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- Q.6 i. Define management accounting. 2
ii. Explain the various tools of financial statement analysis. 8
OR iii. What is ratio analysis? Explain the significance of different kinds of liquidity ratio, activity ratio and profitability ratios. 8

Total No. of Questions: 6

Total No. of Printed Pages:4

Enrollment No.....



Faculty of Management Studies

End Sem Examination Dec-2023

MS5CO28 Financial Accounting for Managers

Programme: MBA

Branch/Specialisation: Management/
Business Analytics

Duration: 3 Hrs.

Maximum Marks: 60

Note: All questions are compulsory. Internal choices, if any, are indicated. Answers of Q.1 (MCQs) should be written in full instead of only a, b, c or d. Assume suitable data if necessary. Notations and symbols have their usual meaning.

- Q.1 i. Ledger is a principal book that contains- 1
(a) Real accounts only (b) Personal accounts only
(c) All accounts (d) Nominal accounts only
- ii. The assets that can be easily converted into cash within a short period, i.e., 1 year or less are known as- 1
(a) Current assets (b) Fixed assets
(c) Intangible assets (d) Investments
- iii. Subscription received in advance during the accounting year is- 1
(a) An income (b) An expense
(c) An asset (d) A liability
- iv. The statement of assets and liability is called- 1
(a) Balance sheet (b) Trial balance
(c) Trading account (d) Profit and loss account
- v. What is salvage value? 1
(a) The combined cost of purchase and installation of an asset can be depreciated minus its salvage value
(b) The worth of a physical asset's components when the asset itself is deemed no longer usable
(c) Represents the value of a company according to the stock market
(d) The estimated resale value of an asset at the end of its useful life
- vi. In the straight line method the amount of depreciation _____ every year. 1
(a) Increases (b) Decreases
(c) Remains constant (d) Either increases or decreases

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- vii. Direct materials + direct labor + direct expenses = _____. **1**
 (a) Books cost (b) Cost of production
 (c) Cost of sales (d) Prime cost
- viii. The break-even point can be defined as- **1**
 (a) The level of activity at which there is neither profit nor loss
 (b) The level of activity where cash flow is zero
 (c) The level of activity where profits equal fixed costs
 (d) The level of activity where variable costs are covered by sales revenue
- ix. A company's Current Ratio is 2 : 1. After cash payment to some of its creditors, Current Ratio will- **1**
 (a) Decrease (b) Increase (c) As before (d) None of these
- x. Which of the following ratios are basically the measures of yield or return? **1**
 (a) Liquidity (b) Activity (c) Debt (d) Profitability
- Q.2 i. Define financial accounting and explain its limitations. **4**
 ii. Explain the following: **6**
 (a) Revenue realization concept
 (b) Going concern concept
 (c) Money measurement concept
- OR iii. What are the different types of accounts? Explain with example their rules of debit and credit. **6**
- Q.3 i. What is a trial balance? Why it is prepared? **3**
 ii. What do you mean by final accounts? Explain the importance and purpose of final accounts. **7**
- OR iii. Following Trial Balance has been extracted from the books of Prasad on 31st March, 2019: **7**

Particulars	Dr. (Rs.)	Particulars	Cr. (Rs.)
Machinery	4,00,000	Capital	9,00,000
Cash at Bank	1,00,000	Sales	16,00,000
Cash in Hand	50,000	Sundry Creditors	4,50,000
Wages	1,00,000	Interest Received	30,000
Purchases	8,00,000		
Stock on 1st April, 2018	6,00,000		

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Sundry Debtors	4,40,000		
Bills Receivable	2,90,000		
Rent	45,000		
Commission	25,000		
General Expenses	80,000		
Salaries	50,000		
	29,80,000		29,80,000

Additional Information:

- (a) Outstanding salaries were Rs 45,000
 (b) Depreciate Machinery at 10%
 (c) Wages outstanding were Rs 5,000
 (d) Rent prepaid Rs 10,000
 (e) Provide for interest on capital @ 5% per annum
 (f) Stock on 31st March, 2019 Rs 8,00,000

Prepare Trading and Profit and Loss Account for the year ended 31st March, 2019 and Balance Sheet as at that date.

- Q.4 Attempt any two:
- i. What is depreciation? What are the different causes of depreciation? **5**
- ii. Differentiate between Straight line method and Written down Value method of providing depreciation. **5**
- iii. Babu purchased on 1st April, 2020, a machine for Rs. 60,000. On 1st October, 2020, he also purchased another machine for Rs. 50,000. On 1st October, 2021, he sold the machine purchased on 1st April, 2020 for Rs. 40,000. It was decided that Depreciation @ 10% p.a. was to be written off every year under Diminishing Balance Method. Assuming the accounts were closed on 31st March every year, show the Machinery Account for the years ended 31st March, 2021 and 2022. **5**
- Q.5 Attempt any two:
- i. What do you mean by cost accounting? Explain its objectives. **5**
- ii. What are the different methods of costing? **5**
- iii. A manufacturing company supplies its products to construction job sites. The average monthly fixed cost per site is Rs. 4,500, while each unit variable cost is Rs. 35 to produce and selling price is Rs. 50 per unit. Determine the monthly breakeven volume. **5**

Marking Scheme
MS5CO28 (T)- Financial Accounting for
Managers

Q.1	i)	C All accounts	1
	ii)	A Current assets	1
	iii)	D a liability	1
	iv)	A Balance sheet	1
	v)	D The estimated resale value of an asset at the end of its useful life.	1
	vi)	C Remains constant	1
	vii)	D Prime cost	1
	viii)	A The level of activity at which there is neither profit nor loss	1
	ix)	B Increase	1
	x)	D Profitability	1
Q.2	i.	Definition financial accounting (2 Marks)	4
		Limitations (2 Marks)	
	ii.	Revenue realisation concept (2 Marks)	6
		Going concern concept (2 Marks)	
		Money measurement concept (2 Marks)	
OR	iii.	Types of accounts (2 Marks)	6
		rules of debit and credit (4 Marks)	
Q.3	i.	Meaning of trial balance (1 Mark)	3
		Purpose (2 Marks)	
	ii.	Meaning of final accounts (2 Marks)	7
		importance and purpose of final accounts.(6 Marks)	

OR iii.

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Financial Statement of M/s. Ram Prasad & Sons
Trading Account
for the year ended March 31, 2019

Dr.		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)
Opening Stock	6,00,000	Sales	16,00,000
Purchases	8,00,000	Closing Stock	8,00,000
Wages 1,00,000			
Add:			
Outstanding Wages 5,000	1,05,000		
Gross Profit (Balancing Figure)	8,95,000		
	24,00,000		24,00,000

Profit and Loss Account
for the year ended March 31, 2019

Dr.		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)
Rent 45,000		Gross Profit	8,95,000
Less: Prepaid Rent (10,000)	35,000	Interest Received	30,000
Commission 25,000			
General Expenses 80,000			
Salaries 50,000			
Add: Outstanding Salaries 45,000	95,000		
Depreciation on Machinery 40,000			
Net Profit (Balancing Figure)	6,50,000		
	9,25,000		9,25,000

Balance Sheet
as on March 31, 2019

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital 9,00,000		Fixed Assets	
Add: Net Profit 6,50,000	15,50,000	Machinery 4,00,000	
Current Liabilities		Less: 10% Depreciation (40,000)	3,60,000
Sundry Creditors 4,50,000		Current Assets	
Outstanding Salary 45,000		Closing Stock	8,00,000
Outstanding Wages 5,000		Sundry Debtors	4,40,000
		Bills Receivable	2,90,000
		Prepaid Rent	10,000
		Cash at Bank	1,00,000
		Cash in Hand	50,000
	20,50,000		20,50,000

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Trading A/c (2 Marks)
 Pand L (2 Marks)
 Balance sheet (3 Marks)

- Q.4 i. Meaning of depreciation (1.5 Marks) **5**
 causes of depreciation (3.5 Marks)
 ii. As per the explanation (5 Marks) **5**
 OR iii. **5**

Books of Babu
 Machinery Account

Dr.				Cr.			
Date	Particulars	J.F.	(`)	Date	Particulars	J.F.	(`)
2020				2021			
Apr. 01	Bank (I)		6,000	Mar. 31	Depreciation		
Oct. 01	Bank (II)		5,000		I 600		
					II (for 6 months) 250		850
				Mar. 31	Balance c/d		
					I 5,400		
					II 4,750		10,150
			11,000				11,000
2021				2021			
Apr. 01	Balance b/d				Depreciation (I) (for 6 months)		270
	I 5,400			Oct. 01	Bank (I)		4,000
	II 4,750		10,150	Oct. 01	Profit and Loss (Loss)		1,130
				2022			
				Mar. 31	Depreciation (II)		475
				Mar. 31	Balance c/d (II)		4,275
			10,150				10,150

Working Note

(1) Calculation of profit or loss on sale of machine:

Particulars	(`)
Book Value of Machinery Apr. 01, 2021	5,400
Less: Depreciation (for 6 Months)	(270)
Book Value of Machinery on Oct. 01 2021	5,130
Less: Sale	(4,000)

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Loss on Sale	1,130
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- Q.5 i. meaning of cost accounting (2 Marks) **5**
 Objectives. (3 Marks)
 ii. As per the explanation **5**
 OR iii. **5**

$$\text{Breakeven in Volume} = \frac{\text{Total Fixed Cost}}{\text{Price} - \text{Variable Cost}}$$

$$\text{Breakeven in Volume} = \frac{4,500}{50 - 35}$$

$$\text{Break-Even in Volume} = 300$$

- Q.6 i. Definition of Management Accounting. **2**
 (2 Marks)
 ii. As per the explanation **8**
 iii. Ratio Analysis- Meaning (2 Marks) **8**
 Significance of Liquidity Ratio, Activity Ratio and Profitability Ratios (2*3 Marks)
