

**VPM's**  
**DR VN BRIMS, Thane**  
**Programme: MMS (2015-17)**  
**First Semester Examination December 2015**

<b>Subject</b>	<b>Financial Accounting</b>		
<b>Roll No.</b>		<b>Marks</b>	<b>60 Marks</b>
<b>Total No. of Questions</b>	<b>7</b>	<b>Duration</b>	<b>3 Hours</b>
<b>Total No. of printed pages</b>	<b>6</b>	<b>Date</b>	15-12-2015

**Note: Q1 is compulsory and solve any FOUR from the remaining SIX questions.**

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**(10x2) = 20 Marks**

**A) XYZ Company financial statement contains the following information:**

	<b>2011</b>
	<b>Rs.</b>
Cash	2,00,000
Sundry debtors	3,20,000
Temporary investments	2,00,000
Stock	18,40,000
Prepaid expenses	28,000
<b>Tota current assets</b>	<b>25,88,000</b>
<b>Total assets</b>	<b>56,00,000</b>
<b>Current Liabilities</b>	<b>6,40,000</b>
Loans	16,00,000
Capital	20,00,000
Retained earnings	4,68,000

**Statement of profit for the current year**

	<b>Rs.</b>
Sales	40,00,000
Less of goods sold	28,00,000
Less interest	1,60,000
Net profit	10,40,000
Less taxes@50%	5,20,000
Profit after taxes	5,20,000
Profit distributed	2,20,000

**From the above, appraise the financial position of the company from the point of view of (i) Liquidity ratio , (ii) Profitability ratio**

**Q 1) B) Read the case and answer questions given below : 10 MARKS**

**You are manager of general ledger accounting at riverside bottling company. Your company has large loan from an insurance company. The loan agreement requires that the companies cash account balance to be maintained at Rs 2,00,000 or more as reported monthly. At June 30<sup>th</sup>, the cash balance is Rs 80,000 which you report to Mr. Gupta, the financial vice president. Mr. Gupta excitedly instructs you to keep cash receipts book open for 1 additional day for purposes of June 30<sup>th</sup> report to the insurance company. Mr. Gupta says if we do not get that cash balance over Rs 2,00,000, will**

default on our loan agreement. They could close us down, put us all out of our jobs. He continues, I talk to Oconto distributors, one of the riverside largest customer, this morning. They said that they sent us cheque for Rs 1,50,000. We should receive it tomorrow. If we include just that one cheque in our cash balance, will be in the clear.

1. Who will suffer negative effects if you do not comply with Mr. Gupta's instructions and who will suffer if you do comply?
2. What alternatives do you have as a manager? What are the ethical considerations in this case let.

**Q2) Any one from (a) or (b) \_\_\_\_\_ (10x1) = 10 Marks**

**A) Following is the Balance Sheet of XYZ Limited as on 31<sup>st</sup> December 2011:**

Liabilities	Amount Rs 2011	Assets	Amount Rs 2011
Equity share capital 5000 shares of Rs. 10 each (fully paid)	5,00,000	Machinery & equipment 30,00,000 Less: Depri 4,50,000	25,50,000
• Profit & Loss A/c	5,50,000	Debtors	4,00,000
Reserve Fund	3,50,000	Cash at Bank	1,00,000
Long term loans	17.50,000		
Sundry Creditors	2,50,000	Stock	5,00,000
Other current liabilities	1,50,000	Prepaid expenses	-----
<b>Total</b>	<b>35,50,000</b>	<b>Total</b>	<b>35,50,000</b>

**Additional information : (Ignore provisions regarding taxation )**

- 1) profit earned during the year was Rs 4,00,000/-
  - 2) company has declared 25% dividend
  - 3) Market Price of Rs 360/- per share
- Calculate the following ratios:  
  
Current ratio ,Debt Equity ratio, Acid test ratio, Price Earning,earning per share,and dividend payout ratio ? What conclusions do you draw about the company on the basis of these ratios?

**Q2 B). Sony enterprise limited presents the following balance sheet and income statement. Prepare sony enterprise limited cash flow statement for the year ending 31<sup>st</sup> March, 2013 applying direct method.**

Particulars	As on 31 <sup>st</sup> March, 2012	As on 31 <sup>st</sup> March, 2013
Equity share capital	10,00,000	10,00,000
Retain earnings	8,60,000	9,46,000
12% debentures	6,00,000	5,00,000
Trade creditors	1,02,500	1,21,700
Outstanding expenses	21,800	27,400
	25,84,300	25,95,100
Fixed Assets at Cost	24,00,000	26,00,000
Provision for depreciation	(8,00,000)	(9,80,000)
Investments	2,50,000	1,00,000
Trade debtors	1,60,200	1,80,000
Inventories	4,13,300	5,07,000
Provisions for bad debts	(8000)	(9000)
Underwriting commission	4800	3600
Cash in hand and bank balance	1,64,000	1,93,400
	25,84,300	25,95,100

Profit and Loss account :-

Particular	Rupees
Sales	36,40,000
Cost of goods sold	(18,60,000)
Compensation received from lawsuit	55,000
Interest received on investment	21,000
Profit on sale of investment	7,500
Sundry operating expenses	(7,83,500)
Interest on debentures paid	(66,000)
Provision for bad debts	(1,000)
Provision for depreciation	(1,80,000)
Under writing commission written off	(1,200)
Net profit before tax	8,32,000
Tax paid for the year	4,16,000
Net profit after tax	4,16,000

Q3) Any one from (a) or (b) ————— (10x1) = 10 Marks

A) Prepare schedule of changes in working capital.

- Balance sheet as on 31<sup>st</sup> March 2011.

Liabilities	Amount 2010	Amount Rs 2011	Assets	Amount 2010	Amount Rs 2011
Equity share capital	6,00,000	6,00,000	Fixed assets	9,00,000	10,00,000
Reserves	2,00,000	2,50,000	Investment	1,00,000	1,50,000
Debentures	5,00,000	4,00,000	Debtors	1,50,000	1,00,000
Current liabilities	1,50,000	2,00,000	Cash at Bank	1,00,000	50,000
Bank overdraft	50000	25000	Preliminary Expenses	50,000	—————
Fixed deposit payable within 1 year	50000	75000	Stock	3,00,000	2,00,000

**B )What are various sources of funds and application of funds? What are objectives of Ratio analysis?**

**Q 4) Attempt Any Two**

**10 MARKS**

**A)What is the importance of financial statements? what all information is provided in annual reports of the company ?What do you understand by GAAP? What is the requirement of IFRS?**

**B) Explain following financial accounting concepts 1)going concern, 2)Accrual concept 3)Separate entity 4)Money measurement and dual aspect principle**

**C)From the following transactions find out the type of account**

- |                            |                        |                             |
|----------------------------|------------------------|-----------------------------|
| 1. Rent paid,              | 2. Salaries paid       | 3. Interest received        |
| 4. Dividends received      | 5. Furniture purchased | 6. Machines sold            |
| 7. Goods purchased         | 8. Cash received       | 9. Cash received from Mr. X |
| 10. Paid telephone charges |                        |                             |

**Q5) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

**. A)Classify following as expenses/receipts and capital/revenue**

1. A petrol driven engine of a bus was replaced by diesel engine.
2. Amount invested in government load.
3. Amount spent on construction of railway siding.
4. Amount paid for excise duty.
5. Motor truck costing Rs 15,000 was sold for Rs 12,000
6. Wages paid.
7. Legal expenses.

**B) Explain following methods of depreciation.**

1. Reducing balance and sinking fund.

**C ) Journalise the following transactions in the books of Mr.Prathmesh January 2014**

**1st Started with cash Rs 100.000/-**

**2<sup>nd</sup> Bought furniture for Rs 20,000/-**

**3<sup>rd</sup> Bought goods for Rs.25000 /-**

**10<sup>th</sup> Sold goods for Rs 30,000 /-**

**15<sup>th</sup> Jan Paid salary to staff Rs 5000/-**

**25<sup>th</sup> Opened bak account by depositing Rs 1,000 /-**

**Q6) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

**A) What do you understand by accounting standards? explain the accounting standards prescribed for a) Intangible assets b) Contingent liabilities c) Inventory d) Interim financial reporting**

**B ) What do you understand by Inflation Accounting what is its significance Explain limitations of historical accounting**

**C) From the following identify capital expenses, revenue expenses,**

deferred revenue expenses ,capital receipts and revenue receipts

- Sale proceeds of lands, buildings, machine etc.
- Interest on bank deposits.
- Interest on loan borrowed
- interest and dividends received on securities.
- Rent received.
- Sale proceeds of old newspapers
- Heavy research expenditure
- Expenses, such as carriage, freight, etc., incurred in bringing the goods purchased to the place of business
- interest on capital, discount allowed, etc.,
- Heavy advertisement expenditure

**Q7 ) Any one from (a) or (b) ————— (10x1) = 10 Marks**

**A) From the following Balance sheet of XYZ Publishers as on 31<sup>st</sup> December 2012 and 2013 Prepare**

**1) Schedule of changes in working capital**

**2) A statement of Sources and application of funds**

**XYZ Ltd Publishers, Balance sheet As on 31<sup>st</sup> dec 2013**

Liabilities	2012	2013	Assets	2012	2013
Equity Share capital	10,00,000	8,00,000	Goodwill	10,000	5,000
9% Preference share capital	5,00,000	4,00,000	Land and Building	8,00,000	15,00,000
12% Debentures	7,00,000	5,00,000	Plant and machinery	15,00,000	10,00,000
General Reserve	3,00,000	2,00,000	Furniture	50,000	45,000

Profit and loss account	5,00,000	7,00,000	Investments	5,00,000	4,00,000
Share Premium	50,000	80,000	Stock	6,00,000	7,50,000
13% public deposits	8,00,000	12,00,000	Debtors	2,00,000	1,70,000
Creditors	80,000	1,00,000	Bills Receivable	80,000	90,000
Bills Payable	60,000	40,000	Accrued Income	10,000	6,000
Bank Overdraft	1,00,000	1,20,000	Prepaid expenses	-----	2000
Outstanding expenses	3,000	1,000	Cash at Bank	3,00,000	1,50,000
			Cash in hand	43,000	23,000
<b>Total</b>	<b>40,93,000</b>	<b>41,41,000</b>	<b>Total</b>	<b>40,93,000</b>	<b>41,41,000</b>

**B ) Prepare final Accounts from the following balances of a firm at the end of the December 2012.**

Name of Accounts	Debit (Rs)	Credit(Rs)
Capital		24500
Drawings	2000	
General Expenses	2500	
Building	11000	
Stock	16200	
Power	2240	
Insurance	1315	
Wages	7200	
Debtors	6280	
Bad debts	550	
Sales		65360
Purchases	47000	
Land	2000	
Cash	905	
Bills Payables		3850
Bank Overdraft		3300
Creditors		900

**Closing stock was valued at Rs.23500/-**