



Seat No. : _____

DI-105

December-2025

4th Year IMBA, Sem.-VII

Financial Accounting for Management

Time : 2:30 Hours]

[Max. Marks : 70

1. (a) The following ratios of Delta Manufacturing Ltd. for two consecutive years are given :

8

Ratio	2024	2025
Current Ratio	2.1 : 1	1.4 : 1
Quick Ratio	1.2 : 1	0.6 : 1
Inventory Turnover Ratio	4 times	3 times
Debt-Equity Ratio	0.9	1.8
Net Profit Margin	12%	7%
Return on Equity (ROE)	18%	14%

Interpret all the above ratios. Explain what they indicate about the company's liquidity, efficiency, solvency, and profitability, and whether the overall financial position improved or deteriorated.

1. (b) The accountant of ABC Ltd. prepared financial statements but :

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- Did not record outstanding salaries,
- Changed depreciation method from WDV to SLM without disclosure,
- Valued closing stock at market price (higher than cost).

Identify the accounting concepts violated in each case and explain how the financial statements will be affected.

OR

1. Mr. M started ABC Enterprises, his proprietary business, on April 1, 2025. The following are the details of the transactions entered into during the month of April. Record all the transactions in the Journal of the firm.

14

Date	Transactions	Amount (₹)
1	Started business with cash	3,50,000
2	Purchased goods for cash	1,20,000
5	Sold goods for cash	1,80,000
7	Deposited cash into SBI Bank	2,00,000
10	Purchased goods on credit from Krishna Traders	90,000
12	Bank has offered overdraft facility to ABC	2,50,000
15	Sold goods on credit to Riya Stores	1,40,000
18	Paid Krishna Traders through cheque	90,000
22	Received cheque from Riya Stores	1,40,000
25	Paid salary to employees in cash	12,000
27	Received an order for sale of goods from Ms. N	1,50,000
30	Paid electricity charges in cash	4,500
30	Purchased furniture for business	10,000

2. M Ltd. sold goods worth \$ 20,000 to John Inc. of USA on 1/3/2024 on credit of two months. The exchange rate prevailing on the date of transaction was \$1 = ₹ 85. On the same day, the company entered into forward contract with its bank at a forward rate of \$1 = ₹ 84 for the whole amount. The company received the amount on the due date when exchange rate prevailing was \$1 = ₹ 87.

Pass necessary entries in the books of the company for recording above transaction, assuming that the company closes its books of accounts on 31st March every year and the exchange rate prevailing on 31/3/2024 was \$1 = ₹ 86.

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OR

2. (a) Explain revenue recognition criteria in the following cases :
- Consignment sale
 - Sales on installment basis
 - Tuition fees
 - Insurance commission

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2. (b) Find out value of stock as on 31/3/2025 using FIFO method from the following information :

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Date	Particular	Quantity (Units)	Rate (₹)
01	Opening Balance	1200	40
04	Issued	400	
10	Received	1600	42
12	Issued	1200	
18	Received	600	39
24	Received	2400	38
28	Issued	2700	

3. A Ltd. purchased machinery for ₹ 135 lakhs on 1/1/2022. Installation and other Incidental charges amounted to ₹ 15 lakhs. The company has estimated the useful life of machinery as 7 years and scrap value at the end of useful life to be ₹ 10 lakhs. The company provides depreciation as per SLM.

On 1/1/2024, the company revalued the gross value of machinery at ₹ 365 lakhs and on 31/12/2024; it sold the same for ₹ 50 lakhs.

Pass all necessary entries in the books of company from purchase to sale of the machinery showing all necessary calculations as part of your answer assuming that accounting year ends on 31st December every year.

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OR

3. A Ltd. has two cash generating units for which relevant information is given as below :

	CGU-1	CGU-2	[₹ in lakhs]
Gross value of the assets	52	72	
Accumulated depreciation	12	22	
Value in use	30	60	
Net selling value	35	50	

The goodwill of the company as a whole is ₹ 20 lakhs.

Find out impairment loss for the CGUs and pass entries under the following situations :

- (1) If goodwill is allocable between the CGUs in the ratio of 2 : 3.
- (2) If goodwill is not allocable.

4. Compute Basic EPS and Diluted EPS for the year 2025 from the following details : **14**

(₹ in lakhs)

Particulars	2025	2024
Equity shares of ₹ 10 each, fully paid	100	80
Reserves and surplus	300	240
10% convertible bonds of ₹ 100 each	300	160
Net profit during the year	160	120

During the year, the company has issued one bonus share for every four equity shares held by capitalizing reserves. Each bond is convertible into 5 fully paid equity shares.

OR

4. Write a detail note of Segment reporting mentioning its meaning, purpose, types, format etc. **14**

5. The Chairman's Message highlights macroeconomic trends, inflation, geopolitical risks, and sector-specific headwinds such as supply chain disruptions. It also presents key performance highlights and future outlook.

Explain the role of a Chairman's Message in an Annual Report. Also identify major themes communicated through the Chairman's Message and analyse how these themes affect investor confidence and decision-making. **14**

OR

5. Write short notes on : **14**
- (a) Regulatory Framework of Financial Reporting in India.
 - (b) Corporate governance report
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