



(Following Paper ID and Roll No. to be filled in your Answer Book)

PAPER ID : 7103

Roll No.

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M.B.A

(SEM I) ODD SEMESTER THEORY EXAMINATION 2009-10 ACCOUNTING & FINANCIAL ANALYSIS

Time : 3 Hours

Total Marks : 100

Note : The question paper contains three parts, all parts are compulsory. Attempt all three sections as per instructions given in each section.

PART - I

Choose the correct answer :

20×1=20

- The immediate recognition of loss is supported by the underlying principles of
 - Matching
 - Judgement
 - Consistency
 - Conservation
- Withdrawals by the proprietor would
 - Reduce both assets and owner's equity.
 - Reduce assets and increases liabilities.
 - Reduce owner's equity and increase liability.
 - No change



- 3 Dual aspect concepts results in the accounting equation:
- (a) Capital + liabilities = Assets
 - (b) Revenue = Expenses
 - (c) Capital + profit = assets + expenses
 - (d) None of the above
- 4 On sale of old furniture owner's equity would
- (a) Increase
 - (b) Decrease
 - (c) Remain unchanged
 - (d) May or may not change
- 5 Which of the following is a liability account?
- (a) Account receivable
 - (b) Withdrawals
 - (c) Rent expenses
 - (d) Account payable
- 6 Outstanding wages is
- (a) Personal account
 - (b) Real account
 - (c) Nominal account
 - (d) None of these

- 7 Which of the following is correct?
- (a) Gross profit + purchase + sales = net profit
 - (b) Gross profit - sales + administrative expenses = net profit
 - (c) Gross profit + sales - administrative expenses and other expenses = net profit
 - (d) Gross profit - administrative expenses = net profit
- 8 The cost of sales is equal to
- (a) Opening stock - purchase
 - (b) Opening stock + purchase
 - (c) Opening stock + purchase + closing stock
 - (d) Opening stock + purchase - closing stock.
- 9 Outstanding salaries appear in trial balance Rs. 2000 will be shown in
- (a) Trading account
 - (b) Profit and loss account
 - (c) Balance Sheet
 - (d) Both (b) and (c) above
- 10 Which of the following item is included on a statement of changes in financial position only because of total financial resources concept?
- (a) Depreciation
 - (b) Issuance of equity capital
 - (c) Purchase of government securities
 - (d) Retirement of long term debt by issue of preferred capital

State whether the following statements are 'True' or 'False':

- 11 Liquidity ratios show a company's capacity to pay maturing current liabilities.
- 12 Debtor collection period is the ratio between credit sales and average debtor.
- 13 A company that is quite profitable may find it difficult to pay its accounts payable.
- 14 Interest paid on borrowing is capital expenditure.
- 15 Motor vehicles account is a personal account.
- 16 Cash flow statement is based upon accrual basis of accounting.
- 17 Reduction in stock is a source of cash.
- 18 Raising of short term loans results in inflow of cash.
- 19 Flow of fund means increase or decrease in working capital.
- 20 Any transaction that increases working capital is a source of funds.

PART - II

Note : Attempt any **three** questions from the following :

10×3=30

- 1 What are the ratios which share holders and potential investors of a company are interested? Explain them.
- 2 HCL has a major expansion plan and has come out with a public issue of share and debentures. As finance manager you wish to analyse how the funds have be deployed. Describe in detail the statement which you propose to prepare to save the above purpose. Also give justification for your answer.
- 3 State whether the following expenditure is capital or revenue and why? Give reasons for your answers.
 - (i) Depreciation charged on plant.
 - (ii) Registration fees paid at the time of purchase of building.
 - (iii) Advertising expenditure, the benefits of which will last for five years
 - (iv) The expenditure incurred in erecting a platform on which a machine will be fixed.
- 4 Prepare journal entry for the following transactions.
 - (a) Started business with cash Rs. 8,00,000 and furniture Rs. 10,000.
 - (b) Purchased machine for Rs. 1,00,000 by paying Rs. 60% in cash immediately.
 - (c) Deposited cash into bank Rs. 50,000.
 - (d) Salary payable Rs 60,000. However only 40% has been paid during the year.
 - (e) Sold goods costing Rs 50,000 for Rs. 80,000

- 5 Write short notes on following .
- Accrual concept
 - Principles of conservatism.

PART - III

Note : Attempt all questions from this section as per given instruction.

12.5×4 = 50

- i From the following balance sheet of Mohan Ltd., prepare a schedule of changes in working capital and a Funds Flow Statement.

Liabilities	2007	2008	Assets	2007	2008
Capital	2,52,000	4,00,000	Cash	60,000	80,000
Long term Loan	2,00,000	2,40,000	Debtors	1,20,000	1,12,000
Trade Creditor	1,68,000	1,56,000	Stock in trade	2,20,000	2,88,000
Bank Overdraft	1,40,000	1,00,000	Land and Building	3,20,000	4,00,000
Outstanding expenses	20,000	24,000	Furniture	60,000	40,000
	7,80,000	9,20,000		7,80,000	9,20,000

OR

- 1 (a) Distinguish between cash flow and funds flow statement.
- (b) What do you mean by funds from operations? How will you calculate funds from operations for the purpose of preparing funds flow statements?

- 2 Prepare accounting equations for the following transactions.
- Started business with cash Rs. 4,00,000 and machine Rs. 10,000.
 - Purchased goods for Rs. 1,00,000 by paying Rs. 50% in cash immediately.
 - Cash withdrawn from bank Rs. 70,000.
 - Salary payable Rs. 60,000 of which 60% is outstanding.
 - Sold goods costing Rs. 70,000 for Rs. 80,000.

OR

- 2 Discuss the double entry system and also explain the merits of double entry system.
- 3 Discuss the accounting treatment for the following while preparing final accounts .
- Provision for bad and doubtful debt
 - Preliminary expenses written off.
 - Depreciation appearing on the debit side of trial balance.
 - Rent outstanding appearing as an adjustment items.
 - Income tax paid in case of proprietorship business.

OR

- 3 Distinguish between following :
- "Capital Expenditure" and "Revenue Expenditure".
 - Trial Balance and Balance sheet.

- 4 Following are the income statement of a company for the year ending December 31, 2006 and 2007. Use common size statement to analyse the financial position of company.

<u>Year</u>	<u>2006</u>	<u>2007</u>
Sales	2000	2800
Miscellaneous income	80	60
	<u>2080</u>	<u>2860</u>
<u>Expenses</u>		
Cost of sales.....	1300	2040
Office expenses	80	100
Selling expenses.....	120	180
Interest	100	120
	<u>1600</u>	<u>2440</u>
Net Profit	480	420
	<u>2080</u>	<u>2860</u>

OR

- 4 Suppose you are working as a financial analyst in a Development Financial Institution (DFI) which extends both long term and working capital loans to corporate entities besides participating in their equity. As the suppliers of the funds, explain the ratios which you would use to analyze the financial health of the firms.