

NMIMS – GLOBAL ACCESS SCHOOL FOR CONTINUING EDUCATION

Programme: DBM/PGDBM/DMM/PGDMM/DFM/PGDFM/DHRM/PGDHRM/DITM/
PGDITM/DSCM/PGDSCM/DBFM/PGDBFM

Examination: December 2016
Subject: Financial Accounting

Semester: II
Course : New
Marks : 70
Time: 11.00 a.m. to 2.00 p.m.

Date: 15.12.2016

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) Differentiate between Journal and Ledger.
- b) Explain the objectives of preparing financial statements.
- c) What are the limitations of Cash Flow Statement?
- d) Discuss in brief the techniques of Financial Statement Analysis.

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

(Marks: 2X5=10)

- a) Elaborate the limitations of trial balance.
- b) What are the objectives of Accounting Standards?
- c) Briefly discuss the main reasons for using common size analysis.
- d) From the following data of 'Dumb Ltd.', calculate the ROCE and P/E Ratio:
EBIT - Rs. 8,000; Equity Capital - Rs. 60,000; Reserves - Rs.12,000; 10% Debentures - Rs.10,000; MPS- Rs.125; PAT - Rs.7,000; Number of outstanding equity shares - 1200
- e) Calculate the net cash flow from financing activities from the following data:
Cash from issue of debentures - Rs.15,00,000;
Cash from issue of Equity shares - Rs. 20,00,000;
Repayment of Long term bank Loan - Rs.5,00,000;
Dividends paid - Rs.10,00,000;
Buy-back of existing shares - Rs.5,00,000;

Q.3) Attempt any 3 out of 5

(Marks: 3X10=30)

- a) Discuss the Principle & Implication of Management's Discussion & Analysis (MD&A)
- b) State with reason whether the following items are of capital or revenue in nature.
 - 1) Amount of Rs. 10,000 received from cash sales.
 - 2) Dividend received Rs. 3,400.
 - 3) Commission received from business activities Rs. 5,350.
 - 4) An amount of Rs. 50,000 paid for replacing petrol driven engine with diesel engine.
 - 5) Rs. 2,300 paid for replacing a worn out part of machine with a new part.

c) From the following Income statement of the company for the years ending 31st December, 2013 and 2014, prepare a common size Income Statement and provide brief interpretation.

Particulars	2013	2014
Sales	500000	700000
Miscellaneous Income	20000	15000
	520000	715000
Expenses:		
Cost of Sales	325000	510000
Office Expenses	20000	25000
Selling Expenses	30000	45000
Interest	25000	30000
	400000	610000
Net Profit	120000	105000

d) The summarized Balance Sheet of PA Traders Ltd. for the year ended 31-03-2009 is as follows:

Liabilities	Rs	Asstes	Rs
Equity Share Capital	14,000,000	Fixed Assets	21000000
Reserves & Surplus	4,500,000	Less : Depreciation	2500000
Profit & Loss A/c	2,000,000	Stock	2,500,000
Provision for tax	1,000,000	Debtors	3,000,000
Creditors	4,000,000	Cash	1,500,000
	<u>25,500,000</u>		<u>25,500,000</u>

Following further particulars are also given:

Sales	Rs. 1,20,00,000
Earnings Before Interest & Tax(EBIT)	Rs. 30,00,000
Net Profit After Tax	Rs. 20,00,000

Calculate & comment on the following:

- 1) Current Ratio
- 2) Liquidity Ratio
- 3) Profitability Ratio
- 4) Returns on Capital Employed
- 5) Debtors Turnover
- 6) Average Collection period
- 7) Return on Equity

e) Prepare a Balance Sheet based on the following data:

Current Ratio	-	2.4
Liquidity Ratio	-	1.6
Inventory Turnover (on cost of sales)	-	8
Gross Profit Ratio	-	20%
Credit allowed	-	1.5 months
Net working capital	-	280,000

Fixed assets are equivalent to 90% of its net worth, while reserves are 40% of share capital.

Q.4) Solve the following

(Marks: 2X10=20)

a) The balance sheet for December 31, 2010, December 31, 2009, and the income statement for the year ended December 31, 2010, for Rocket Company follows.

Rocket Company
Balance Sheet as on December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Cash	25,000	20,000
Accounts receivable, net	60,000	70,000
Inventory	80,000	100,000
Land	50,000	50,000
Building and equipment	130,000*	115,000
Accumulated depreciation	<u>(85,000)</u>	<u>(70,000)</u>
Total assets	<u>260,000</u>	<u>285,000</u>
<u>Liabilities and Stockholders' Equity</u>		
Accounts payable	30,000	35,000
Income taxes payable	4,000	3,000
Wages payable	5,000	3,000
Current notes payable	50,000**	60,000
Common stock	110,000***	100,000
Retained earnings	<u>61,000</u>	<u>84,000</u>
Total liabilities and stockholders' equity	<u>260,000</u>	<u>285,000</u>

* During 2010 cash payments for building and equipment : 15,000

** During 2010 cash paid for retirement of notes payable : 10,000

*** During 2010 cash received from issuance of stock.

Rocket Company
Income Statement For the Year Ended December 31, 2010

Sales		500,000
Less expenses:		
Cost of goods sold	330,000	
Selling and administrative expenses (includes depreciation of 15,000)	90,000	
Interest expense	<u>5,000</u>	
Total expenses		<u>425,000</u>
Income before taxes		75,000
Income tax expense		<u>30,000</u>
Net income		<u>45,000</u>

Note: Cash dividends of 68,000 were paid during 2010.

Prepare the statement of cash flows for 2010 using Indirect Method.

b) On the basis of the following balances as at 31st December extracted from the books of Alpha Ltd. you are required to:

(i) Ascertain the missing balances
From the following trends statement for the year 31st December, 2013, 2014 & 2015

(ii) Give your interpretation on the same.

Particulars	31.12.13		31.12.14		31.12.15	
	Rs.	%	Rs.	%	Rs.	%
Fixed Assets	1,60,000	100	?	150	?	200
Less: Depreciation Prov.	60,000	100	?	150	?	250
Net fixed assets	1,00,000	100	?	150	?	170
Current Assets:						
Stock	3,00,000	100	?	120	?	140
Debtors	4,50,000	100	?	120	?	160
Bank balances	1,00,000	100	?	80	?	110
Short term advances	?	100	?	?	?	?
Total Current Assets	10,00,000	100	?	120	?	144
Less: Current Liabilities	3,00,000	100	?	110	?	130
Working Capital	?	100	?	?	?	?
Capital Employed	?	100	?	?	?	?
Debentures	4,00,000	100	?	75	?	50
Net worth	?	100	?	?	?	?
