VPM's
DR VN BRIMS, Thane
Programme: MMS (2024-26)
First Semester Regular Examination January 2025

Course Name:	Financial Accounting for Business	**Course Code**	**C104**
Roll No.		**Marks**	**30**
Total No. of Questions	3	**Duration**	**1 Hour**
Total No. of printed pages	3	**Date**	**06-01-2025**

Course Outcome Statements:

CO1: **Recall** the basic knowledge on accounting concepts and conventions, Accounting Standards, components of the financial statements and notes to accounts.

CO2: **To explain** the components of corporate financial statements and corporate annual reports.

CO3: **To identify** the movement of Assets, Liabilities, Income and Expenses in the financial statements across years.

CO4: **To analyse** financial reports of various companies by applying accounting standards, GAAP, IFRS and Concepts to the Financial Statements.

CO5: **To interpret** financial Statements with basic adjustments and analyse the impact of transactions and adjustments on the Income Statement, Balance Sheet, and Cash Flow Statement.

Instructions: -

1) **All questions are compulsory.**
2) **Use of simple calculator is allowed.**
3) **Draw diagrams, flowcharts wherever necessary.**
4) **Complement your answers with relevant examples.**
5) **You are trained as managers not story writers so write the answers appropriately.**

Q. No 1 (All Questions are Compulsory)

Q. No.		**Questions**	**Marks**	**BL**	**CO**
Q. 1		Case/Case-let Study / Answer the following			
		On 1st April 2023, Vishal started a store for selling high- quality stationery. His accountant has prepared the statement of cash flow for the first year, as shown in the following table-	**10**	**Level 5**	**CO5**

Reliance Stationery Company
Statement of Cash Flow
For the year ended March 2024

Cash Receipts	
Sale of inventories	28,960
Sale of investments	6,400
Sale of share capital	35,200
Depreciation	5,600
Long term credit for the purchase of van	2,400
Interest on investment	600
Total Receipts	**79,200**
Cash Payment	
Purchase of fixtures and office equipment	27,200
Purchase of inventories	20,240
Operating expenses	12,800
Purchase of investment	6,800
Purchase on long-term credit	2,400
Repayment of loans	800
Interest on bills payable	240
Total Payments	**79,200**
Net Increase in Cash	**8720**

<table>
<tr><td></td><td></td><td>Uday thinks that he has had a successful year with the cash increasing by Rs. 8720/- You notice that the statement of cash flow is incorrectly prepared.

Evaluate the cash health of Reliance Stationery Company and also interpret on the various components of cash flow statement.</td><td></td><td></td><td></td></tr>
<tr><td>Q. 2</td><td></td><td>Answer the following</td><td></td><td></td><td></td></tr>
<tr><td rowspan="3">a</td><td>i</td><td>Finco Ltd. uses perpetual inventory system and keeps detailed records of purchase and sales. The opening stock on 1st December is 700 units valued at Rs. 1200 per unit. The date wise break up of purchases and sales during the last month is given below-

<table>
<tr><td>Date</td><td>Quantity</td><td>Unit Price (in Rs.)</td></tr>
<tr><td>Purchases</td><td></td><td></td></tr>
<tr><td>10th December</td><td>800</td><td>1240</td></tr>
<tr><td>15th December</td><td>500</td><td>1250</td></tr>
<tr><td>26th December</td><td>700</td><td>1290</td></tr>
<tr><td>Sales</td><td></td><td></td></tr>
<tr><td>7th December</td><td>400</td><td></td></tr>
<tr><td>20th December</td><td>800</td><td></td></tr>
<tr><td>23rd December</td><td>300</td><td></td></tr>
</table>

Analyse Value of closing inventory and cost of goods sold using LIFO method.</td><td>5</td><td>Level 4</td><td>CO4</td></tr>
<tr><td>ii</td><td>On 1st January 2025, Manohar started QualPhoto Company. The following transactions took place during the first month.
a) Manohar invested Rs. 30,000/- cash in the company’s share capital.
b) Bought supplies of photographic materials on credit Rs. 9,000/-
c) Received fees for photographic services, Rs. 15,000/-
d) Paid creditors for supplies Rs. 5,000/-
Analyse the effect of these transactions on the accounting equation and identify assets, liabilities and capital of QualPhoto Company.</td><td>5</td><td>Level 3</td><td>CO3</td></tr>
<tr><td colspan="6">Or</td></tr>
<tr><td rowspan="2">b</td><td>i.</td><td>Carewell Hospitals Ltd. bought a MRI machine at a cost of Rs. 60 million. Though the physical life of the machine is 10 years, the company feels that due to technological changes it will have to replace the machine after five years. At the end of the 5th year, the machine is expected to be taken back by the manufacturer at a value of Rs. 20 million. Compare the depreciation expenses for the first two years in the following cases-
A) Company follows SLM method for charging depreciation
B) Company follows WDV method for charging depreciation</td><td>5</td><td>Level 4</td><td>CO4</td></tr>
<tr><td>ii</td><td>A company, Prabhavi Solutions Ltd., made several expenditures last quarter. Apply your knowledge of accounting classifications to categorize the following transactions as capital expenditure, revenue expenditure, deferred revenue expenditure and also give reasoning for classification-
1) Prabhavi Solutions Ltd. spent ₹85,000 on renovating and upgrading a used delivery van purchased this quarter.
2) Following a safety audit, ₹1,20,000 was spent on installing emergency exits in their training center.</td><td>5</td><td>Level 3</td><td>CO3</td></tr>
</table>

		3) Shipping charges of ₹2,500 were paid for inventory procurement. 4) ₹75,000 was invested in a digital marketing campaign for launching their new software platform. 5) Annual property tax of ₹8,000 was paid for their warehouse purchased last year for ₹8,50,000.			
Q. 3		Answer the following			
A	**i**	'Bank's financial statements are different from the manufacturing company's financial statements.' **Interpret** the statement.	**5**	**Level 2**	**CO2**
	ii	**Recall** the steps involved in setting accounting standard.	**5**	**Level 1**	**CO1**
Or					
B	**i.**	**Outline** the importance of Management Discussion and Analysis in an annual report.	**5**	**Level 2**	**CO2**
	ii	**List** the differences between Financial Accounting and Management Accounting.	**5**	**Level 1**	**CO1**