

VPM's  
DR VN BRIMS, Thane  
Programme: MMS (2014-16)  
First Semester Examination December 2014

Subject	Financial Accounting (FA 01)		
Roll No.		Marks	60 Marks
Total No. of Questions	7	Duration	3 Hours
Total No. of printed pages	5	Date	01-12-2014

Note: Q1 is compulsory and solve any FOUR from the remaining SIX questions.  
Q1) 20 Marks (Compulsory)

**NESTLE INDIA LTD- PROFIT & LOSS ACCOUNT  
FOR THE YEAR ENDED DECEMBER 31, 2001**

		2001 (Rs. in thousands)	2000 (Rs. in thousands)
<b>INCOME</b>	<b>SCHEDULE</b>		
Domestic sales		16,110,845	14,119,411
Exports	J	3,099,146	2,655,126
Others	K	162,321	106,895
		<u>19,372,312</u>	<u>16,881,432</u>
<b>EXPENDITURE</b>			
Materials consumed and purchase of goods	L	8,307,391	7,674,231
Manufacturing and other expenses	M	6,848,752	5,815,802
Interest	N	98,604	149,022
Excise duty	-	1,005,165	954,528
Depreciation	E	434,740	378,640
Impairment loss on fixed assets (Refer Note 1)	E	13,921	33,277
Adjustment due to (increase)/decrease in stock of finished goods and work-in-progress	O	(94,911)	(409,568)
Provision for contingencies—Net (Refer Note 2)	P	180,943	294,606
		<u>16,794,605</u>	<u>14,890,536</u>
<b>PROFIT BEFORE TAXATION</b>		2,577,707	1,990,894
Provision for income tax	Q	846,187	805,000
<b>PROFIT AFTER TAXATION</b>		1,731,520	1,185,894
Balance brought forward		100,916	527,300
<b>BALANCE AVAILABLE FOR APPROPRIATION</b>		<u>1,832,436</u>	<u>1,713,194</u>
<b>Appropriations:</b>			
Dividends:			
Interim		1,350,075	771,326
Final proposed		-	578,508
Corporate dividend tax		137,682	143,854
General reserve		173,152	118,590
<b>SURPLUS CARRIED TO THE BALANCE SHEET</b>		<u>171,527</u>	<u>100,916</u>
<b>BASIC AND DILUTED EARNINGS PER SHARE (IN RUPEES)</b>	R	17.96	12.30
<b>NOTES TO THE ACCOUNTS</b>	R		
6th March, 2002 Gurgaon Director	CARLO M.V. DONATI Chairman & Managing	JEAN MARC WAELTI Director—Finance & Control  Company Secretary As per our report attached to the balance sheet  For A.F. FERGUSON & CO. Chartered Accountants	B.MURLI VP—Legal &
6th March, 2002 New Delhi		(A.K. MAHINDRA) Partner	

A) Analyze the profit and loss account of Nestle India Ltd based on following points:

- 1) Preparation for given period
- 2) Comparative position
- 3) Vertical format
- 4) Grouping of Income and expenditure
- 5) Details of schedules & notes to the accounts

**NESTLE INDIA LTD.- BALANCE SHEET**

		2001 (Rs. in thousands)		2000 (Rs. in thousands)	
<b>SOURCES OF FUNDS</b>	<b>SCHEDULE</b>				
<b>SHAREHOLDERS' FUNDS</b>					
Capital	A	964,157		964,157	
Reserves and surplus	B	1,688,441	2,652,598	1,615,404	2,579,561
<b>LOAN FUNDS</b>					
Secured	C	1,399,082		790,061	
Unsecured	D	—	1,399,082	60,000	850,061
			<b>4,051,680</b>		<b>3,429,622</b>
<b>APPLICATION OF FUNDS</b>					
<b>FIXED ASSETS</b>					
Gross block	E	7,081,308		6,770,725	
Less: Depreciation		3,004,804		2,644,811	
Net block		4,076,504		4,125,914	
Capital work-in-progress		188,302	4,264,806	48,819	4,174,733
<b>INVESTMENTS</b>					
	F		104,611		10
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>					
Inventories	G	2,127,345		2,064,071	
Sundry debtors		292,326		311,139	
Cash and bank balances		41,869		101,039	
Loans and advances		1,133,537		872,306	
		<b>3,595,077</b>		<b>3,348,555</b>	
<b>Less: CURRENT LIABILITIES AND PROVISIONS</b>					
Liabilities	H	2,009,616		1,922,001	
Provisions		1,811,336		2,171,675	
		<b>3,820,952</b>		<b>4,093,676</b>	
<b>NET CURRENT ASSETS</b>			(225,875)		(745,121)
<b>DEFERRED TAX LIABILITIES (NET)</b>	I		(91,862)		—
<b>NOTES TO THE ACCOUNTS</b>	R		<b>4,051,680</b>		<b>3,429,622</b>

6th March, 2002  
Gurgaon

CARLO M.V. DONATI  
Chairman & Managing  
Director

JEAN MARC WAEELTI  
Director—Finance & Control

B MURLI  
VP—Legal &  
Company Secretary

As per our report attached  
For A.F. FERGUSON & CO.  
Chartered Accountants  
(A.K. MAHINDRA)  
Partner

6th March, 2002  
New Delhi

- B) Analyze & write the features of Balance sheet of Nestle India Ltd with respect to following Points:**  
accounting period, position of two years, and format, disclosures, assets, and liabilities, Order sequence of assets, disclosures, and signatories & schedule.

**Attempt Any FOUR from the Remaining SIX Questions**

**Q2) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

- A) 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
Reserves		1280
Creditors		900

Closing stock was valued at Rs.23500/-

**B)** An ABC Ltd company with an authorized capital of Rs 5 lac, the following are the balances extracted from the books of the company as on 31st December 2011. Prepare trading profit and loss.

**C)** Prepare Balance sheet.

Particulars	Rs
Stock	50,000/
Sales	4,25,000
Purchases	3,00,000/-
Wages	70,000/-
Discount allowed	4,200
Discount received	3150
Insurance Paid up	6720/-
Salaries	18500/-
Rent	6000/-
General Expenses	8950/-
Profit & Loss Account(credit)	6220/-
Printing and stationary	2400
Advertisement	3800/-
Bonus	10,500/-
Debtors	38700/-
Creditors	35200/-
Plant & Machine	80500/-
Furniture	17100/-
Cash at Bank	-
General reserve	25000/-
Loan from Managing Director	15700/-
Bad debts	3200/-

**Q3) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

**A)** From the following information, calculate the following ratios:

1. Debt – Equity Ratio
2. Interest Coverage Ratio
3. Debt to Total Fund Ratio
4. Return on Investments
5. Capital Turnover.

Information :	Rs.
Share Capital	1,60,000
General Reserve	60,000
Profit & Loss Account	1,00,000
Loan @ 15% Interest	2,00,000
Sales for the year	5,60,000
Tax paid during the year	40,000
Profit for the current year after Interest and tax	80,000

**B)** What are objectives of preparation of cash flow and fund flow statement?

**C)** A company reported current profit of Rs 70000 after incorporating the following:

Loss on sale of equipment	10000
Premium on redemption of debentures	1500
Discount on issue of debentures	2000
Depreciation on machinery & building	20000
Goodwill written off	30000
Interim dividend	25000
Gain from sale of non current assets	4000
Provision of taxation	22000
Dividend Income	4000
General Reserve	5000
Preliminary expenses	1000
Profit on revaluation of investment	2500

Calculate fund from operations

**Q4) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

**A)** From the following information, find out:

1. Current Assets
2. Current Liabilities
3. Liquid Assets
4. Proprietors funds
5. Fixed Assets

Information: (I) Current ratio 2.5; (II) Liquid ratio 1.5; (III) Proprietary ratio (fixed assets/ proprietary funds) 0.75; (IV) Working Capital Rs. 60,000; (V) Reserves and Surplus Rs. 40,000;

**B)** What are various sources of funds and what are applications of funds?

**C)** State the type of account:

1. Started business with cash
2. Paid into bank
3. Purchased goods for cash
4. Sold goods for cash
5. Purchased furniture and paid by cheque
6. He sold goods to Mr.Arvind
7. He purchased goods from Mr. Amrit
8. He returned goods to Mr.Amrit
9. He withdrew goods for personal use
10. He paid telephone charges
11. Goods distributed by way of free samples

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

**A)** From the following items of ABC Co Ltd prepare balance sheet as on 31<sup>st</sup> December 2011.

Net Profit	15000
Drawings	4000
Debtors	25000
Capital	70000
Cash	20000
Outstanding Wages	3000
Creditors	18000
Building	42000
Loan	5000
Bank overdraft	7000
Furniture	5000
Closing stock	22000

B) 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	2,00,000	1,50,000	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

C) Explain going concern accounting postulate and dual aspect principle

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

A) From the following details, calculate the current ratio, liquid test ratio and draw conclusions based on ratios calculated and compared with standards

**ABC Company Ltd.  
As on March 31, 2002**

Liabilities	Rs.	Assets	Rs.
Share capital	21,00,000	Fixed assets	17,00,000
Reserves	1,50,000	Closing stock	6,20,000
Net profit	2,50,000	Debtors	3,20,000
Bank overdraft	2,00,000	Cash	6,60,000
Creditors	6,00,000		
	<u>33,00,000</u>		<u>33,00,000</u>

B) What do you mean by inflation accounting? Explain CPP method (Current Purchasing Power Method).

C) Explain the cash and accrual concept of accounting

**Q7) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

A) Write short notes on: a) Accounting standards for Inventory, assets, and depreciation.

B) Record following transactions:

- 1) Started business with capital Of Rs 50,000
- 2) Sold goods to Mr. X for Rs 5000/-
- 3) Received cash from Mr. X Rs 4500 in full settlement
- 4) Purchased goods from Mr. T for Rs 15000/-
- 5) Paid to Mr. T in full cash Rs 14500
- 6) Paid salary to Mr. Z Rs 3000
- 7) Purchased a plant for Rs 10000/-
- 8) Sold goods for cash Rs 13000/-
- 9) Received interest Rs 50/
- 10) Deposited cash into bank Rs 10000/-
- 11) Paid wages Rs 1000/-
- 12) Withdrew cash from bank for personal use Rs 2000/-

C) State whether following are revenue or capital expenditure, revenue receipts or Capital receipts

- 1) A motor truck costing Rs 15000/- and standing in the books at Rs 7250/- was sold for Rs 12000/-
- 2) Excise duty paid on sugar manufactured Rs 150000/-
- 3) Amount invested in government loan Rs 50000/-
- 4) Amount spent on construction of railway siding Rs 60000/-
- 5) Company received commission for acting as an agent for government Rs 19000/-
- 6) Cost of repainting the factory shed 12000/-
- 7) Expenses on research and development 15000/-
- 8) Railway freight 5000/-
- 9) Carriage Inwards 4000/-
- 10) Advertising Expenses Rs 45000/-