | 83,000 | Stock | 97,000 | 87,000 |
| Outstanding expenses | 20,000 | 16,000 | Marketable securities | 15,000 | 10,000 |
| Provision for taxation | 40,000 | 50,000 | Cash and bank | 10,000 | 8,000 |
| Proposed dividend | 42,000 | 50,000 | | | |
| | 6,77,000 | 8,17,000 | | 6,77,000 | 8,17,000 |

OR

- 10 (a) What is a cash flow statement? Why it is prepared? How it is prepared?
 (b) The following are the summaries of the Balance Sheet of ABC Limited for two years:

| Particulars | 31.12.2020 | 31.12.2021 |
|-------------------------|-----------------|-----------------|
| Share capital | 2,00,000 | 2,60,000 |
| Profit and Loss Account | 39,690 | 41,220 |
| Reserves | 50,000 | 50,000 |
| Sundry creditors | 39,500 | 41,153 |
| Bills payable | 33,780 | 11,525 |
| Bank overdraft | 59,510 | -- |
| Provision for Taxation | 40,000 | 50,000 |
| | 4,62,480 | 4,53,880 |
| Goodwill | -- | 20,000 |
| Land and Building | 1,13,450 | 1,16,200 |
| Plant and Machinery | 1,48,000 | 1,44,250 |
| Stocks | 1,11,040 | 97,370 |
| Sundry Debtors | 85,175 | 72,625 |
| Bills Receivable | 2,315 | 735 |
| Cash | 2,500 | 2,700 |
| | 4,62,480 | 4,53,880 |

You are required to prepare statement of changes on working capital, treating provision for taxation as a current liability. Also prepare funds flow statement.

Contd. in page 4

SECTION – B

(Compulsory question, 01 X 10 = 10 Marks)

11

Case Study/Problem:Following is the Trial Balance of Ramakanth on 31st March, 2020

| Debit Balances | Amount | Credit Balances | Amount |
|-----------------------|-----------|-----------------------------------|-----------|
| Bank | 7,500 | Bills Receivable | 7,500 |
| Purchases | 34,96,000 | Stock 31 st March 2020 | 3,06,250 |
| Salaries | 21,000 | Capital | 2,00,000 |
| Carriage on sales | 2,500 | Bills payable | 50,000 |
| Carriage on purchases | 2,000 | Loan | 1,00,000 |
| Lighting | 1,500 | Sales | 36,00,000 |
| Buildings | 1,35,000 | Discount | 2,000 |
| Rates and Taxes | 2,000 | Commission | 500 |
| Sundry Debtors | 40,000 | Sundry Creditors | 1,00,000 |
| Furniture | 30,000 | | |
| Cash in Hand | 1,250 | | |

Additional information:

- (i) A provision of 5% has to be made on debtors
- (ii) Buildings have to be depreciated at 2% and Furniture at 10%.
- (iii) During the year bad debts amounted to Rs. 2,500

Prepare Trading and Profit & Loss account and Balance Sheet as on 31st March, 2020

Code: 21E00104

MBA I Semester Supplementary Examinations October 2022
FINANCIAL ACCOUNTING FOR MANAGERS

(Common to all)
(For students admitted in 2021 only)

Time: 3 hours

Max. Marks: 60

All questions carry equal marks

SECTION – A

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

- 1 (a) Explain single entry and double entry systems. 5M
(b) Describe the uses of accounting and book keeping Vs accounting. 5M
OR
2 (a) Describe the classification of accounts. 5M
(b) Explain the rules of debit and credit. 5M
3 (a) For the year ended 31 December 2021, the profit of Kerbs Ltd. before changing depreciation on fixed assets and managerial commission amounted to \$300,000. 5M

Depreciation for the year amounted to \$60,000 and a commission of 10% of the profits (before charging such commission) was payable to the manager.

The paid-up capital of the company consisted of \$1,000,000 divided into 5,000 6% preference shares of \$100 each, along with 50,000 equity shares of \$10 each. Interim dividend @ \$0.50 per share was paid during the year.

Brought from the previous year, the credit balance in the profit and loss account was \$35,000. Also, the following appropriations were proposed by the board of directors and subsequently passed at the company's annual general meeting:

- To pay the year's dividend on preference shares
- To pay a final dividend on equity shares at \$0.50 per share to make a total dividend of \$1 per share for the year
- To provide for taxation @ 50% on the net profit
- To transfer \$25,000 to the general reserve
- To carry forward the balance

Show the profit and loss appropriation account.

Contd. in page 2

Code: 21E00104

(b)

| Balance | Amount (\$) | Balance | Amount (\$) |
|-----------------------|-------------|----------------------------|-------------|
| Purchases | 12,000 | Carriage | 250 |
| Sales | 25,000 | Commission | 350 |
| Discount | 1,200 | Rent and Rates | 600 |
| Salaries | 2,500 | Building | 6,000 |
| Wages | 10,000 | Machinery | 5,000 |
| Cash in Hand | 975 | Delivery Van | 4,000 |
| Cash at Bank | 13,500 | Capital | 20,000 |
| Repairs & Maintenance | 870 | Accounts Payable | 3,200 |
| Sundry Expenses | 350 | Accounts Receivable | 4,500 |
| Mortgage | 14,000 | Closing Stock | 5,750 |
| Mortgage Interest | 250 | Opening Stock | 2,450 |
| Traveling Expenses | 100 | Returns Inward | 300 |
| Insurance | 150 | Reserve for doubtful Debts | 800 |
| Notes Payable | 2,745 | Notes Receivable | 400 |

5M

Prepare a Trial Balance.

OR

- 4 (a) Explain journal subsidiary books, ledger, trial balance and final accounts. 5M
(b) Describe the accounting Process: Overview, Books of Original Record. 5M
5 (a) Explain the methods of inventory valuation. 5M
(b) Explain the methods of valuation of assets. 5M
OR
6 (a) Describe the straight line method of depreciation. 5M
(b) The Delta company uses a periodic inventory system. The beginning balance of inventory and purchases made by the company during the month of July, 2021 are given below: 5M
July 01: Beginning inventory, 500 units @ \$20 per unit.
July 18: Inventory purchased, 800 units @ \$24 per unit.
July 25: Inventory purchased, 700 units @ \$26 per unit.
The Delta company sold 1,400 units during the month of July.
Required: Compute inventory on July 31, 2021 and cost of goods sold for the month of July using following inventory costing methods:
(i) First in, first out (FIFO) method.
(ii) Last in, first out (LIFO) method.

Code: 17E00104

MBA I Semester Supplementary Examinations October 2020

FINANCIAL ACCOUNTING FOR MANAGERS

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

Time: 3 hours

Max. Marks: 60

All questions carry equal marks

SECTION – A

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

- 1 Explain the importance of financial accounting.
OR
- 2 What are the primary objectives of accounting? Explain.
- 3 What are the accounting concepts and conventions? Explain in brief.
OR
- 4 From the following trial balance of M/s Sri Lakshmi&Co. Prepare Trading and Profit&Loss A/c for the year ending 31st March 2013.

| Particulars | Debit ₹ | Credit ₹ | Particulars | Debit ₹ | Credit ₹ |
|--------------------|---------|----------|---------------------|---------|----------|
| Capital | | 62,000 | Advertisement | 1,500 | |
| Opening stock | 23,000 | | Interest received | | 800 |
| Purchases & Sales | 32,000 | 53,700 | Debtors & Creditors | 28,000 | 32,000 |
| Returns | 2,000 | 1,500 | Cash in hand | 1,200 | |
| Wages | 1,800 | | Salaries | 2,500 | |
| Land & Buildings | 52,000 | | Other expenses | 2,000 | |
| Freight & Carriage | 2,700 | | | | |
| Trade expenses | 1,300 | | | | |

- 5 What is FIFO method of inventory valuation? What are its merits and demerits?
OR
- 6 M/s Sairam Industries Ltd., purchased a plant on 1st April, 2010 for ₹4,50,000 and incurred installation charges of ₹50,000. On 30th September, 2010 it purchased second hand plant for ₹1,00,000. On 1st October, 2012 it sold the 1st plant purchased on 1st April, 2010 for ₹3,65,000. On 30th September, 2013 it sold the second plant purchased on 30th September, 2010 for ₹75,000 and purchased another plant for ₹1,50,000. Depreciation was provided at the rate of 10% on original cost on 31st March each year. Show the plant A/c for the period 2010-11 to 2013-14.

Contd. in page 2