



MBA.IB.1.10/158

M.B.A. (IB) DEGREE I SEMESTER EXAMINATION NOVEMBER 2010

SMI 2105 FINANCIAL AND COST ACCOUNTING

Time : 3 Hours

Maximum Marks : 50

(All questions carry EQUAL marks)

(5 x 10 = 50)

- I. A. Explain the basic concepts and conventions of financial accounting. Discuss the rules of debit and credit.
- OR**
- B. Discuss the need and importance of Accounting Standards. Explain the arguments for and against Accounting Standards.
- II. A. (a) What are subsidiary Books? What are its advantages?
(b) Describe the various types of errors with suitable examples.
- OR**
- B. The following is the Trial Balance of Mr.Ram as on 31st December, 2009.

<u>Debit Balances</u>	<u>Rs.</u>	<u>Credit Balances</u>	<u>Rs.</u>
Opening Inventory	72,000	Capital	5,00,000
Purchases	2,25,000	Purchase Returns	1,800
Furniture	15,000	Sales	3,50,000
Motor car	30,000	Sundry Creditors	56,000
Buildings	4,25,000	Commission	7,500
Sundry Debtors	50,000		
Advertisement	22,000		
Repairs and Maintenance	13,000		
General Expenses	16,000		
Insurance	7,000		
Cash in hand	3,500		
Cash at Bank	6,000		
Salaries	30,000		
Preliminary expenses	800		
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	<u>9,15,300</u>		<u>9,15,300</u>

You are required to prepare the profit and loss Account and Balance Sheet as on 31st December 2009 after taking into account the following adjustments:

- (i) Closing stock - Rs.80,000
- (ii) Interest on capital @ 6%
- (iii) Prepaid advertisement - Rs. 2,000
- (iv) Outstanding salaries - Rs. 3,000
- (v) Depreciate building @ 5% and Motor Car @ 10%
- (vi) Goods used for domestic use- Rs. 1,800

(P.T.O)

III. A. Explain the attributes of financial statements. State the limitations of financial statements.

OR

B. Give a specimen Balance Sheet of a Joint Stock Company in the prescribed form with imaginary figures.

IV. A. What do you understand by Financial Statement Analysis? Describe various techniques of Financial Statement Analysis.

OR

B. Draw the Balance Sheet of a company with the help of following Ratios:

Current Ratio	-	2.5
Liquidity Ratio	-	1.5
Networking capital	-	Rs.3,00,000/-
Stock Turnover Ratio		
(Cost of Sales/Closing stock)	-	6 times
Gross Profit Ratio	-	20%
Fixed Assets Turnover Ratio		
(on cost of sales)	-	2 times
Debt collection period	-	2 months
Fixed Assets to shareholders net worth	-	0.80
Reserves and surpluses to capital	-	0.5

V. A. Enumerate the matters which you will investigate and the problems which you expect to face before installing a costing system in a manufacturing company.

OR

B. Reliable Battery Company furnishes you the following information:

	<u>First half of</u> <u>2009</u>	<u>Second half of</u> <u>2009</u>
Sales	Rs.8,10,000	Rs.10,26,000
Profit earned	Rs. 21,600	64,800

From the above you are required to compute the following assuming that fixed Cost remain the same in both the periods:

- (i) Profit/Volume Ratio
- (ii) Fixed Cost
- (iii) The amount of profit or loss when sales are Rs.6,48,000/-.
- (iv) The amount of sales required to earn a profit of Rs.1,08,000.
