



End Term (Odd) Semester Examination November 2025

Roll no.....

Name of the Course: B.COM (H)

Semester: I SEMESTER

Name of the Paper: FINANCIAL ACCOUNTING

Paper Code: BCH 102 ACCA

Time: 3 hours

Maximum Marks: 100

Note:

- (i) All the questions are compulsory.
- (ii) Answer any two sub questions from a, b and c in each main question.
- (iii) Total marks for each question is 20(Twenty)
- (iv) Each sub question carries 10 marks.

Q1.

(10X2=20 Marks)

- a. Define Cash Flow Statement as per IAS 7? List the items come under the Cash Flow Statement from Operating Activities, Investing Activities and Financing Activities? CO1
- b. Explain in detail the Users of Financial Accounting?
- c. Hamstrung runs a kilt-making business in Scotland. It has run the business for many years from a building which originally cost \$300,000 and on which \$100,000 accumulated depreciation has been charged to date. Hamstrung wishes to revalue the building to \$750,000. How is this reflected in the financial statements?

Q2.

(10X2=20 Marks)

- a. Explain the following:
 - i. Intangible Assets.
 - ii. US Sarbanes Oxley Act.
- b. Explain financial accounting? What are the qualitative characteristics of financial information? CO2
- a. Explain the Users who require the detailed financial information to be made available to them? (Give any five).

Q3.

(10 Marks)

- a. "IAS 38 contains specific requirement relating to accounting for Research and development activities". In the light of this statement write short note on Research and Development? CO3
- b. i. A business' electricity charges amount to \$12,000 pa. In the year to 31 December 2025, \$9,000 has been paid. The electricity for the final quarter is paid in January 2026. What year-end accrual is required and what is the electricity expense for the year? Show the relevant entries in the ledger accounts.
ii. The annual insurance charge for a business is \$24,000 pa. \$30,000 was paid on 1 January 2025 in respect of future insurance charges. For the year-ended 31 December 2025 what is the closing prepayment and the insurance expense for the year? Show the relevant entries in the ledger accounts.

CO3



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- c. i. A business earns bank interest income of \$300 per month. \$3,000 bank interest income has been received in the year to 31 December 20X5. What is the year-end asset and what is the bank interest income for the year? Show the relevant entries in the ledger accounts.
- ii. A business rents out a property at an income of \$4,000 per month. \$64,000 has been received in the year ended 31 December 20X5. What is the year-end liability and what is the rental income for the year? Show the relevant entries in the ledger accounts. CO3

Q4.

(10 x2=20 Marks)

- a. Explain the ratios which help in assessing the Liquidity/Solvency of a business? CO 4
- b. Neville is an entity that manufactures and retails office products. Its summarized financial statements for the years ended 30 June 2024 and 2025 are given below:

Statements of profit or loss for the year ended 30 June

	2024	2025
	\$000	\$000
Revenue	1,159,850	1,391,820
Cost of sales	(753,450)	(1,050,825)
Gross profit	406,400	340,995
Operating expenses	(170,950)	(161,450)
Profit from operations	235,450	179,545
Finance costs	(14,000)	(10,000)
Profits before tax	221,450	169,545
Tax	(66,300)	(50,800)
Net profit	155,150	118,745

Statements of financial position as at 30 June

	2024	2025
	\$000	\$000
Non-current assets	341,400	509,590
Current Assets		
Inventory	88,760	109,400
Receivables	206,550	419,455
Bank	95,400	—
	390,710	528,855
	732,110	1,038,445

Equity and reserves

Share capital	100,000	100,000
Share premium	20,000	20,000
Revaluation reserve	—	50,000
Retained earnings	287,420	376,165



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	407,420	546,165
Non-current liabilities		
Loans	83,100	61,600
Current liabilities		
Payables	179,590	345,480
Overdraft	—	30,200
Tax	62,000	55,000
	241,590	430,680
	732,110	1,038,445

The directors concluded that the revenue for the year ended 30 June 20X4 fell below budget and introduced measures during the year ended 30 June 20X5 to improve the situation. These included:

- cutting selling prices
- extending credit facilities to customers
- leasing additional machinery in order to be able to manufacture more products.

The directors are now reviewing the results for the year ended 30 June 20X5.

Calculate the ratios for and comment upon the profitability and financial position of Neville for 2024 and 2025. CO4

c. Give the format for the Statement of Profit and Loss provided by IAS 1?

CO4

Q5. (10X2=20 Marks)

a. What are the benefits and Drawbacks of statement of Cash Flows?

CO 5

b. The statements of financial position of a business were as follows:

	This year	Last year
	\$	\$
Non-current assets	149,364	153,364
Inventories	346,000	265,840
Receivables	165,166	419,204
Cash	660,530	—
	This year	Last year
	\$	\$
Share capital	200,000	200,000
Reserves	141,640	—
	341,640	200,000
Current liabilities	318,890	219,204
	660,530	419,204



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Extracts from the statement of profit or loss for the year are:

	\$	\$
Sales revenue	---	1,589,447
Cost of sales:		
Purchases (no inventory)	1,105,830	
Wages and salaries	145,900	

		(1,251,730)
Administration:		
Purchases	96,077	
Salaries	100,000	

		(196,077)
Operating profit and retained profit for the year		141,640

Additional information

1. Current liabilities consist of

	This year	Last year
	\$	\$
Payable's ledger		
Re non-current assets	46,000	
other payables	258,240	210,564
Wages accrued	14,650	8,640

2. Purchase invoices relating to the acquisition of non-current assets totalling \$80,000 have been posted to the payable's ledger during the year

Calculate the net cash flow from operating activities using the direct method.

CO5

- c. Give the format for the Presentation of Financial Statement provided by IAS 1?

CO5