

I SEMESTER

MBA (BA)

END SEMESTER EXAMINATION NOV/DEC 2019

MB-104 FINANCIAL ACCOUNTING &amp; COST ANALYSIS

Time: 3:00 Hours

Max. Marks : 60

**Note** : Question 1 is compulsory. Attempt any 5 out of the remaining questions.

All questions carry equal marks.

Assume suitable missing data, if any.

Q.1. Write short notes on (any four)-

- (a) Accrual Basis of Accounting.
- (b) Depreciation, Amortisation and Depletion
- (c) Matching concept.
- (d) Methods of Inventory valuation
- (e) Du-Pont Analysis

Q.2. Manning company entered into these transactions during the July 2019, its first month of operations-

- (i) Stockholders invested ₹ 40,000 in the business in exchange for common stock of the company.
- (ii) Purchased computers for office use for ₹ 30,000 from Dell on account.
- (iii) Paid ₹ 4,000 cash for July rent on storage space.
- (iv) Performed computer services worth ₹ 19,000 on account.
- (v) Performed computer services for lawton corporation for ₹ 5,000 cash.
- (vi) Paid BSES ₹ 8,000 cash for energy usage in July.
- (vii) Paid Dell for computers purchased in (ii).
- (viii) Incurred advertising expense for July of ₹ 1,300 on account.
- (ix) Received ₹ 12,000 cash from customers for contracts billed in (iv).

Show the effect of the above transaction on accounting equation.

Q.3. In recent years Farr Company has purchased three machines. Because of frequent employee turnover in the accounting department, a different accountant was in charge of selecting the depreciation method for each machine, and various methods have been used. Information concerning machines has been summarised in the table below-

Machine	Acquired	Cost(₹)	Salvage Value	Useful life (in years)	Depreciation Method
1	Jan 1, 2012	96000	12000	8	Straight line
2	July 1, 2013	85000	10000	5	Declining balance
3	November 1, 2013	66000	6000	6	Units of Activity

For the declining balance method, Farr Company uses a rate of 20% p.a. For the units of activity Method, total machine hours are expected to be 30,000. Actual hours of use in the first three years were-

2013	800
2014	4500
2015	6000

- Compute the amount of accumulated depreciation on each machine at December 31, 2015.
- If machine 2 was purchased on April 1 instead of July 1, what would be the depreciation expense for this machine in 2013? In 2014?

Q.4. Shown below are comparative balance sheets for BigBoss Company

**BigBoss Company**  
Comparative Balance Sheets  
December 31

Assets	2014	2013
Cash	68000	22000
Accounts Receivable	88000	76000
Inventory	167000	189000
Land	80000	100000
Equipment	260000	200000
Accumulated Depreciation-Equipment	<u>(66000)</u>	<u>(32000)</u>

Total

- 56 -

597000

555000

Liabilities and Stockholder's Equity

Accounts Payable	39000	43000
Bonds payable	150000	200000
Common Stock	216000	174000
Retained Earnings	<u>192000</u>	<u>138000</u>
<b>Total</b>	<b><u>597000</u></b>	<b><u>555000</u></b>

Additional information:

1. Net Income for 2014 was ₹ 93,000.
2. Depreciation expense was ₹ 34,000.
3. Cash Dividends of ₹ 39,000 were declared and paid.
4. Bonds Payable amounting to ₹ 50,000 were redeemed for ₹ 50,000 cash.
5. Common stock was issued for ₹ 42,000 cash.
6. No equipment was sold during 2014
7. Land was sold for its book value.

Prepare a statement for Cash flows for BigBoss Co. for 2014.

Q.5. The comparative Balance Sheet of McGraw Hills at the end of fiscal year is given as follows-

	<u>2014</u>	<u>2013</u>
Net Sales	5121.8	5286.7
Cost of Goods Sold	3540.6	3679.8
Net Income	75.9	135.8
Accounts Receivable	81.0	107.1
Inventory	1203.5	1358.2
Total Assets	2993.9	3249.8
Total Common Stockholder's Equity	921.6	1074.7

Compute the following ratios for 2014-

- a. Profit margin
- b. Asset turnover ratio
- c. Return on Assets
- d. Return on common Stockholder's equity
- e. Gross Profit rate

Q.6. Luminous started its own business on June 1, 2019. The trial balance on June 30 was as follows-

Luminous Trial Balance June 30, 2019		
	Debit(₹)	Credit(₹)
Cash	6,850	
Accounts Receivable	7000	
Supplies	2000	
Prepaid Insurance	2880	
Equipment	15000	
Accounts Payable		4230
Unearned Service Revenue		5200
Common Stock		22000
Service revenue		8300
Salaries and wages Expense	4000	
Rent Expense	<u>2000</u>	
	<u>39730</u>	<u>39730</u>

Other data-

1. Supplies on hand on June 30 valued ₹ 720.
2. A utility bill for ₹ 180 has not been recorded and will not be paid until next month.
3. The insurance policy is for one year.
4. Services were performed for ₹4100 of unearned service revenue by the end of the month.
5. Salaries of ₹ 1250 were accrued on June 30.
6. The equipment has a 5 year life with no salvage value and is being depreciated at ₹250 per month for 60 months.
7. Invoices representing ₹ 3,900 of services performed during the month have not been recorded till June 30.

Required-

Pass the necessary adjusting entries and prepare the adjusted Trial balance and Income Statement and Balance sheet as on June 30, 2019.

Q.7. A retail shop dealing in knitwear has the following transactions during June 2019-

Date	Purchase/sale	Units/Knitwear	Rate per unit (₹)
June 2	Purchase	1000	50
June 8	Purchase	500	60
June 12	Sale	500	
June 15	Purchase	800	70
June 18	Sale	1000	
June 24	Purchase	500	85
June 28	Sale	800	

Calculate the value of Closing Stock as on June 30, 2019 under perpetual and periodic system of Inventory Keeping using the following methods of valuation-

- a. FIFO
- b. LIFO
- c. Weighted Average Cost.