

**FACULTY OF MANAGEMENT****M.B.A. I – Semester Examination, January 2016****Subject : Financial Accounting and Analysis****Course No. : 1.3****Time : 3 hours****Max. Marks : 80****Note : Answer all the questions.****Part – A (10 X 2 = 20 Marks)****(Short Answer Type)**

- 1 Write short notes on each of the following at one place :
- Business entity concept
  - Suspense Account
  - Capital and Revenue expenditure
  - Leverage ratios
  - Comparative statement analysis
  - Objectives of Accounting standards
  - Significance of HRA
  - EVA
  - Objectives of tax planning
  - Balanced Score Card

**Part – B (5 X 12 = 60 Marks)****(Essay Answer Type)**

- 2 a) Discuss the need and significance of accounting concepts and conventions.  
**OR**  
b) From the following details, prepare a trial balance as on 31<sup>st</sup> December 2014.

	Rs.		Rs.
Building	5000	Salary	1500
Capital	50000	Insurance	400
Purchases	90000	Debtors	15200
Sales	10000	Bills receivable	4800
Returns (Cr)	8000	Bills payable	4000
Investments	5200	Stationery	1000
Cash in hand	6500	Plant & Machinery	11000
Drawings	5000	Bank (Cr)	10000
Returns (Dr)	1000	Stock	25000
Rent	800	Salary payable	1200
Creditors	11000	Commission (Cr)	600
Interest Payable	200	Carriage	3000
Advertisement	600		

- 3 a) Explain the problems involved in measuring business income.

**OR**

- b) From the following details, prepare final accounts for the year ending 31-12-2014.

	Rs.		Rs.
Capital	35000	Insurance	2000
Drawings	6000	General expenses	4000
Furniture	2600	Salaries	12000
Bank O.D.	4200	Commission (Dr)	1600
Creditors	13800	Carriage	2000
Premises	24000	Discount (Dr)	2000
Opening stock	20000	Discount (Cr)	2000
Debtors	15000	Bad debts	800
Rent received	1000	Sales returns	2000
Purchases	112000	Sales	150000
Adjustments :			
1) Stock on 31.12.2014	Rs.20,000		
2) Write off depreciation :			
Premises	Rs.1000		
Furniture	Rs. 600		

- 3) Make a reserve of 5% on debtors for doubtful debts  
 4) Allow interest on capital at 5%  
 5) Carry forward Rs.200 for unexpired insurance

- 4 a) Discuss the managerial uses and limitations of ratio analysis.

**OR**

- b) Using the information, prepare a Balance Sheet of a company.

Sales / Total assets	..... 3	;	Sales / Fixed assets	..... 5
Sales / Current assets	....7.5	;	Sales / Inventory	..... 20
Sales / Debtors	15	;	Current ratio	..... 2
Total assets / Net worth	2.5	;	Debt / Equity	..... 1

- 5 a) Discuss the relative merits and demerits of Funds Flow and Cash Flow analysis.

**OR**

- b) From the following details, prepare Funds Flow Statement.

Liabilities	2013	2014	Assets	2013	2014
	Rs.	Rs.		Rs.	Rs.
Equity capital	300000	400000	Good will	115000	90000
Preference capital	150000	100000	Land & Building	200000	170000
General reserve	40000	70000	Plant	80000	200000
P & L A/c.	30000	48000	Debtors	160000	200000
Creditors	55000	83000	Stock	77000	109000
Bills Payable	20000	16000	Bills receivables	20000	30000
Proposed dividend	42000	50000	Cash	15000	10000
Provision for tax	40000	50000	Bank	10000	8000
	677000	817000		677000	817000

Additional information :

- i) Depreciation of Rs.10,000 and Rs.20,000 have been charged on Plant and Land & Buildings respectively.  
 ii) An interim dividend of Rs.20,000 has been paid; iii) Income tax of Rs.35000 has been paid.
- 6 a) Explain the significance of accounting standards in global accounting environment.

**OR**

- b) Discuss the relevance of IFRS and HRA.

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