Code No: 14MBA **R7**

M.B.A. I Semester Regular Examinations, January 2009
FINANCIAL ACCOUNTING AND ANALYSIS
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Time: 3 hours **Max Marks: 60**

Answer any FIVE Questions
All Questions carry equal marks
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1. Define the following terms:
   (a) Equity
   (b) Revenue
   (c) Expenses
   (d) Capital.

2. From the following balances taken from the ledger of Sri Krishna on 31^{st} March 2005, prepare the Trading & Profit & Loss Account for the year ended 31^{st} March, 2005 and the Balance Sheet as at 31^{st} March 2005 of Sri Krishna:-

Dr. Balances	Rs.	Cr. Balances	Rs.
Building	15000	Sundry Creditors	19000
Income Tax	1025	Bank Interest	75
Loose Tools	1000	Sales	185000
Cash at Bank	16200	Loan from Ram	2500
Sundry expenses	1990	Bad Debts reserve	1600
Purchases	157000	Capital	47390
Wages	10000	Discount received	535
Carriage inwards	1120	Bills Payable	10000
Motor Van	12500		
Cash in Hand	335		
Bad Debts	100		
Sundry Debtors	9500		
Investments	6500		
Rent and Rates	850		
Furniture	3000		
Opening Stock	27350		
Discount allowed	630		
Drawings	2000		
	266100		266100

Adjustments to be taken into account:

   (a) Write off further Rs. 300 as Bad out of Sundry Debtors and create a Reserve for Bad Debts at 20% on Debtors.

(b) Dividend accrued and due on Investments Rs. 135. Rates paid in advance Rs. 100 and wages owing Rs. 450.

(c) Closing Stock RS. 15000, Loose Tools were valued at Rs. 800.

(d) Write off 5% for depreciation on Buildings and 40% on Motor Van.

(e) Provide for Interest at 12% per annum due on Loan taken on 1.6.2004.

(f) Income Tax paid has to be treated as Drawings.

3. Messrs Mill and Wright commenced business on January 1, 1994, when they purchased plant and equipment for Rs. 700000. They adopted a policy of

   (a) changing depreciation at 15% p.a. on diminishing balance basis and

   (b) changing full year's depreciation on additions.

   Over the years, their purchases of plant have been: 1.8.1995 Rs. 150000, 30.9.98 Rs. 200000.
   On 1.1.98, it was decided to change the method and rate of depreciation to 10% p.a. on straight line basis with retrospective effective from 1.1.1994, the adjustment being made in the accounts for the year ending December 31, 1998. Calculate the difference in depreciation to be adjusted in the Plant and Equipment accounts on 1.1.98 and show the ledger account for the year 1998.

4. Explain the FIFO and LIFO methods of valuation of materials issues. Discuss the effects of rising prices and falling prices on these two methods of pricing of materials issues.

5. What do you mean by redemption of debentures? What journal entries are recorded in the books of a company when provision is made through sinking fund for the redemption of debentures.

6. From the following balance sheets of Anurag Products Ltd. for the years ending 31st March, 2006 & 2007 prepare a statement of sources and uses of funds (Funds flow statement)

Liabilities	31-3-2006 Rs.	31-3-2007 Rs.	Assets Assets	31-3-2006 Rs.	31-3-2007 Rs.
Equity share capital	3,00,000	4,00,000	Goodwill	1,15,000	90,000
10% preference share capital	1,50,000	1,00,000	Buildings	2,00,000	1,70,000
General Reserve	40,000	70,000	Plant	80,000	2,00,000
Profit and Loss Account	30,000	48,000	Debtors	1,80,000	2,30,000
Proposed Dividend	42,000	50,000	Stock	77,000	1,09,000
Creditors	75,000	99,000	Cash and Bank balances	25,000	18,000
Provision for Taxation	40,000	50,000			
Total	6,77,000	8,17,000	Total	6,77,000	8,17,000

Additional Information:

(a) Depreciation of Rs.10,000 and Rs.20,000 have been charged on plant and buildings respectively.

(b) An interim dividend of Rs.20,000 has been paid in 2007 and income tax paid during 2007 amounted to Rs.35,000.

7. The following ratios and other data pertain to Kohinoor Diamonds Ltd., for the year ended $31^{stMarch}$, 2007.

Current Ratio	1.75 : 1
Acid Test Ratio	1.27 : 1
Working Capital	Rs. 33,000
Gross Profit	40%
Fixed Assets to Share holders equity	.625 : 1
Inventory Turnover Ratio (based on closing stock of inventory)	4 times
Earnings per share	Rs. 0.50
Debt Collection period	73 days
Shares issued in number	20,000
Earnings for the year on share capital	25%

The company has no prepaid expenses, deffered charges, intangible assets or long term liabilities. Prepare Balance sheet with as many details as possible.

8. What do you mean by 'Recommendatory' and 'Mandatory' Accounting Standards. Explain any two Mandatory Accounting Standards.

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