	<u>Uleah</u>
Name:	\$
Roll No.:	As Again Witnesside and Excellent
Inviailator's Sianature:	

### 2013 FINANCIAL MANAGEMENT-I

Time Allotted: 3 Hours Full Marks: 70

The figures in the margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

## GROUP - A ( Multiple Choice Type Questions )

1. Choose the correct alternatives for any ten of the following:

 $10 \times 1 = 10$ 

- i) The basic function of financial accounting is to
  - a) assist the management in performing managerial functions
  - b) record all business transactions
  - c) controlling business
  - d) analysis and interpretation of financial data.
- ii) Proprietor enquires whether air-conditioner purchased for his residence can be accounted for in the books of business and the accountant replies that such recording is a violation of
  - a) cost concept
  - b) separate entity concept
  - c) materiality
  - d) realisation concept.

30625 (MHA) [ Turn over

- iii) Journal entry for "Credit pruchase of Rs. 35000 for X" would be
  - a) Debit Purchase A/c to X's A/c
  - b) Debit X's A/c to Cash
  - c) Debit X's A/c to Purchase A/c
  - d) None of these.
- iv) Purchase of land for cash will have what effect on total liabilities?
  - a) Increase
- b) Decrease
- c) No effect
- d) Uncertain.
- v) Prepaid rent was Rs. 4,900 at the beginning of the year and Rs. 6,100 at the end of the year. If actual rent is Rs. 30,000 for the year, what amount has been paid for rent during the year?
  - a) 36,100
- b) 31,200

- c) 30,000
- d) 28,800.
- vi) Cash received towards income from investments is Rs. 60,000. Balance sheet shows Rs. 10,000 as accrued income from investments on asset side. Therefore, what is the actual amount shown in credit side of profit and loss account as income from investment?
  - a) 70,000

b) 60,000

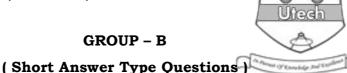
c) 50,000

d) None of these.

30625 (MHA)



- vii) In the context of cash flow statement, the term 'eash' is equivalent to
  - a) physical cash on hand
  - b) physical cash on hand and demand deposits in the bank
  - c) physical cash on hand and all types of bank deposits
  - d) none of these.
- viii) For calculating inventory ratio, the following information is more appropriate
  - a) opening stock
- b) average stock
- c) closing stock
- d) sales.
- ix) Debt-equity ratio is a
  - a) liquidity ratio
- b) solvency ratio
- c) profitability ratio
- d) activity ratio.
- x) If price-earning ratio (PE Ratio) of a company is more than the industry average, it is better to buy the scrip at the market price.
  - a) True
  - b) False
- xi) Cash flow statement and funds flow statement serve the same purpose
  - a) True
  - b) False



Answer any *three* of the following.

 $3 \times 5 = 15$ 

- 2. a) What is the purpose of a Journal?
  - b) What is purpose of 'double entry system'?
  - c) Does it guarantee financial correctness? 2 + 2 + 1
- 3. Name and briefly discuss any four ratios that the management of each firm is interested in.
- 4. a) A businessman's daughter comes to father's garment shop and takes the clothes of her choice for her personal use. Is it necessary to record the transaction?
  - b) If yes, how it has to be recorded (show journal entries)?
  - c) What happens if the transaction is not recorded?

1 + 3 + 1

- 5. a) Discuss the purpose of Cash Flow Statement.
  - b) State the stipulations imposed by AS-3 with respect to preparation of Cash Flow Statement. 2 + 3
- 6. Discuss merits and demerits of 'profit maximisation' and 'wealth maximisation' as objective of financial management.



# GROUP - C (Long Answer Type Questions)

Answer any three of the following.

 $3 \times 15 = 45$ 

7. Prepare a Trading and Profit and Loss account for the year ended 31.03.2007 and a Balance Sheet as at 31.03.2007 of M/s. Vashney & Co. from the following trial balance and adjustment entries:

Particulars	Dr. (Rs)	Cr. (Rs)
Purchase	70,000	
Goods returned		5,000
Carriage inward	1,500	
Salaries & Wages	14,000	
Rent, Rates & Taxes	2,800	
Insurance	500	
Discount	800	
Bank	13,700	
Plant & Machinery	12,000	
Investments	8,000	
Furniture & Fittings	5,000	
Bills receivable	45,500	
Cash in Hand	1,000	
Sundry expenses	500	
Opening stock	31,500	
Sales		1,10,000
Bills payable		15,500
Capital Account		76,300
	2,06,800	2,06,800

#### Adjustment items:

- a) Provide outstanding salary Rs. 2,500
- b) Make a provision for bad debts in Bills receivables by Rs. 1,500
- c) Closing stock Rs. 3,500
- d) Stocks lost by fire Rs. 7,000. The insurance settled the claim for Rs. 5,000 and is yet to be paid.
- e) Manager is entitled to commission @ 10% on Net Profit.
- 8. a) Differentiate between Funds Flow statement & Cash Flow statement.
  - b) Prepare a Cash Flow Statement as per AS-3 (indirect method) from the given Balance Sheet and additional information for Cherry & Dimpy Ltd. as on 31.03.2005 & 31.03.2006.

Particulars	2005	2006	Particulars	2005	2006
	(Rs)	(Rs)		(Rs)	(Rs)
Share Capital	2,00,000	2,50,000	Machinery	1,50,000	1,69,000
General Reserve	50,000	60,000	Land & Building	2,41,800	2,28,200
Profit & loss A/c	30,500	30,600	Goodwill	_	5,000
Bank Loan (Long	70,000	-	Stock	74,000	20,000
term					
Sundry Creditors	1,50,000	1,35,200	Debtors	64,200	80,000
Provision for	30,000	35,000	Bank	-	8,000
taxation					
			Cash	500	600
TOTAL	5,30,500	5,10,800	TOTAL	5,30,500	5,10,800

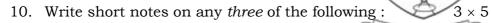


#### *Additional information*:

- i) Dividend Rs. 23,000 was paid.
- ii) Assets of another company were purchased for a consideration of Rs. 50,000, payable in shares for purchase of stock Rs. 20,000 & machinery Rs. 25,000.
- iii) Machinery was further purchased for Rs. 8,000.
- iv) Depreciation written off on machinery Rs. 12,000; Land & Building Rs. 13,600.
- v) Income tax provided during the year Rs. 33,000.
- vi) Loss on sale of machinery Rs. 200 was written off to General Reserve.
- 9. From the following details available, prepare balance sheet of Dimpy & Co. as on 31.03.2006:
  - a) Net worth turnover ratio (on cost of sales) = 2
  - b) Fixed asset turnover ratio (on cost of sales) = 4
  - c) Gross profit turnover ratio = 20%
  - d) Creditors velocity = 73 days
  - e) Debtors velocity = 2 months
  - f) Stock velocity = 6

Reserve and surplus amounts to Rs. 10,000. Closing stock was Rs. 5,000 in excess of opening stock. Gross Profit was Rs. 60,000.

You may make the necessary assumptions, where required.



- a) Common size statement analysis
- b) Comparison of financial accounting & cost accounting
- c) Significance of capital structure/leverage Ratios
- d) Steps in overhead distribution.

#### 11. Journalise the following transactions of M/s. Vasant & Co:

- a) Purchased goods for cash Rs. 15,000
- b) Purchased furniture for cash Rs. 1,000
- c) Cash deposited in Bank Rs. 15,000
- d) Cash sales Rs. 5,000
- e) Sold goods to Vikash on credit Rs. 8,000
- f) Purchased goods from Prafulla Rs. 10,000
- g) Returned goods to Prafulla Rs. 2,000
- h) Vikash paid by cheque Rs. 7,500 as full and final settlement against sales Rs. 8,000 as above
- i) Withdrew goods for personal use Rs. 500