# 2312N1035

Candidate's Seat No :________

**EMBA Sem-1 (Rep) Examination**

**IISe-EMS6**

**Financial Accounting**

**December-2024**

**Time : 2-30 Hours]** **[Max. Marks : 70**

***Instructions:***

- ***Question no 1 to 4 carry 14 marks each.***
- ***Question no 5 carries 14 marks (each question of 2 marks). Out of the 12 questions, attempt any seven.***

**Question 1** **[14Marks]**

Discuss the concept of provisions, contingencies, and events after the reporting period in accordance with accounting standards. How do these concepts affect the presentation of liabilities and income in the balance sheet and profit and loss account. Also, how these are recognized and measured in the financial statements and provide examples of each.

**OR**

Journalize the following transactions in the books of Mr. Ravi and also prepare the Cash Account:

a) Paid ₹ 10,000 to Mr. Y in full settlement of his account for ₹ 10,500.
b) Goods worth ₹ 1,200 were destroyed in a storm.
c) Donated ₹ 2,000 in cash, ₹ 4,000 worth of goods, and ₹ 5,000 for a bed set as charity.
d) Mr. Singh, who owed ₹ 60,000, became insolvent, and 50 paisa in a rupee was recovered from him.
e) Wages due but not paid amounted to ₹ 1,75,000.
f) Goods worth ₹ 800 were stolen by a third-party intruder.
g) Distributed ₹ 3,000 worth of goods as samples.

**Calculate:**

Journal Entries for each of the above transactions.

Cash Account for the month of April 2024.

**Question 2** **[14Marks]**

The following is the Trial Balance of M/s XYZ as at 31st March 2024:

| *Particulars* | *Debit Balance (₹)* | *Credit Balance (₹)* |
|---|---|---|
| Cash in hand | 27,000 | |
| Cash at bank | 50,000 | |
| Purchases and sales | 3,30,000 | 3,97,900 |
| Return inwards and outwards | 6,000 | 1,750 |
| Wages | 30,000 | |
| Stocks | 1,02,000 | |
| Loan @ 12% p.a. (on 1-10-2022) | | 50,000 |
| Interest on loan | 1,500 | |
| Salaries | 30,000 | |
| Machinery | 40,000 | |
| Capital | | 1,72,250 |
| Debtors and Creditors | 75,000 | 80,000 |
| Rent | 5,000 | |
| Insurance | 2,400 | |
| Loose Tools | 5,000 | |
| Provision for doubtful debts | | 6,000 |
| Bad debts | 4,000 | |
| ***Total*** | ***7,07,900*** | ***7,07,900*** |

N1035-2

**Adjustments:**

(i) Wages includes ₹ 5000 spent for installation of machinery. The amount was incurred on 1-4-2022.
(ii) Provide for depreciation on machinery @ 5% p.a.
(iii) Debtors are bad to the extent of ₹ 1000. Provision for doubtful debts is to be maintained at 5% on debtors
(iv) Rent outstanding ₹ 1000.
(v) Salary is paid upto 30th June 2023.
(vi) Stock on 31st March 2023, was worth ₹ 1, 02,200.
(vii) Loose Tools are valued at ₹ 1,500.
(viii) Insurance is paid upto 30 June 2023.
(ix) Auditor's Fees outstanding ₹ 1,225

Prepare the Final Accounts (Trading, Profit & Loss Account, and Balance Sheet) as at 31st March 2024, after considering the above adjustments.

**OR**

What are the purposes of charging depreciation on fixed assets? Explain the factors that determine the amount of depreciation to be charged on an asset.

**Question 3** **[14Marks]**

The following is the comparative balance sheet of M/S Apex Ltd. as on 31st March 2023 and 2024.

| **Liabilities** | **2022 (₹)** | **2023 (₹)** | **Assets** | **2022 (₹)** | **2023 (₹)** |
|---|---|---|---|---|---|
| Share Capital | 2,00,000 | 2,50,000 | Goodwill | 30,000 | 25,000 |
| Reserves | 40,000 | 45,000 | Buildings | 90,000 | 80,000 |
| Profit and Loss Account | 50,000 | 60,000 | Machinery | 60,000 | 55,000 |
| Trade Creditors | 25,000 | 20,000 | Investments | 30,000 | 35,000 |
| Bank Overdraft | 15,000 | 5,000 | Stocks | 50,000 | 45,000 |
| Provision for Tax | 35,000 | 40,000 | Debtors | 45,000 | 50,000 |
| Provision for Doubtful Debts | 4,000 | 5,000 | Cash | 25,000 | 30,000 |
| **Total** | **3,74,000** | **4,25,000** | **Total** | **3,74,000** | **4,25,000** |

**Additional Information:**

1. Depreciation charged on machinery was ₹ 5,000, and on buildings ₹ 10,000 during the year.
2. Interim dividend of ₹ 20,000 was paid in October 2023.
3. Provision of ₹ 8,000 was made for taxation during the year ending 31st March 2024.
4. The company sold some investments for ₹ 12,000 during the year.
5. A new machinery worth ₹ 10,000 was purchased during the year.

Based on the information given, prepare:

a) Prepare the Statement of Changes in Working Capital for the year ending 31st March 2023.
b) Prepare the Funds Flow Statement for the year ending 31st March 2023.

**OR**

N1035-3

Explain the significance of nine important financial ratios (three from liquidity, three from solvency, and three from profitability) in evaluating a company's financial performance. Discuss how each ratio can help in making informed decisions about the company's financial stability and profitability.

**Question 4** **[14Marks]**

**XYZ Ltd. has provided the following figures for the year ended 31.12.2024:**
Materials consumed: ₹15,000
Wages: ₹12,000
Factory overhead: ₹10,000
Office & administrative overhead: ₹6,000
Selling overhead: ₹4 per unit
Profit for the year: 25% on the cost of sales
Units produced and sold: 5000

In the next year, the company receives an order of 1000 units. Due to inflation, the cost structure changes as follows:
The price of materials increases by 12%.
Wages increase by 15%.
Factory overhead decreases by 10%.
Selling overhead per unit reduces to ₹3.
The company wants to achieve a profit margin of 15% on the new cost of sales for this order.
Calculate the sales price per unit for the job.

**OR**

**From the following data, calculate and comment on the labour variances:**

| Category | Standard Hours | Standard Rate (₹) | Actual Hours | Actual Rate (₹) |
|---|---|---|---|---|
| Skilled Labor | 100 hours | ₹10 | 120 hours | ₹9 |
| Unskilled Labor | 150 hours | ₹6 | 140 hours | ₹6.50 |

Calculate the following variances:

1. Labor Rate Variance
2. Labor Efficiency Variance
3. Labor Cost Variance

*Provide interpretations for each variance.*

**Question 5** **[14Marks]**

*Attempt any fourteen out of sixteen.*

**1. The term "current asset" does not cover:**
a) Debtors
b) Stock
c) Car
d) Prepaid Expenses

**2. Provisions are___________**
a) Charged against profit
b) Part of profit
c) Both a & b
d) Neither a nor b

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**3. The balance sheet is a statement of__________**

a) Assets and Expenses
b) Liabilities and Incomes
c) Assets and Liabilities
d) Incomes and Expenses

**4. Which of the following ratios refers to the ability of a firm to meet short-term obligations out of its short-term resources?**

a) Equity ratio
b) Leverage ratio
c) Activity ratio
d) Profitability ratio

**5. The process of entering all transactions from the journal to the ledger is called:**

a) Posting
b) Entry
c) Transfer
d) Accounting

**6. Goodwill is classified as:**

a) Current asset
b) Fictitious asset
c) Liability
d) Expense

**7. The assets that can be converted into cash within a short period (i.e., one year or less) are known as:**

a) Current assets
b) Fixed assets
c) Intangible assets
d) Investments

**8. The face value of equity shares and preference shares is:**

a) Always ₹100
b) Usually, ₹20
c) Set by the company at any value
d) Not relevant for calculating earnings per share

**9. The formula for calculating Earnings per Share (EPS) is:**

a) Net profit after tax / Preference share capital
b) Net profit after tax / Equity share capital
c) Total profit / Number of shares outstanding
d) Profit before tax / Number of equity shares

**10. Which accounting ratio indicates inefficient collection of debtors?**

a) Current Ratio
b) Quick Ratio
c) Debtors Turnover Ratio
d) Inventory Turnover Ratio

**11. A 10% increase in production and sales can lead to more than a 10% increase in profit due to:**

a) Fixed costs remaining constant
b) Variable costs decreasing with volume
c) Increasing expenses with increasing sales
d) Decreasing profit margins

**12. When P/V ratio is 40% and sales value is ₹10,000, the amount of variable cost is:**

a) ₹4,000 b) ₹6,000 c) ₹10,000 d) ₹2,000

**13. Standard costing is used to:**

a) Predict future sales
b) Set cost benchmarks for comparison
c) Calculate profits
d) Determine the actual cost of goods sold

N1035-5

**14. Which of the following is NOT a reason for labour efficiency variance?**

a) Increased worker skill level
b) Change in the production process
c) Change in market conditions
d) Decrease in material costs

**15. The formula for calculating the Labor Efficiency Variance is:**

a) (Standard Hours – Actual Hours) × Standard Rate
b) (Actual Hours – Standard Hours) × Actual Rate
c) (Actual Rate – Standard Rate) × Standard Hours
d) (Standard Hours × Standard Rate) – Actual Cost

**16. The net profit after tax is ₹85,250. The earnings per share of a company with an equity share capital of ₹3,50,000 and a face value of ₹20 is:**

a) ₹20
b) ₹24.36
c) ₹30.00
d) ₹12.00

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