

**FINANCIAL ACCOUNTING FOR MANAGERS**

(For students admitted in 2017 & 2018 only)

Time: 3 hours

Max. Marks: 60

All questions carry equal marks

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**SECTION – A**

(Answer the following: 05 X 10 = 50 Marks)

- 1 Discuss the uses of accounting. What are its limitations?
- OR**
- 2 Explain the steps involved in the double entry system. What are its advantages and limitations?
- 3 Enter the following transactions in proper subsidiary books and post the same in the relevant ledger accounts.

2003 Aug	Particulars	Amount (Rs)
1	Bought goods from Ganga	2,500
2	Returned goods to Yamuna	150
5	Yamuna sold goods to us	1,500
8	Krishna purchased goods from us	1,200
11	Received goods returned by Kaveri	150
13	Returned goods to Ganga	100
17	Sold goods to Ponni	800
22	Purchased goods from Sindhu	900
27	Returned goods to Yamuna	150

**OR**

- 4 (a) Differentiate between journal and ledger.  
(b) What are the errors disclosed by the trial balance?
- 5 The stock of a material as on 1<sup>st</sup> April 1998 was 200 units at Rs.2 each. The following purchases and issues were made subsequently. Prepare stores ledger account showing how the value of the issues would be recorded under:
  - (i) FIFO and
  - (ii) LIFO methods.1998 April 5 purchases 100 units at Rs.2.20 each.  
10 purchases 150 units at Rs.2.40 each.  
20 purchases 180 units at Rs.2.50 each.  
2 issues 150 units  
7 issues 100 units  
12 issues 100 units  
28 issues 200 units

**OR**

- 6 Differentiate between straight line and diminishing balance methods of depreciation.

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- 7 From the following profit and loss account and balance sheet relating to XYZ co Ltd as on 31<sup>st</sup> March 2003,

Particulars	Rs.	Particulars	Rs.
To opening stock	3,000	By Net sales	1,95,000
To purchases	1,20,000	By closing stock	5,000
To wages	7,000		
To gross profit c/d	70,000		
	2,00,000		2,00,000
To administrative expenses	20,000	By gross profit b/d	10,000
To selling and distribution expenses	15,000	By dividend received	70,000
To loss on sale of fixed assets	5,000		
To net profit	40,000		
	80,000		80,000

Balance sheet as on March 31<sup>st</sup> March 2003

Liabilities	Rs.	Assets	Rs.
Equity share capital (5,000 equity shares of Rs.100 each)	5,00,000	Land	1,50,000
General reserve	50,000	Building	2,00,000
Profit and loss account	70,000	Plant and machinery	2,00,000
Sundry creditors	80,000	Stock	80,000
		Debtors	50,000
		Bank balance	20,000
	7,00,000		7,00,000

You are required to calculate the following: (i) Gross profit ratio. (ii) Operating ratio & operating profit ratio. (iii) Net profit to capital employed ratio. (iv) Current ratio & liquid ratio. (v) Stock turnover ratio.

**OR**

- 8 Define 'ratio'. Explain its uses, merits and demerits.
- 9 Discuss the steps involved in the preparation of a fund flow statement.

**OR**

- 10 From the balance sheets of XYA co Ltd., prepare a cash flow statement.

Capital & liabilities	2002	2003	Assets	2002	2003
Equity share capital	15,000	20,000	Good will	5,750	4,500
Preference share	7,500	5,000	Land &	10,000	8,500
Capital	2,000	3,500	Buildings	4,000	10,000
General reserve	1,500	2,400	Machinery	8,000	10,000
Profit & Loss a/c	2,100	2,500	Trade debtors	3,850	5,450
Proposed dividend	2,750	4,150	Stock	1,000	1,500
Trade creditors	1,000	800	Bills receivable	750	500
Bills payable	2,000	2,500	Cash in hand	500	400
Provision for taxation			Cash at bank		
	33,850	40,850		33,850	40,850

Additional information:

- (i) Depreciation on machinery of jRs.500 during the 2003 has to be provided.
- (ii) Depreciation of land & building of Rs.1,000 during the year 2003.
- (iii) An interim dividend of Rs.1,000 was paid during the year 2003.
- (iv) Income tax Rs.1,750 was paid during the year 2003.

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**SECTION – B**

(Compulsory question, 01 X 10 = 10 Marks)

- 11 **Case Study:**  
The following trial balance have been taken out from the books of XYZ as on 31<sup>st</sup> December 2005.

	Dr.	Cr.
	Rs.	Rs.
Plant and machinery	100,000	
Opening stock	60,000	
Purchases	160,000	
Building	170,000	
Carriage inward	3,400	
Carriage outward	5,000	
Wages	32,000	
Sundry debtors	100,000	
Salaries	24,000	
Furniture	36,000	
Trade expense	12,000	
Discount on sales	1,900	
Advertisement	5,000	
Bad debts	1,800	
Drawings	10,000	
Bills receivable	50,000	
Insurance	4,400	
Bank balances	20,000	
Sales		480,000
Interest received		2,000
Sundry creditors		40,000
Bank loan		100,000
Discount on purchases		2,000
Capital		171,500
	795,500	795,000

Closing stock is valued at Rs.90,000

You are required to prepare the trading and profit and loss account of the business for the year ended 31.12.2005 and a balance sheet as at that date.

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