

**FINANCIAL ACCOUNTING FOR MANAGERS**

(For students admitted in 2014 and 2015 only)

Time: 3 hours

Max. Marks: 60

All questions carry equal marks

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**SECTION – A**

Answer the following: (05 X 10 = 50 Marks)

- 1 What is account? Explain its classification with rules of debit and credit.
- OR**
- 2 Accountants frequently refer to a procedure as being conservative. Explain what is meant by “Conservative accounting procedures”. State some of applications of the concept of conservatism.
- 3 From the following data of Mr. Kumar for the year ending 31-12-2014, prepare trading, profit & loss account and balanced sheet.

Particulars	Debit	Credit
Capital		128500
Stock	25000	
Purchases and sales	130500	245000
Returns	3000	2000
Provision for doubtful debts		1000
Carriage inwards	7500	
Bills receivables & payables	50,000	5000
Plant & Machinery	60,000	
Furniture	3500	
Sunday debtors & creditors	70,000	46000
Fuel	1500	
Wages	12500	
Duty and clearing charges	1500	
Rent	2800	
Insurance	400	
Carriage outwards	6200	
Salaries	28290	
Factory rent	2400	
Drawings	12000	
Cash in hand	1610	
Crash at bank	5800	
Prepaid expenses	3000	
Total	427500	427500

Adjustments: (i) Closing stock Rs. 50,000. (ii) Outstanding salaries 4800, outstanding factory rent 2400. (iii) Write off 4000 as bad debts. (iv) Maintain provision for doubtful debts at two and half percentage on debtors. (v) Depreciation on plant and machinery at 10%, on furniture at 10%. (vi) Interest on capital at 5% p.a.

**OR**

- 4 How do you classify accounts? What is ledger? What is meant by sub-division of ledger?
- 5 Explain briefly the different methods of valuation of good will.

**OR**

- 6 On 31<sup>st</sup> December 2014, position was as under:

Particulars	Cost	Depreciation
Plant and machinery	150710	62350
Furniture and fixtures	26450	11500

He purchased a machine for Rs. 10,000 on 1<sup>st</sup> April, 2014 and furniture for Rs. 3000 on 1<sup>st</sup> June, 2014. A machine costing Rs. 6000 purchased on 1<sup>st</sup> January, 2014 was sold for Rs. 5500 on 30<sup>th</sup> June, 2014. Depreciation is provided @ 10% on written down value method. Show the relevant accounts for the year ended 31<sup>st</sup> December, 2014.

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7 What is funds flow statement? What are the steps in preparation of funds flow statement?

OR

8 The following are the balance sheets of Vistal Ltd. for the year 2013 and 2014. Prepare funds flow statement.

Liabilities	2013 (Rs)	2014 (Rs)	Assets	2013 (Rs)	2014 (Rs)
Share capital	2,00,000	2,60,000	Good will	---	20000
P & L A/C	39690	41220	Machinery	112950	116200
Reserves	50,000	50,000	Buildings	148500	144250
Tax provision	40,000	50,000	Stock	111040	97370
Bank overdraft	59510	---	Sunday debtors	87490	73360
Bills payable	33780	11525	Cash	2500	2700
Sunday creditors	39500	41,135			
Total	462480	453880	Total	462480	453880

Additional information:

(i) During 2014, an interim dividend of Rs. 26000 was paid. (ii) The assets of another company were purchased for 60,00 payable in fully paid shares of Vistal Ltd. these assets include stock 22000 and machinery Rs. 18000. In addition Sunday purchases of machinery amounted to Rs. 5500. (iii) Income tax paid during the year amounted to Rs. 25000. (iv) The net profit for the year before tax was Rs. 62350.

9 Describe profitability and activity ratios.

OR

10 On 31<sup>st</sup> March, 2015 the cash book of a firm showed a bank balance of Rs. 3000. From the following information, prepare a bank reconciliation statement, showing the balance as per pass book:

(i) Cheques have been issued for Rs. 2500 out of which cheques worth Rs. 2000 only presented for payment.

(ii) Cheques worth Rs. 7000 deposited on 28<sup>th</sup> march but had not been credited by the bank. One cheque for Rs. 250 was entered in the cash book on 30<sup>th</sup> March, but was banked on 3<sup>rd</sup> April, 2015.

(iii) A cheque from Mohan for Rs. 200 was paid in on 26<sup>th</sup> March, but was dishonored and the advice was received on 2<sup>nd</sup> April, 2015.

(iv) Pass book showed bank charges Rs. 10 debited by the bank. It also showed Rs. 400 collected by the bank as interest.

(v) One of the debtors deposited a sum of Rs. 250 in the account of the firm on 20<sup>th</sup> March. Intimation in this respect was received from the bank on 2<sup>nd</sup> April, 2015.

### SECTION – B

(Compulsory Question)

01 X 10 = 10 Marks

11 **Case study:**

Your are given the following information:

Particulars	Amount
Cash in hand	10,000
Cash at bank	15,000
Sunday debtors	75,000
Stock	60,000
Bills payable	25,000
Bills receivables	30,000
Sunday creditors	40,000
Outstanding expenses	20,000
Prepaid expenses	10,000
Dividend payable	15,000
Land and building	2,00,000
Good will	1,00,000

Calculate:

- Current ratio.
- Liquid ratio.
- Absolute liquidity ratio.

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