

MBA
(SEM I) THEORY EXAMINATION 2022-23
FINANCIAL ACCOUNTING FOR MANAGERS

Time: 3 Hours**Total Marks: 100****Note: 1.** Attempt all Sections. If require any missing data; then choose suitably.**SECTION A****1. Attempt all questions in brief. 2 x 10 = 20**

- (a) What will be the effect of the following on the Accounting Equation?
 (i) Started business with cash Rs.45000.
 (ii) Opened a bank account with a deposit of Rs.4500.
 (iii) Bought goods from Mr. Son & Co. Rs.11,200.
- (b) Explain convention of materiality.
- (c) How is a forensic accounting analysis different from an audit?
- (d) How human resources accounting is helpful for financial managers?
- (e) Haris and Usama started business in partnership on 1 Jan 2019 without any agreement. Haris introduced capital Rs.60000 and Usama Rs.40000. On March 1,2019 Usama advanced Rs.20000 by way of loan to the firm. The profit for the year ended 31, Dec 2019, was amounted to Rs.18000.
- (f) When do business prepare a trail balance?
- (g) Calculate inventory turnover ratio of XYZ Ltd. As per given information:
 Opening inventories- 50,000, closing inventories- 60000, cost of goods manufactured- 4,90,000.
- (h) How trend analysis is useful in manufacturing company?
- (i) State the various factors affecting the requirement of working capital.
- (j) What are the limitations of Cash Flow Statement?

SECTION B**2. Attempt any three of the following: 10x3=30**

- (a) What do you mean by "Replacement cost"? What are the difficulties faced while providing depreciation on the basis of replacement lost?
- (b) "Forensic Accounting examines individual or company financial records as an investigative measure that attempts to derive evidence suitable for use in litigation." Elaborate.
- (c) The following figures appear in the books of Shri Hanuman Prasad.
 Jan 1 Provision for bad and doubtful debts 2,400
 Jan 1 Provision for discount on debtors 1,120
 Dec 31 Bad debts written off 940
 Dec 31 Discount allowed during the year 1,860
 Dec 31 Bad debts recovered 50
 Dec 31 Debtors 20,120
 Write off further 480 (definitely bad)
 Create a provision for discount on debtors @ 2% and also for bad and doubtful debts @ 4% you are required to journalize the above and Prepare Provision for bad and doubtful debts A/c and provision for discount on debtors A/c and bad debts A/c & discount A/c.

- (d) The accompanying balance sheet and profit & loss account relate to Rajeev Ltd., convert them into common-size statements.

Balance Sheet as on 31st March, 2020

	2019 (Rs.)	2020 (Rs.)
Liabilities:		
Equity shares capital (of Rs.10each)	480	480
General reserve	192	364
Long term loan	364	339
Creditors	134	104
Outstanding expenses	12	-
Other current liabilities	18	13
Assets:	1200	1200
Plant	804	780
Cash	108	156
Debtors	120	130
Inventories	168	234
	1200	1200

Income Statement for the year ended March 31, 2020

	2019 (Rs.)	2020(Rs.)
Gross Sales	740	960
Less: Returns	40	60
Net sales	700	900
Less: cost of goods sold	380	430
Gross profit	320	470
Less: Selling general and Administrative cost	100	144
Operating profit	220	326
Less: interest expenses	40	34
Earnings before taxes	180	292
Less: taxes	63	103
Earnings after taxes	117	189

- (e) From the following balance sheets, prepare a schedule of changes in working capital:

Particulars	2020 (Rs.)	2021 (Rs.)
Assets:		
Cash in Hand	10,000	14,000
Cash at Bank	14,000	18,000
Book Debts	24,000	22,000
Inventory	8,000	6,000
Bills Receivable	4,000	3,000
Prepaid Expenses	400	600
Short-term Investment	10,000	16,000
Accrued Interest	2,000	1,200
Building	40,000	44,000
Plant and Machinery	18,000	12,000
Liabilities:		

Accounts Payable	16,000	12,000
Notes Payable	6,000	4,000
Bank Overdraft	8,000	6,000
Outstanding Expenses	600	400
Provision for Bad Debts	1,000	1,400
Share Capital	40,000	40,000
Debentures	40,000	60,000
Mortgage Loan	18,800	13,000

SECTION C

3. Attempt any one part of the following: 10x1=10

- (a) Why does the combined total of the company's liabilities and equity always equal the total of the company's assets?
- (b) What do you mean by Accounting concept? Explain any four accounting concepts.

4. Attempt any one part of the following: 10x1=10

- (a) Explain the areas in which different accounting policies may be followed? With financial examples.
- (b) There are some limitations of this comparative balance sheet, like lack of uniformity in accounting practices. These inflationary factors need to be taken care of when analyzing the balance sheet. Explain.

5. Attempt any one part of the following: 10x1=10

- (a) Given below is the Trial Balance of a trader as on 31st March 2019.

Particulars	(Rs.)	(Rs.)
Cash in hand	5000	
Land & building	80000	
Plant & machinery	50000	
Debtors and Creditors	25000	40000
Stock on 1.4.2017	10000	
15% Investment on 1.4.2017	20000	
Purchases and sales	95000	190000
Bank overdraft		20000
Wages	28000	
Salaries	16000	
Rent, rates and taxes	15000	
Bad debts	6000	
Drawings	5000	
Bills receivables & Bills Payable	15000	21000
Carriage inwards	6000	
Custom duty on purchase	16000	
Life insurance premium	4000	
Advertise	30000	
Provision for doubtful debts		2000
Interest on investment		2000
Trade Expenses	11000	
Furniture	20000	
Sales tax		25000
Capital		157000
	457000	457000

Additional Information:

1. Stock on 31st March 2019 was valued at 40,000.
2. Included in debtors are 8,000 due from Ram and included in creditors are 6,000 due to Ram.
3. Bills Receivable include a bill of 5,000 received from Varun, which has been dishonored.
4. Sales include 5,000 for the goods sold on approval basis. Goods are sold at a profit of 25% on cost.
5. Wages include 5,000 spent on the erection of machinery.
6. Advertisement include 20,000 spent at the time of launching a new product. It is the policy of the business to write off such expenses in 5 years.
7. Create a provision for doubtful debts at 5% on debtors.
8. Prepaid taxes amounted to 2,000.
9. Depreciate machinery by 10%

Prepare Trading and Profit & Loss Account for the year ended 31st March 2019 and a Balance Sheet as on that date.

- (b) What should we do if the Trial Balance doesn't balance? Explain with an example.

6. Attempt any one part of the following:

10x1=10

- (a) "The comparative financial statements are only concerned with the changes but they do not show the relationship of the different items of balance sheet with total assets or total liabilities." Elaborate.
- (b) "Trend analysis is an important technique for the analysis and interpretation of financial statements." Elaborate this statement with example.

7. Attempt any one part of the following:

10x1=10

- (a) There are some limitations of the comparative balance sheet, like lack of uniformity in accounting practices. The inflationary factors need to be taken care of when analyzing the balance sheet. Explain.
- (b) What are the main features of the Cash flow statement? Explain with special reference to AS 3.