

Financial and Managerial Accounting

RM 106

Trimester – I, End-Term Examination: September 2014

Time Allowed: 2 Hrs 30 mins

Max Marks: 50

Sec A

(Answer any three questions out of five. Each question carries five marks)

1. 'Without considering the assumption of Going Concern Concept, preparation of Balance Sheet and Income Statement becomes impossible' – Discuss with reasoning.
2. Discuss the provisions of AS 1 for *Disclosure norms*.
3. Classify the following items into current assets, fixed assets, shareholders' funds, Long-term liabilities, and current liabilities:

Sl No	Items	Category
1	Work-in-progress	
2	Profit for the year	
3	Electricity charges payable	
4	Sundry Creditor	
5	Provision for bad debt	
6	Finished goods stock	
7	Debentures issued	
8	Reserve and Surplus	
9	Patents	
10	Bills receivable	

4. Discuss the significance of following accounting concepts:

- i) Historical Cost concept
- ii) Matching Concept

5. Define the following terms:

- i) Budgeting
- ii) Break-Even Point

Sec B

(Answer any two questions out of three. Each question carries ten marks)

6. Show the accounting equation on the basis of following transactions, and present a balance sheet on the basis of ending equation:

Sl No	Particulars	Amount (Rs.)
a)	Mohan commenced business with cash	70000
b)	Purchased goods on cash	14000
c)	Withdrew cash for private use	3000
d)	Goods purchased for cash	10000
e)	Paid wages	2000
f)	Paid to creditors	10000
g)	Sold goods on credit (Cost price – Rs. 10000)	15000
h)	Sold goods, for cash (Cost price – Rs. 3000)	6000
i)	Purchased furniture for cash	2000

(10 marks)

7. A company has annual fixed cost of Rs. 1400000. In 1996 sales amounted to Rs. 6000000 as compared with Rs. 4500000 in 1995 and profit in 1996 was Rs. 420000 higher than in 1995.

- At what level of sales does the company break even?
- Determine profit or loss on a precast sales volume of Rs. 8000000
- If there is a reduction in selling price in 1997 by 10% and the company desires to earn the same profit as in 1996, what would be the required sales volume?

8. Write short notes on the following:

(5 marks x 2)

- Process Costing
- Job Order Costing

Sec C

(Compulsory)

9. Use the data in the following table of financial ratios for Awadh Textiles Limited (ATL) and answer the questions given after the table:

Ratio	2010	2011	Industry Average
Current ratio	1.80	1.83	1.50
Quick Ratio	1.47	1.51	1.06
Accounts Receivable Turnover	4.58	4.77	4.87
Inventory Turnover	8.82	9.59	5.78
Average Collection Period	77.8 days	76.5 days	75 days
Operating Profit Margin	16.6%	17.4%	8.3%
Total Asset Turnover	1.13	1.23	1.18
Fixed asset turnover	3.46	3.80	4.26
Debt ratio	46%	45%	57.8%
Times interest earned	15	15.67	3.93
Return on equity	20.7%	23%	12.3%

- How liquid is ATL?
- Is ATL generating adequate operating profits on the firm's assets?
- How is ATL financing its assets?
- Are the equity shareholders receiving a good return on their investment? (15 marks)