

**SVKM's NMIMS**  
**NMIMS – GLOBAL ACCESS SCHOOL FOR CONTINUING EDUCATION**

Programme: CBM

Examination: December 2015

Subject: Financial Accounting

Date: 17.12.2015

Term End Examination

Marks : 70

Time: 11.00 a.m. to 2.00 p.m.

**Instructions:**

1. Answer to each new question to be started on a fresh page.
2. Figures in bracket indicate full marks.

**Q.1) Attempt any 2 out of 4**

**(Marks: 2X5=10)**

- a) What are the objectives and scope of accounting?
- b) Discuss various methods of providing depreciation?
- c) Distinguish between capital and revenue expenditure?
- d) Explain the difference between cash flow operating, financing activities and investing activities?

**Q.2) Write Short Notes on any 2 out of 5**

**(Marks: 2X5=10)**

- a) Basic accounting assumptions
- b) Trial Balance
- c) Accounting for investments (AS 13)
- d) Rules of posting
- e) Disclosure of accounting policies

**Q.3) Attempt any 3 out of 5**

**(Marks: 3X10=30)**

- a) From the following information available for 3 companies calculate
  - i) Operating Leverage
  - ii) Financial Leverage
  - iii) Combined Leverage

Particulars	L	S	K
Selling price/unit ₹	30	40	50
Variable Cost/unit ₹	20	30	40
Units	40,000	50,000	60,000
Fixed Costs ₹	60,000	80,000	100,000
Interest ₹	30,000	50,000	70,000
Tax Rate %	40	40	40
No of Equity shares	10,000	18,000	20,000

b) The following balance appeared in the books of Pawan Ltd. as on 31-3-15

Particulars	₹	Particulars	₹
Advertisement	21,000	Capital	12,50,000
Buildings	6,24,000	Sales	17,89,400
Wages	2,59,300	Purchase returns	9,400
Rates and Taxes	87,000	Discount	3,700
Purchases	9,64,000	Loan on Mortgage	1,20,000
Stock as on 1.4.14	3,66,300	General Reserve	80,000
Sales returns	3,900	Creditors	2,02,000
Carriage	22,500	Bank Overdraft	66,200
Insurance	11,800	Rent received	10,000
Office Salaries	1,14,700	Reserve Fund	50,000
Motor Vehicles	1,40,000		
Office Furniture	32,000		
Interest and Bank charges	38,600		
Sundry Debtors	3,60,000		
Cash and Bank Balance	35,600		
Goodwill	5,00,000		
	<b>35,80,700</b>		<b>35,80,700</b>

Adjustments:

1. Stock as on 31-3-15 was Rs. 4, 00,000.
2. Salaries outstanding was Rs. 6,000.
3. Insurance prepaid was Rs. 1,800.
4. Reserve for doubtful debts was to be kept @ 5% on debtors.
5. Depreciate buildings by 5%, Motor vehicles by 10% and office furniture by 20%.

Prepare Profit and Loss account for the year ended 31-3-15 and Balance sheet as on that date.

c) Explain the meaning of adjustment entries with the help of examples?

d) The following is the Balance Sheet of Tanay Ltd as on 31.3.2015

Liabilities	Rs.	Assets	Rs.
Share Capital	2,00,000	Land and Building	1,40,000
General Reserve	30,000	Plant and Machinery	3,50,000
Profit and Loss account	40,000	Stock in trade	2,00,000
12% Debentures	4,20,000	Sundry Debtors	1,00,000
Sundry Creditors	1,00,000	Bills Receivable	10,000
Bills Payable	50,000	Cash at Bank	40,000
	<b>8,40,000</b>		<b>8,40,000</b>

- 1) Calculate the following Ratios
  - a) Current Ratio
  - b) Liquid Ratio
  - c) Debt Equity Ratio
  - d) Proprietary Ratio
  - e) Capital Gearing Ratio

e) Following are the Balance Sheets of two different companies as on 31.3.2015  
(₹ in lakhs)

Liabilities	A. Ltd ₹	B. Ltd ₹	Assets	A. Ltd ₹	B. Ltd ₹
Equity Share Capital	2,000	3,000	Land and Building	2,000	2,500
Preference share capital	800	1,200	Machinery	400	900
General reserve	200	400	Furniture	40	80
Profit and loss account	500	800	Patents	500	800
Secured Loan	250	600	Investments	50	100
Bank overdraft	100	150	Inventory	700	1,500
Creditors	400	1,000	Debtors	600	1,400
Provision for tax	200	300	Goods with consignee	80	90
Provision for doubtful debts	10	20	Share issue expenses	90	100
	<b>4460</b>	<b>7470</b>		<b>4460</b>	<b>7470</b>

You are required to prepare Common size Balance sheet in Vertical format for the year ended 31.3.2015.

Q.4) Solve the following

(Marks: 2X10=20)

Prepare cash flow statement for the year ended 31<sup>st</sup> December, 2015 from the following Balance Sheet of Bikram Ltd.

Liabilities	2014 ₹	2015 ₹	Assets	2014 ₹	2015 ₹
Share Capital	15,00,000	15,00,000	Building	15,00,000	14,25,000
Reserves and Surplus	3,75,000	4,50,000	Plant & Machinery	12,60,000	13,81,500
Profit/Loss A/c	2,28,780	2,29,500	Stocks	3,00,000	2,22,000
Loan from Bank	5,25,000	4,65,000	Sundry Debtors	6,00,000	4,80,000
Sundry Creditors	8,25,000	6,93,700	Cash/Bank	9,000	58,500
Provision for Taxation	2,52,720	2,28,800	Preliminary expense	37,500	---
	<b>37,06,500</b>	<b>35,67,000</b>		<b>37,06,500</b>	<b>35,67,000</b>

Other Information

- 1) Dividend Interim of ₹ 88,000 was paid during the year
- 2) Depreciation on Building is provided at 5%
- 3) Plant and Machinery of ₹ 2,25,000 was acquired during the year.

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