

# AR17

Code:17MBA1003

SET-I

ADITYA INSTITUTE OF TECHNOLOGY AND MANAGEMENT, TEKKALI  
(AUTONOMOUS)

I MBA I Semester Regular Examinations, December-2017  
FINANCIAL ACCOUNTING AND ANALYSIS

Time: 3 Hrs

Max. Marks : 60

Answer Five questions  
All questions carry EQUAL marks  
Question No. 8 is Compulsory

1. a) Explain the main objectives and functions of Accounting? **6**  
b) Explain different concepts and conventions of Accounting? **6**
2. a) Define a Ledger. Why is it known as the Principal book of accounts? Also give its ruling? **6**  
b) Transactions of Ramesh for April,2016 are given below. Journalize them. **6**

2016	Rs.
April	
1 Ramesh started business with cash	40,000
2 Paid in to Bank	28,000
3 bought goods for cash	2,500
4 Drew cash from Bank for Office	1,100
13 Sold to Krishna goods on credit	2,150
20 Bought from Shyam goods on credit	4,225
24 Received from Krishna Allowed him discount	2,100 50
28 Paid Shyam cash Discount allowed	4,000 225
30 Cash sales for the month Paid Rent Paid Salary	8,000 500 1,000

3. a) Define Goodwill. What are the factors considered while calculating Goodwill? **6**  
b) On 1<sup>st</sup> January,2007, machinery was purchased by X for Rs.50,000. On 1<sup>st</sup> July,2008 additions were made to the extent of Rs.10,000. On 1<sup>st</sup> April 2009,further additions were made to the extent of Rs.6,400. **6**  
On 30<sup>th</sup> June,2010 machinery, the original value of which was Rs. 8,000 on 1<sup>st</sup> January,2007, was sold for Rs. 6,000. X closes his books on 31<sup>st</sup> December each year.

Show the machinery account for the years from 2007 to 2010 in the books of X if depreciation is charged at 10% at Diminishing Balance Method.

4. a) Explain Alteration of Share capital and reduction of share capital. **6**  
b) Z Ltd issued 15,000 12% Debentures of Rs.100 each at a discount of 10% payable Rs.20 on application, Rs.40 on allotment and Rs.30 on first and final call. The public applied for 21,000 debentures. Application for 13,500 debentures were accepted in full. Applicants for 3,000 debentures were allotted 1,500 debentures and the remaining applications were rejected. All money were duly received. Journalize the transactions. **6**

5. a) Define Amalgamation? Explain the pooling interest method of amalgamation. **6**  
 b) X Ltd .is to absorb Y Ltd. By issuing 5 shares of Rs.10 each at a premium of 10% for every 4 shares held in Y Ltd. On the date of absorption, credit and debit balances were as under: **6**

Cr. Balances	X Ltd.	Y Ltd.	Dr.Balances	X Ltd.	Y Ltd.
Share Capital (shares of Rs.10 each)	10,00,000	6,00,000	Fixed Assets	8,00,000	4,00,000
General Reserve	1,00,000	80,000	Investments: 12,000 shaers in Y Ltd. 10,000 shares in X Ltd.	1,60,000	-  1,20,000
Credtors	2,00,000	1,20,000	Current Assets	3,40,000	2,80,000
<b>Total</b>	<b>13,00,000</b>	<b>8,00,000</b>		<b>13,00,000</b>	<b>8,00,000</b>

You are required to show(a) important ledger accounts in the books of Y Ltd., and (b) the acquisition entries in the books of Ltd, Assuming current assets of Y Ltd. Are taken at Rs.1,80,000.

6. a) What is Funds flow statement? Explain its use and significance for management. **6**  
 b) From the following balance sheets of XYZ Co. Ltd., you are required to prepare funds flow statement (including a schedule of changes in orking capital) for the year ended 31-12-2011. **6**

Liabilities	31-12-2010	31-12-2011	Assets	31-12-2010	31-12-2011
	Rs.	Rs.		Rs.	Rs.
Share capital	70,000	74,000	Cash	9,000	7,800
Debentures	12,000	6,000	Debtors	14,900	17,700
Reserve for doubtful debts	700	800	Stock	49,200	42,700
Trade creditors	10,360	11,840	Land	20,000	30,000
P/L A/C	10,040	10,560	Goodwill	10,000	5,000
	<b>1,03,100</b>	<b>1,03,200</b>		<b>1,03,100</b>	<b>1,03,200</b>

Additional information:

- Dividends paid Rs. 3,500.
- During the year, land was purchased for Rs.10,000.

7. What is double entry system of Accounting? Explain its advantages and disadvantages. **12**

8. **CASE STUDY:** The following are the Balances of Shri Gupta as on 30<sup>th</sup> June,2011.

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<b>Debit Balances:</b>	Rs.
Cash in Hand	540
Cash at Bank	2,630
Purchases	40,675
Returns Inward	680
Wages	8,480
Fuel and Power	4,730
Carriage on Sales	3,200
Carriage on Purchases	2,040
Stock(1 <sup>st</sup> July,2010)	5,760
Buildings	22,000
Freehold Land	10,000
Machinery	20,000
Investments	10,000
Patents	7,500
Salaries	15,000
General expenses	3,000
Insurance	600
Drawings	5,245
Sundry Debtors	14,500
<b>Credit Balances:</b>	
Sales	98,780
Returns outwards	500
Capital	62,000
Sundry Creditors	6,300
Rent	9,000

Taking into account the following adjustments prepare the Trading and Profit and Loss Account and Balance Sheet as on 30<sup>th</sup> June,2011:

- Stock on hand on 30<sup>th</sup> June ,2011 is Rs.6,800
- Machinery is to be depreciated at the rate of 10% and patents at the rate of 20%
- Salaries for the month of June,2011 amounting Rs.1,500 were unpaid.
- Insurance includes a premium of Rs.170 on a policy expiring on 31<sup>st</sup> December,2011.
- Bad debts are Rs.725.
- Rent received in advance Rs.1,000
- Interest on Investments of Rs. 2000 is accrued.