



BRAINWARE UNIVERSITY

Term End Examination 2019 – 20

Programme – Master of Business Administration

Course Name –Financial Reporting, Statements and Analysis/ Financial Management

Course Code – MBAD010403

(Semester – 1)

Time allotted: 3 Hours

Full Marks: 70

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

Group –A

(Multiple Choice Type Question)

20 x 1 = 20

1. Answer any *twenty* from the following
 - (i) Accounting principles are

| | |
|----------------|-----------------------|
| a. Divine | b. Made by government |
| c. Made by man | d. None of these |
 - (ii) Out of the following, which one will not be recorded in the accounting books

| | |
|--------------------------|-----------------------------------|
| a. Paid salary Rs.10000 | b. Bad debt Rs.500 |
| c. Honesty of accountant | d. Purchase of goods worth Rs.520 |
 - (iii) Accrual basis of accounting is based on

| | |
|------------------------|------------------------------|
| a. Time period concept | b. Matching concept |
| c. Consistency concept | d. Money measurement concept |
 - (iv) Balance sheet is a statement of

| | |
|------------|---------------------|
| a. Assets | b. Liability |
| c. Capital | d. All of the above |
 - (v) Contra entry are

| | |
|--|---|
| a. Entries of contracts in the books of accounts | b. Entries contradictory in nature recorded in ledger |
| c. Entries recorded in book which affects both cash and bank | d. None of the above |

- (vi) Liabilities are
- | | |
|---|--|
| a. Equal to the sum of assets plus owner's equity | b. Created when stockholder contributed cash to company by stock exchanges |
| c. Obligation of the entity to outsiders | d. All of above are correct |
- (vii) Residual interest in the net asset of an entity that remains after deducting its liabilities is?
- | | |
|-----------------|----------------------|
| a. Owner Equity | b. Liabilities |
| c. Asset | d. None of the above |
- (viii) The first step of accountancy is
- | | |
|--------------------------|----------------------|
| a. Journal Entry | b. Ledger Posting |
| c. Balancing of Accounts | d. None of the above |
- (ix) Transfer to General Reserve is a charge against
- | | |
|--|----------------------------|
| a. Trading Account | b. Profit and Loss Account |
| c. Profit and Loss Appropriation Account | d. Balance Sheet |
- (x) The cost of a machine is Rs.550000. Its scrap value is Rs.20000 and useful life is 10 yea. The depreciation amount under Straight Line Method is
- | | |
|--------------|--------------|
| a. Rs.55,000 | b. Rs.20,000 |
| c. Rs.53,000 | d. Rs.50,000 |
- (xi) The account which can never have a credit balance is
- | | |
|-----------|-------------|
| a. Bank | b. Cash |
| c. Debtor | d. Creditor |
- (xii) A trader has made a sale of Rs.75,500 out of which cash sales amounted to Rs.25,500. He showed trade receivables on 31-3-2014 at Rs.25,500. Which concept is followed by him?
- | | |
|------------------|----------------------|
| a. Going concern | b. Cost |
| c. Accrual | d. Money measurement |
- (xiii) Which of the following is wrong?
- | | |
|--|--|
| a. All real and personal accounts are transferred to balance sheet | b. Nominal accounts are transferred to P &L account |
| c. Each account is opened separately in ledger | d. Rent is a personal account, outstanding rent is nominal account |
- (xiv) Fixed assets are held by business for _____
- | | |
|-------------------------|-----------------------|
| a. Converting into cash | b. Generating revenue |
| c. Resale | d. None of the above |

- (xv) If wages are paid for construction of business premises _____ A/c is credited and _____ A/c is debited
- | | |
|----------------|-------------------|
| a. Wages, Cash | b. Premises, Cash |
| c. Cash, Wages | d. Cash, Premises |
- (xvi) Which of the following is incorrect?
- | | |
|-------------------------------------|--|
| a. Good will intangible asset | b. Sundry debtors -current asset |
| c. Loose tools tangible fixed asset | d. Outstanding expenses -current asset |
- (xvii) The Market price of good declined than the cost price. Then the concept that plays a key role is _____
- | | |
|----------------|--------------------------|
| a. Materiality | b. Going concern concept |
| c. Realization | d. Consistency |
- (xviii) As per accrual concept, which of the followings is not true
- | | |
|-----------------------------------|----------------------------------|
| a. Revenue –expenditure = profit | b. Revenue –profit = expenditure |
| c. Sales + gross profit = revenue | d. None of these |
- (xix) Bank is a ____
- | | |
|-------------|---------------------|
| a. Real | b. Nominal |
| c. Personal | d. All of the above |
- (xx) Which of the following is not a Real A/c?
- | | |
|-------------|------------|
| a. Building | b. Capital |
| c. Machine | d. Rent |
- (xxi) The comparison of financial statement of one year with that of another is possible only when -----concept is followed
- | | |
|------------------|-------------|
| a. Going concern | b. Accrual |
| c. Materiality | d. Matching |
- (xxii) In relation to consignment accounts –
- | | |
|---|---|
| a. Consignor sends ‘Account Sale’ to consignee; | b. Debtors sends ‘Account Sale’ to consignor; |
| c. Consignee sends ‘Account Sale’ to consignor; | d. Consignee sends ‘Account Sale’ to consignor. |
- (xxiii) The abnormal loss of Rs 80,000 occurred in consignment business, the insurance company accepted 60% claim. The abnormal loss is –
- | | |
|--------------|----------------------|
| a. Rs 80,000 | b. Rs 40,000 |
| c. Rs 32,000 | d. None of the above |

(xxiv) Which of the following is correct?

- | | |
|--|--|
| a. Dependent branch prepares complete set of books of accounts | b. Dependent branch prepares its own balance sheet |
| c. An independent branch maintains all books of accounts and prepares its final accounts | d. None of the above |

(xxv) In case of Hire-Purchase the total sum payable by the hire-purchase as per terms in order to complete the transactions is

- | | |
|------------------------|------------------------------|
| a. Net Cash Price | b. Net Hire-Purchase Charges |
| c. Hire-Purchase Price | d. Cash Price Installment. |

Group – B

(Short Answer Type Questions)

4 x 5 = 20

Answer any *four* from the following

- | | | |
|----|---|---|
| 2. | Financial accounts and financial statements are close but signifies different meaning. Explain | 5 |
| 3. | Distinguish between : | |
| | (a) Financial Accounting and Financial Management | 2 |
| | (b) Cash and Mercantile System of Accounting | 3 |
| 4. | Justify the satisfaction of accounting identity from the following transactions 2019 | 5 |
| | Jan. 1 Commenced business with cash Rs.40,000 and goods Rs.12,000 | |
| | Jan. 6 Paid for salary Rs.6,000 | |
| | Jan. 8 Purchased goods for cash Rs.18,000 and on credit Rs.15,000 | |
| | Jan. 15 Bought Furniture from Yash for cash8,000 | |
| | Jan. 18 Goods costing Rs.25,000 sold at a profit of 20% out of which Rs.16,000 received in cash. | |
| | Jan. 20 Bought Furniture for shop Rs.8,000 and for household use of Rs.5,000 | |
| 5. | Prepare Trial Balance from the following details – | 5 |
| | Cash - ₹5,000; Trade Receivables - ₹10,000, Trade Payables - ₹ 15,000, Capital - ₹2,000, Reserve - ₹ 3,000, Fixed Assets - ₹ 20,000, Current Liabilities - ₹ 30,000 | |
| | Current Assets - ₹ 10,000, Liquid Assets - ₹ 5,000 | |
| 6. | Mr.Jayanta Sinha a salesman gets a fixed salary of ₹400 per month plus a bonus of 20% of the net profits computed after charging such salary and bonus. Profits for a particular year prior to charging Mr.Sinha’s salary and bonus is ₹28,800. Calculate the amount due to Mr.Sinha. | 5 |
| 7. | Explain the usefulness of Ratio Analysis. | 5 |

Group – C

(Long Answer Type Questions)

3 x 10 = 30

Answer any *three* from the following

8. Construct a Cash Book from the following details in the books of M Pvt. Ltd. 2019 5
- March 1 – Opening Balance of Cash - ₹52,000, SBI - ₹27,000
- March 2 – Opened a current account with UBI by transferring from SBI ₹5,000
- March 7 – Purchased goods for ₹75,000 from Datta& Co., 50% of which paid by cash, rest is on credit and 2% trade discount received.
- March 10 – Purchased stationery for home use of the owner ₹500
- March 12 – Sold goods for ₹2,90,000 to Mohan Ltd., 65% of which received on the date of sale and 50% which is transferred to UBI on the same date. Rest is on credit.
- March 20 – Cheque received from debtors in full settlement of the dues.
- March 22 – Cheque received on March 20 deposited in to bank.
- March 24 – Another cheque received from Mr. Patil for services performed earlier amounting to ₹ 35,000 and same has been deposited in to UBI and SBI in equal amount.
- March 27 – Paid to creditors in full settlement of their dues from SBI.
- March 30 – It is decided that the Cash Balance should be kept at ₹5,000 and if there is any excess, then that amount will be transferred to UBI.

9. From the following figures construct Financial Statement for M/S Mittal Bros. 10
as on 31.03.2019

| | Dr. | Cr. |
|-----------------------------------|------------|------------|
| Particulars | Amount (₹) | Amount (₹) |
| Capital | | 1,72,000 |
| Cash in Hand | 4,500 | |
| Cash at Bank | 19,600 | |
| Purchase and Sales | 1,22,000 | 2,37,000 |
| Payment to Labors | 34,000 | |
| Power and Fuel | 9,600 | |
| Payment to Administrative Workers | 20,000 | |
| Carriage Outward | 2,400 | |
| Carriage for Purchases | 5,000 | |
| Stock (31.03.2018) | 14,600 | |
| Building | 80,000 | |
| Plant and Machinery | 50,000 | |
| Furniture | 12,000 | |
| Debtors and Creditors | 30,000 | 18,000 |
| Selling and Distribution Expenses | 6,300 | |
| Insurance | 1,400 | |
| Commission | | 2,400 |
| Drawings | 18,000 | |

Additional Information:

- i) Stock on 31.03.2019 valued at ₹25,000 (Market Value ₹28,000).
- ii) Building, Plant and Machinery and Furniture are to be depreciated by Rs. 6,000, Rs. 7,000 and Rs. 2,200 respectively.
- iii) Calculate interest on Capital and Drawings by 4%.
- iv) Commission earned but not received Rs. 750.
- v) The figure of Sundry Creditors includes an amount of Rs.2,000 received from R and credited to his account. The amount was written off as a bad debt in the previous year.
- vi) The Manager is entitled to a commission of 10% on the net profit before charging such commission.

10. (a) Explain in detail different grouping of cash flows appearing in cash flow statement. 5
- (b) Explain the meaning of discount column appearing on the debit and credit side of triple column cash book. 5
11. (a) X Ltd., has a current ratio of 3.5:1 and quick ratio of 2:1. If excess of current assets over quick assets represented by inventories is Rs. 24,000, calculate Current assets and current liabilities. 5
- (b) Calculate 'Liquidity Ratio' from the following information and interpret the result obtained: 5
- Current liabilities = Rs. 50,000
 Current assets = Rs. 80,000
 Inventories = Rs. 20,000
 Advance tax = Rs. 5,000
 Prepaid expenses = Rs. 5,000
12. From the following information prepare a cash flow statement for the year ended 31.03.2018 10

| Particulars | Note No. | 31.03.2017 (₹) | 31.03.2018 (₹) |
|--|----------|-------------------|-------------------|
| I. EQUITY & LIABILITIES | | | |
| (1) Shareholder's Funds | | | |
| (a) Share Capital | | | |
| Equity share capital of ₹100 each | | 1,50,000 | 1,75,000 |
| (2) Non – Current Liabilities | | | |
| Long Term Borrowings (Unsecured Loans) | | Nil | Nil |
| (3) Current Liabilities | | | |
| (a) Trade Payables | | 50,000 | 40,000 |
| (b) Bank Overdraft | | 1,60,000 | 1,00,000 |
| (c) Creditors | | 90,000 | 1,25,000 |
| TOTAL | | 4,50,000 | 4,40,000 |

| II. ASSETS | | | |
|---|--|-----------------|-----------------|
| (1) Non – Current Assets | | | |
| (a) Fixed Assets | | 2,00,000 | 1,40,000 |
| Plant & Machinery | | 1,10,000 | 1,50,000 |
| Land & Buildings | | | |
| (c) Other Non-Current assets (expenses on the issue of shares) | | | |
| | | 50,000 | 45,000 |
| (2) Current Assets | | 70,000 | 80,000 |
| (a) Inventories (Stock) | | 20,000 | 25,000 |
| (b) Trade Receivables | | 4,50,000 | 4,40,000 |
| (c) Cash and Cash Equivalentents | | | |
| TOTAL | | | |

Additional Information :

- a) Net Profit for the year 2018 amounted to ₹60,000
- b) During the year, a machinery costing ₹25,000 (accumulated depreciation ₹10,000) was sold for ₹13,000. The provision for depreciation against machinery as on 31.03.2017 was ₹50,000 and on 31.03.2018 was ₹85,000.