

Code No: 761AC

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD
MBA I Semester Examinations, May - 2022
FINANCIAL ACCOUNTING AND ANALYSIS

Time: 3 Hours

Max.Marks:75

Answer any five questions
All questions carry equal marks

- 1.a) What is double entry system? Explain the rules of double entry system with suitable examples.
- b) Discuss the implications of Generally Accepted Accounting Principles on accounting system. [7+8]
- 2.a) Explain the objectives of accounting.
- b) Critically examine the role of accountant in present day economy. [7+8]
- 3.a) Distinguish between depreciation, depletion and amortization.
- b) Discuss various methods of depreciation with their advantages and disadvantages. [7+8]
- 4.a) From the following trial balance of Mrs.Hun Shine & Co. Prepare the trading and profit and loss account for the year ended 31.3.2019 and balance sheet as on that date after taking into consideration the adjustments given below.

Particulars	Debit (Rs.)	Credit (Rs.)
Capital		25,000
Loans		5,000
Sales		35,000
Accounts payables		4,000
Bills payables		5,000
Purchase returns		2,000
Dividend received		3,000
Plant & Machinery	13,000	
Buildings	17,000	
Receivables	9,650	
Purchases	18,000	
Discount allowed	1,200	
Wages	7,000	
Salaries	3,000	
Travelling expenses	750	
Freight	200	
Insurance	300	
Commission paid	100	
Bank	1,700	
Repairs	500	
Interest on loan	600	
Opening inventory	6,000	
Total	79,000	79,000

Additional data:

- i) Closing inventory Rs. 8,000
 - ii) Depreciation on Plant & Machinery at 15% and 10% on buildings
 - iii) Provision for doubtful receivables Rs. 500
 - iv) Insurance prepaid Rs. 50
 - v) Outstanding rent Rs. 100
- b) Explain the purpose of preparing trading and Profit and Loss account and furnish the format. [10+5]
- 5.a) What are the advantages of double entry system?
- b) Discuss the meaning and accounting treatment of various kinds of material losses. [7+8]
- 6.a) The balance sheet of Taj Limited company discloses the following financial position as at 31st Dec, 1996.

Liabilities	Rs.	Assets	Rs.
Share capital in shares of Rs. 100 each 1,500 6% pref shares	1,50,000	Goodwill	50,000
6,500 equity shares	6,50,000	Free hold property	3,75,000
Profit and loss account	4,50,000	Plant and Machinery less depreciation	3,50,000
5% debentures - 1980	3,00,000	Stock	3,70,000
Sundry creditors	2,39,250	Debtors net	3,99,250
		Bank balance	2,45,000
	17,89,250		17,89,250

Profit after tax for the three years 1994,1995 and 1996 after charging debentures interest were Rs. 2,25,000, Rs. 3,22,500 and Rs. 2,40,000 respectively. Mr. Neo Rich is interested in buying all the equity shares and requests you to let him know the proper price. You got the following information.

- i) The normal rate of return is 10% on net assets attributed
- ii) Goodwill may be calculated at 3 times adjusted average super profit of the 3 years referred to above (present value of Rs. 1 is 2,487).
- iii) The value of freehold property is to be ascertained on the basis of 8% return. The current rental value is Rs. 50,400
- iv) Rate of tax applicable is 50%
- v) 10% profits for 1995 referred to above arose from a transaction of a non-recurring nature.
- vi) A provision of Rs. 15,750 on sundry debtors was made in 1996 which is no longer required. Profit for the year 1996 is to be adjusted for this item.
- vii) A claim of Rs. 8250 against the company is to be provided & adjusted against profit for 1996.

Ascertain the value of goodwill of the company. (the capital employed may be taken as on 31st December 1996.)

- b) Discuss advantages and disadvantages of single entry system. [10+5]

- 7.a) Explain the differences between funds flow and cash flow statements.
 b) From the following balance sheets of Mother India Ltd. And additional information, prepare a statement of changes in the working capital and funds flow statement for the year that ended on 31st December 2005.

Liabilities	2004 Rs.	2005 Rs.	Assets	2004 Rs.	2005 Rs.
Equity share capital	3,00,000	4,00,000	Goodwill	1,00,000	80,000
8% Redeemable preference shares	1,50,000	1,00,000	Land and Building	2,00,000	1,70,000
Profit and Loss a/c	30,000	48,000	Plant	80,000	2,00,000
General reserves	40,000	50,000	Investment	20,000	30,000
Capital reserves	-	20,000	Stock	77,000	1,09,000
Proposed dividends	42,000	50,000	Debtors	1,40,000	1,70,000
Sundry Creditors	25,000	47,000	Bills receivables	20,000	30,000
Bills payables	20,000	16,000	Bank	15,000	10,000
Liabilities for expenses	30,000	36,000	Cash	10,000	8,000
Taxation provision	40,000	50,000	Preliminary exp	15,000	10,000
	6,77,000	8,17,000		6,77,000	8,17,000

Additional information:

- i) A piece of land was sold in 2005 and the profit on sale was credited to capital reserve a/c.
 ii) A machine (WDV-12,000) was sold for Rs. 10,000. In 2005, a depreciation of Rs. 10,000 was charged to plant a/c.
 iii) The investments are trade investments. Rs. 3,000 is received by way of dividend, including Rs. 1,000 from pre-acquisition profit, which was credited to investment a/c.
 iv) An interim dividend of Rs. 20,000 has been paid in 2005. [5+10]
- 8.a) Explain about vertical analysis of a company.
 b) The following are the balance sheets of a concern for the ending 31st March, 2010 and 2011. Prepare a comparative balance sheet and study the financial position of the concern. [5+10]

Balance sheet as on 31st March 2010 and 31st March 2011

Liabilities	2010	2011	Assets	2010	2011
Equity Share capital	600000	800000	Land & Building	370000	270000
Reserves & Surplus	330000	222000	Plant & Machinery	400000	600000
Debentures	200000	300000	Furniture & Fixtures	20000	25000
Long term loans on Mortgage	150000	200000	Other fixed assets	25000	30000
Bills payable	50000	45000	Cash in hand and bank	20000	80000
Sundry creditors	100000	120000	Bills receivables	150000	90000
Other current liabilities	5000	10000	Sundry debtors	200000	250000
			Stock	250000	350000
			Prepaid expenses		2000
	14,35,000	16,97,000		14,35,000	16,97,000

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