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**Your Roll No.....**

**Sr. No. of Question Paper : 3060** **D**

Unique Paper Code : 2922061103

Name of the Paper : Financial Accounting and Analysis

Name of the Course : **Bachelor of Management Studies**

Semester : I

Duration : 3 Hours

Maximum Marks : 90

**Instructions for Candidates**

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. This Question paper contains 5 questions in all.
3. **All** Questions carry equal marks.
4. **All** Questions are compulsory.
5. Use of Simple calculator is allowed.

1. From the following Trial Balance and information, prepare the Trading and Profit & Loss Account and

P.T.O.

Balance Sheet of M/s Madhuram & Sons for the year ended 31<sup>st</sup> March, 2022 : (18)

Particulars	Debit (Rs)	Credit (Rs)
Capital		10,00,000
Drawings	20,000	
Land and Building	10,00,000	
Plant & Machinery	2,00,000	
Furniture	50,000	
Sales		14,30,000
Return Outward		30,000
Debtors	1,84,000	
Bank Loan @ 12% p.a (on 1-7-2021)		3,00,000
Purchases	8,00,000	
Returns Inwards	50,000	
Carriage	1,00,000	
Sundry expenses	6,000	
Printing & Stationery	5,000	
Insurance expenses	10,000	
Provision for Bad and Doubtful Debts		23,800
Bad Debts	4,000	
Opening Stock	2,13,000	
Salaries and Wages	1,70,000	
Creditors		1,10,000
Legal expenses	23,000	
Cash at Bank	46,000	
Cash in Hand	12,800	
<b>Total</b>	<b>28,93,800</b>	<b>28,93,800</b>

Additional Information :

- (i) Value of Closing stock on 31-3-2022 was Rs. 2,70,000
- (ii) Fire occurred on 23<sup>rd</sup> March, 2022 and destroyed goods costing Rs. 1,00,000. The insurance company accepted 65% of the claim but settled the claim on 7<sup>th</sup> April, 2022.

- (iii) Further bad debts amounting to Rs. 14,000 are to be written off. Provision for bad and doubtful debts is to be created at 15%.
- (iv) The owner took away goods costing Rs. 20,000 for personal use but no record was made thereof.
- (v) Charge depreciation at 2% p.a. on Land and Building, 20% p.a. on Plant and Machinery and 5% p.a. on Furniture.
- (vi) Insurance is prepaid to the extent of Rs. 2,000.

2. Record the following transactions in General Journal of M/s Play Zone, a firm dealing in toys and prepare the Cash A/c in the ledger: (18)

Date	Transactions
April 1, 2022	Invested Rs. 50,00,000 into the business. Acquired furniture for Rs. 1,00,000 and deposited Rs. 40,00,000 in bank.
April 5, 2022.	Hired Mr Ram as salesman on a salary of Rs. 10,000 per month. Paid one month salary as advance.
April 7, 2022	Purchased toys costing Rs. 12,000 and sold them at a profit of Rs. 3,000
April 9, 2022	Purchased toys costing Rs. 50,000 from M/s Aggarwal & Sons.
April 10, 2022	Paid rent to landlord for own accommodation Rs. 22,000, out of which Rs 6,000 was paid in cash.
April 15, 2022	Paid half of the amount owed to M/s Aggarwal & Sons.
April 20, 2022	Sold goods to Hari Om for Rs. 60,000. Paid Rs. 2,000 as transportation charges which are to be collected from him.
April 25, 2022	Withdrawn Rs. 20,000 from bank for office use and Rs. 10,000 for personal use

3. Following extract is available from the records of the two companies Pearl Ltd and Queen Ltd belonging to the same industry : (18)

Particulars	Pearl Ltd (in Rs)	Queen Ltd (in Rs)
Property, Plant and Equipment	22,00,000	25,00,000
Trade Receivables	8,00,000	9,00,000
Inventories	36,00,000	27,00,000
Cash and Cash Equivalent	24,00,000	15,00,000
<b>Total Assets</b>	<b>90,00,000</b>	<b>76,00,000</b>
Equity Share Capital	20,00,000	15,00,000
Other Equity: Retained Earnings	36,00,000	33,00,000
10% Debentures	17,00,000	15,00,000
Trade Payables	17,00,000	13,00,000
<b>Total Equity and Liabilities</b>	<b>90,00,000</b>	<b>76,00,000</b>
Sales	2,03,00,000	1,50,00,000
Cost of Goods Sold	1,10,00,000	89,00,000
Other Operating expenses	30,00,000	11,00,000
Interest Expenses	1,70,000	1,50,000
Taxes	10,00,000	9,00,000
Dividends	11,50,000	8,00,000

Answer each of the following questions by making a comparison of one or more relevant ratios:

- (i) If you have to invest in debentures of either of the companies, which company would you prefer and why?
  - (ii) Which company has lesser short-term liquidity?
  - (iii) Which company enjoys shorter collection period?  
(Assume all sales to be on credit basis)
  - (iv) How long does each company take to convert its inventory to sales?
  - (v) Which company has more generous dividend policy?
4. (a) "Cash flows exclude movement between items that constitute cash or cash equivalents". Use the highlights of Ind AS 7 to explain the above statement. Also, describe the components and reporting of the same in Cash Flow Statement.  
(6)
- (b) Explain how Altman Z-score helps in predicting financial crisis. Use the information given below to calculate and comment on Altman Z-score of Medhavi Ltd.  
(12)

Working Capital to Total Assets	0.036495
EBIT to Total Assets	0.034894
Retained Earnings to Total Assets	0.687291
Sales to Total Assets	1.060665
Market value of Equity to Debt	10.88739

**OR**

- (a) "The accounting equation holds the key to accrual basis of accounting and double-entry system." Elaborate the given statement and bring out its relevance in the process of accounting. (9)
- (b) What are the salient features of Ind AS? Explain the benefits of harmonization of different accounting policies. (9)
5. Write short notes on any **three** of the following : (3×6)
- (a) Techniques of earnings management
  - (b) Capital and revenue receipts
  - (c) Meaning and utility of annual report
  - (d) Going Concern Concept