

(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 2010-11
ACCOUNTING & FINANCIAL ANALYSIS

Time : 3 Hours

Total Marks : 100

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

PART-I

1. Choose the correct answer :—

(1×20=20)

- (1) The assumption that a business enterprise will not be sold or liquidated in near future is known as the:
(a) Monetary Unit (b) Periodicity
(c) Going concern (d) Conservatism
- (2) The capital account of a business is treated as :
(a) Personal Account (b) Real Account
(c) Nominal Account (d) None of these
- (3) Purchase of office furniture for Rs. 6,000 has been debited to General Expenses Account. It is :
(a) An error of Commission (b) An error of Omission
(c) An error of Principle (d) None of these
- (4) If a firm borrows a sum of money, there will be :
(a) An increase in capital (b) Decrease in capital
(c) No effect on capital (d) None of these
- (5) Depreciation is related to :
(a) Liquid Assets (b) Current Assets
(c) Investments (d) Fixed Assets

- (6) Provision is : <http://www.aktuonline.com>
- (a) An appropriation out of profit
 - (b) A charge against the profit
 - (c) Both (a) and (b)
 - (d) None of these
- (7) Return Inwards appearing in Trial Balance are deducted from :
- (a) Purchases
 - (b) Sales
 - (c) Both (a) and (b)
 - (d) None of these
- (8) Goodwill is :
- (a) Current Asset
 - (b) Tangible Asset
 - (c) Fictitious Asset
 - (d) Intangible Asset
- (9) Farhan's capital on January 1 : 2000 was Rs. 45,000, Interest on drawings Rs. 5,000, Interest on capital Rs. 2,000, Profit for the year Rs. 15,000, Drawing Rs. 14,000. His capital as on 31 December 2000 was :
- (a) Rs. 67,000
 - (b) Rs. 43,000
 - (c) Rs. 47,000
 - (d) Rs. 69,000
- (10) Prepaid wages Rs. 2,500 appear in A's Trial Balance. These will appear in :
- (a) Trading Account
 - (b) Profit & Loss Account
 - (c) Balance Sheet
 - (d) Manufacturing Account
- (11) Current Liabilities include :
- (a) Bills payable
 - (b) Creditors
 - (c) Outstanding Expenses
 - (d) All of the above
- (12) Rs. 5,000 received from Mohan whose account was written off as bad in the previous year should be credited to :
- (a) Mohan's A/c
 - (b) Bad Debt A/c
 - (c) Bad Debt Recovered A/c
 - (d) None of these

- 3) Received Rs. 4,900 from Garima in full settlement of Rs. 5,000. Posting of Rs. 100 will be made to the :
- (a) Debit side of Garima's A/c
 - (b) Credit side of Garima's A/c
 - (c) Debit side of Discount A/c
 - (d) Credit side of Discount A/c
- 4) If the current ratio of ABC Ltd. is 4 and the current liabilities of the company are Rs. 1,00,000, calculate current assets of the company
- (a) Rs. 25,000
 - (b) Rs. 4,00,000
 - (c) Rs. 1,00,000
 - (d) Data not sufficient
- 5) Average collection period is calculated to measure :
- (a) Debt collection speed
 - (b) Quality of debt
 - (c) Spread of debt
 - (d) All of these
- 6) Debt-Equity ratio is a :
- (a) Solvency Ratio
 - (b) Liquidity Ratio
 - (c) Profitability Ratio
 - (d) All of these
- 7) Cash Flow statement does not disclose in a separate section :
- (a) Contractual Activities
 - (b) Operating Activities
 - (c) Financing Activities
 - (d) Investing Activities
- 8) Increase in the amounts of debtors results in :
- (a) Decrease in cash
 - (b) Increase in cash
 - (c) No change in cash
 - (d) None of these
- 9) Debt collection period of XYZ Ltd. is 2 months. The debtor turnover of the company is :
- (a) 6 times
 - (b) 12 times
 - (c) 2 times
 - (d) 3 times
- 10) Sale of long term investment indicates :
- (a) Use of Fund
 - (b) Source of Fund
 - (c) Change in Current assets
 - (d) None of these

Attempt both questions of this part :— (15×2=30)

2. From the following trial balance of Gupta Furniture house, prepare Trading and Profit & Loss Account and a Balance Sheet as on 31st December 1994 :

Dr. Balances	(Rs.)	Cr. Balances	(Rs.)
Purchase	1,80,000	Sales	3,60,000
Return Inward	4,500	Return Outwards	6,200
Carriage Inward	2,600	Creditors	28,000
Carriage Outward	1,500	Interest on	
Opening Stock	32,200	Investments	3,600
Cash	3,000	Provision for	
Building	1,50,000	Bad Debts	2,900
Machinery	72,000	Commission	
Fuel and Power	8,500	Received	7,500
Debtors	81,500	Capital	2,10,000
Investments	16,000		
Rent	4,000		
General Expenses	15,000		
(Including insurance premium of Rs. 2,000 paid for one year ending 30th June 1995)			

Dr. Balances	(Rs.)	Cr. Balances	(Rs.)
Wages & Salaries	21,000		
Sales Tax Paid	4,400		
Drawings	22,000		
Total	6,18,200	Total	6,18,200

Adjustments :

- (1) Write off Rs. 1,500 as Bad-debts and create a provision for Doubtful debts @ 5% on debtors.
- (2) Provide 2% for discount on debtors.
- (3) Depreciate Building by 5% and Machinery by 10%.
- (4) Rent is payable at the rate of Rs. 400 per month.
- (5) One third commission received is in respect of work to be done next year.
- (6) Rs. 1,100 is to be provided as Interest on Drawings.
- (7) Closing Stock was valued at Rs. 56,700.

OR

2. (a) Rohini Cement Ltd. purchased on 1st January 1991 a plant for Rs. 80,000. On 1st April 1992, it purchased additional plant costing Rs. 48,000. On 1st September 1993, the plant purchased on 1st January 1991 was sold off for Rs. 42,000 and on the same date fresh plant was purchased at the cost of Rs. 75,000.

Depreciation is provided at 10% p.a. on the Diminishing Balance Method every year on 31st December. Show the plant account for 3 years.

- (b) Show the effect of the following transactions on Assets, Liabilities and capital through accounting equation :

	Rs.
(i) Started business with cash	1,50,000
(ii) Rent received	10,000
(iii) Invested in shares	50,000
(iv) Purchased goods on credit from X	25,000
(v) Paid to X	25,000
(vi) Salary paid	13,000

3. The following is the Trading and Profit & Loss account of Mercury Ltd. for the year ending on 31st December 2009, followed by the Balance Sheet of the company :

Trading and Profit & Loss Account

Particular	Amount (Rs.)	Particular	Amount (Rs.)
To Opening Stock	5,80,000	By Sales	30,00,000
To Purchases	24,40,000	By Closing Stock	6,20,000
To Gross Profit	6,00,000		
	36,20,000		36,20,000
Particular	Amount (Rs.)	Particular	Amount (Rs.)
To General Expenses	3,20,000	By Gross Profit	6,00,000
To Net Profit	2,80,000		
Total	6,00,000	Total	6,00,000

Balance Sheet

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Share Capital	28,00,000	Fixed Assets	22,00,000
Reserve & Surplus	2,00,000	Stock	6,20,000
Bank Overdraft	1,40,000	Debtors	3,20,000
Creditors	6,00,000	Bank	8,00,000
Profit for the year	2,80,000	Cash	80,000
Total	40,20,000	Total	40,20,000

On the basis of the above data, you are required to calculate the following ratios and interpret them as briefly as possible :

- (i) Current Ratio

- (ii) Gross Profit Ratio
- (iii) Quick Ratio
- (iv) Stock Turnover Ratio
- (v) Debtor's Turnover Ratio

OR

3. The Comparative Balance sheet of M/s. Aparna Co. Ltd., for the year 2002 and 2003 are as follows :

Balance Sheet as on 31st December 2002 and 2003

Liabilities	2002 (Rs.)	2003 (Rs.)
Capital	1,50,000	1,75,000
Loan from Bank	1,60,000	1,00,000
Creditors	85,000	93,000
Outstanding Expenses	5,000	7,000
Bills Payable	50,000	40,000
Loan from SBI	—	25,000
Total	4,50,000	4,40,000
Assets	2002 (Rs.)	2003 (Rs.)
Land & Building	1,10,000	1,50,000
Machinery	2,00,000	1,40,000
Stock	50,000	45,000
Debtor	70,000	80,000
Cash in hand	15,000	22,000
Prepaid Expenses	5,000	3,000
Total	4,50,000	4,40,000

Additional Information :

- (a) Net Profit for the year 2003 amounted to Rs. 60,000.
- (b) During the year, a machine costing Rs. 25,000 (accumulated depreciation Rs. 10,000) was sold for Rs. 13,000. The provision for depreciation against machinery on 31-12-2002 was Rs. 50,000 and on 31-12-2003 was Rs. 85,000.

You are required to prepare a Fund Flow Statement, furnishing all the necessary details.

PART-III

Attempt any **four** questions in this part :— (12½×4=50)

- 4. Distinguish between following :—
 - (a) 'Capital Expenditure' and 'Revenue Expenditure'.
 - (b) 'Fund Flow Statement' and 'Cash Flow Statement'.
- 5. Explain the utility of accounting principles in financial accounting. Discuss any five principles with examples.
- 6. What is Trial Balance ? Explain the errors which are not disclosed by Trial Balance.
- 7. Write down the proforma for preparing cash flow statement as suggested by Indian Accounting Standard.
- 8. What is the need for providing depreciation ? Explain the factors which determine the amount of depreciation. Distinguish between the 'Original Cost Method' and 'Diminishing Balance Method' by which depreciation is provided on assets.
- 9. Write short notes on any **two** of the following :—
 - (a) International Accounting Standards
 - (b) Difference between Ledger and Journal
 - (c) Accounting Process
 - (d) Accounting of Intangible Assets.