

MBA Degree (FT/PT) I Semester End Semester Examination- December, 2022
21-371-0105/21-372-0104/20-371-0105: Financial Accounting
(Regular and Supplementary)

Max. Marks: 50

Time: 3 Hours

Course Outcomes: On completion of the course, the student will be able to:-

CO1	Ability to recall the accounting principles, concepts, accounting conventions, accounting standards and the concepts such as double entry book-keeping, accounting process, financial statements, and analysis and interpretation of financial statements.
CO2	Understanding the preparation of Day Books, Ledger, Trial Balance, Financial statements and related accounting statements.
CO3	Developing marginal skills to cross check and locate errors in accounting statements and physical cash and bank balance reconciliation with the help of suitable illustrations and cases.
CO4	Inculcating skills to examine the financial statements such as income statement and position statement to bring out meaningful information regarding the cost, revenue, assets and liabilities by establishing relationships between the above variables.
CO5	Develop the capacity to judge resources utilization efficiency, profitability, liquidity and solvency of business undertakings with the help of the accounting skill sets acquired.
CO6	Decomposition of financial statements to workout scenarios for comparison and better planning.

BL – Bloom’s Taxonomy :(L1- Remember , L2 - Understand, L3 – Apply, L4-Analyse, L5-Evaluate, L6-Create)

PART A

(Answer ALL questions. Each question carries 2 marks)

Q No.	Questions	Marks	BL	CO
1	What is meant by accounting standards?	2	1	1
2	Explain the treatment of opening and closing stock while preparing the final accounts.	2	2	2
3	A firm sold goods on credit during a festival season. However, the manager is doubtful about collecting back the receivables. As a consultant, you are required to advise as how this item shall be treated in the final accounts.	2	3	3
4	In the books a firm, a loan account shows a debit balance. What does this indicate?	2	3	2
5	The current ratio of a firm is 0.5:1. As a banker, considering to sanction additional short-term loan, what would be your concern?	2	4	4

(5X2=10 marks)

PART B

(Answer ANY FIVE Questions. Each question carries 4 marks)

Q No.	Questions	Marks	BL	CO
6	Explain the importance of accounting. Discuss the process from recording to summarizing and the preparation of final accounts.	4	2	1
7	Apply the double entry accounting principles and journalize the following transactions: 1/11/22: Jay started a business with a capital investment of Rs 50000 5/11/22: He purchases machinery worth Rs.10000 10/11/22: Purchases raw materials for production worth Rs. 15000 on credit from M/s Lal and Co. 11/11/22: Sold finished goods on credit Rs.15000 to Govind. 15/11/22: Paid wages Rs.12000	4	3	2
8	Analyze the impact of the following transactions on the accounting equation a. Kumar commences business with Rs.20000. b. Purchases goods for cash Rs.10000 c. With draws from bank for personal use Rs10000. d. Sells goods for cash 5000. e. Sells goods on credit Rs.5000. f. Paid wages Rs.1000. g. Goods worth Rs.5000, sold for Rs.7000. h. One of the receivable turns out bad Rs.1500.	4	4	4
9	Discuss various tools used for analysis of financial statements.	4	3	3
10	“India converged to IFRS in a phased manner” Explain. Discuss the implication/advantages of convergence of Indian Standards to IFRS. How does the convergence lead to global harmonization?	4	3	2

11	Study the extract of Trial Balance given below and prepare a correct Trial balance.	4	4	4																																										
	<table border="1"> <thead> <tr> <th>Particulars</th> <th>Dr (Rs)</th> <th>Cr (Rs)</th> </tr> </thead> <tbody> <tr> <td>Capital</td> <td>22000</td> <td>-</td> </tr> <tr> <td>Opening stock</td> <td>6500</td> <td></td> </tr> <tr> <td>Furniture</td> <td>2700</td> <td></td> </tr> <tr> <td>Purchase</td> <td></td> <td>8850</td> </tr> <tr> <td>Cash</td> <td>7300</td> <td></td> </tr> <tr> <td>Carriage Expenses</td> <td>300</td> <td></td> </tr> <tr> <td>Building</td> <td></td> <td>12000</td> </tr> <tr> <td>Returns inwards</td> <td></td> <td>1500</td> </tr> <tr> <td>Return outwards</td> <td>350</td> <td></td> </tr> <tr> <td>Trade expenses</td> <td>1000</td> <td></td> </tr> <tr> <td>Discount received</td> <td>370</td> <td></td> </tr> <tr> <td>Salary</td> <td>3500</td> <td></td> </tr> <tr> <td>Office rent</td> <td></td> <td>1770</td> </tr> </tbody> </table>	Particulars	Dr (Rs)	Cr (Rs)	Capital	22000	-	Opening stock	6500		Furniture	2700		Purchase		8850	Cash	7300		Carriage Expenses	300		Building		12000	Returns inwards		1500	Return outwards	350		Trade expenses	1000		Discount received	370		Salary	3500		Office rent		1770			
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12	AX Ltd and AY Ltd reports a net profit ratio for the year ended as 50% and 40%, respectively. Both companies also report their net sales at INR 3,00,000/- The total capital employed in AX Ltd and AY Ltd is INR 10,00,000/- and INR 5,00,000/- respectively. Other things assuming to be indifferent between the firms, and also assuming same performance to continue in future, which company would you appreciate from a return-on-investment perspective? Explain you decision.	4	3	5																																										

(5X4=20 marks)

PART C

(Answer ANY TWO questions. Each question carries 10 marks)

Q No.	Questions	Marks	BL	CO
13	Discuss the accounting principles and conventions, and how they are important in presenting a true and fair picture of the affairs of an organisation.	10	3	2

14	<p>Record the following transactions in the book of original entry, classify it in the ledger and prepare the trial balance as on 31st March</p> <p>March 1. Started business with Cash Rs.18000 and Machinery Rs.32000</p> <p>.. 2. Purchased goods for cash Rs.7000</p> <p>.. 4. Sold goods to John Rs. 15000</p> <p>.. 7. Purchased goods from Ravi Rs. 7000</p> <p>.. 8. Goods returned by John Rs. 500</p> <p>.. 12. Cheque received from John Rs.8000</p> <p>.. 13. Opened a bank account Rs.10,000</p> <p>.. 14. Personal drawings in cash Rs.1500</p> <p>.. 16. Paid salary Rs. 1000</p> <p>.. 18. Withdrew from Bank Rs. 1000</p> <p>.. 20. Paid to Ravi in full settlement of his account Rs.6500</p> <p>.. 24. Purchase of Machinery Rs. 8000</p>	10	5	5																																																						
15	<p>From the following information prepare final accounts of the business showing profitability and financial position of the organisation</p> <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Particulars</th> <th style="text-align: right;">Dr (Rs)</th> <th style="text-align: right;">Cr (Rs)</th> </tr> </thead> <tbody> <tr> <td>Capital</td> <td></td> <td style="text-align: right;">40,500</td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">45,000</td> <td></td> </tr> <tr> <td>Purchase returns</td> <td></td> <td style="text-align: right;">3,000</td> </tr> <tr> <td>Sales</td> <td></td> <td style="text-align: right;">72,000</td> </tr> <tr> <td>Sales return</td> <td style="text-align: right;">2,000</td> <td></td> </tr> <tr> <td>Cash in hand</td> <td style="text-align: right;">2,200</td> <td></td> </tr> <tr> <td>Salaries</td> <td style="text-align: right;">3,050</td> <td></td> </tr> <tr> <td>Rent</td> <td style="text-align: right;">1,250</td> <td></td> </tr> <tr> <td>Commission</td> <td></td> <td style="text-align: right;">1,000</td> </tr> <tr> <td>Wages</td> <td style="text-align: right;">1,500</td> <td></td> </tr> <tr> <td>Carriage</td> <td style="text-align: right;">500</td> <td></td> </tr> <tr> <td>Creditors</td> <td></td> <td style="text-align: right;">6,000</td> </tr> <tr> <td>Debtors</td> <td style="text-align: right;">9,000</td> <td></td> </tr> <tr> <td>Machinery</td> <td style="text-align: right;">3,000</td> <td></td> </tr> <tr> <td>Furniture</td> <td style="text-align: right;">10,000</td> <td></td> </tr> <tr> <td>Land and Buildings</td> <td style="text-align: right;"><u>45,000</u></td> <td></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">1,22,500</td> <td style="text-align: right;">1,22,500</td> </tr> </tbody> </table> <p>Additional Information</p> <ol style="list-style-type: none"> 1. Closing stock is valued at Rs. 21,000 2. Commission received in advance Rs.800 3. Salaries pre-paid 1050 4. Wages outstanding Rs. 1000 5. Depreciation on furniture 10% and machinery 5% 	Particulars	Dr (Rs)	Cr (Rs)	Capital		40,500	Purchases	45,000		Purchase returns		3,000	Sales		72,000	Sales return	2,000		Cash in hand	2,200		Salaries	3,050		Rent	1,250		Commission		1,000	Wages	1,500		Carriage	500		Creditors		6,000	Debtors	9,000		Machinery	3,000		Furniture	10,000		Land and Buildings	<u>45,000</u>		Total	1,22,500	1,22,500	10	5	4
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