Name:

Enrolment No:

UPES

End Semester Examination, December 2024

Course: Financial Accounting | **Semester: I**
Program: B. Com (Hons.) | **Time : 03 hrs.**
Course Code: FINC1003 | **Max. Marks: 100**

Instructions:

SECTION A

10Qx2M=20Marks

S. No.		Marks	CO
Q1	Select the right options for the given questions. (All the questions are mandatory)		
a)	Which of the following would most likely be amortized? A) A coal mine B) A patent C) A piece of machinery D) Inventory	**2**	**CO1**
b)	Capital in accounting terms means: A) Revenue from sales B) Total assets minus total liabilities C) Cash on hand D) Bank loans	**2**	**CO1**
c)	The term accrual in accounting refers to: A) Recording transactions only when cash is received B) Recording revenue and expenses when they are incurred, regardless of cash transactions C) Recording expenses only when cash is paid D) Recording assets only when purchased	**2**	**CO1**
d)	In a common size income statement, each item is expressed as a percentage of: a) Total Expenses b) Total Revenue c) Total Assets d) Net Income	**2**	**CO1**
e)	What is the key difference between amortization and depletion? A) Amortization applies to tangible assets, while depletion applies to intangible assets.	**2**	**CO1**

	B) Amortization applies to intangible assets, while depletion applies to natural resources. C) Amortization applies to financial assets, while depletion applies to tangible assets. D) Amortization is recorded annually, while depletion is recorded quarterly. D) Balance sheet.		
f)	The trial balance is prepared to: A) Summarize the financial position of the business. B) Check the arithmetical accuracy of ledger accounts. C) Record day-to-day transactions. D) Adjust entries for depreciation.	**2**	**CO1**
g)	Which of the following is classified as a liability? a) Accounts Receivable b) Prepaid Expenses c) Accounts Payable d) Retained Earnings	**2**	**CO1**
h)	Provisions are created for: A) Anticipated liabilities or losses. B) Distributing dividends. C) Increasing the capital. D) Purchase of fixed assets.	**2**	**CO1**
i)	The process of transferring journal entries to the ledger is called: a) Posting b) Recording c) Reconciling d) Adjusting	**2**	**CO1**
j)	Which section of the cash flow statement includes cash received from customers? a) Operating Activities b) Investing Activities c) Financing Activities d) Supplementary Activities	**2**	**CO1**
SECTION B **4Qx5M= 20 Marks**			
Q2	Explain the consistency and prudence conventions and their significance.	**5**	**CO2**
Q3	Why is journalizing considered a critical step in the accounting cycle?	**5**	**CO2**
Q4	Explain the difference between the income statement and the balance sheet.	**5**	**CO2**
Q5	Differentiate between depreciation and amortization with suitable examples.	**5**	**CO2**
SECTION-C **3Qx10M=30 Marks**			

<table>
<tr><td>Q6</td><td>Accounting ratios provide valuable insights but may overlook qualitative factors and lack comparability when firms adopt differing accounting policies. Discuss the limitations of accounting ratios in financial analysis and suggest ways to address these challenges.
OR
John runs a furniture business and recently expanded his operations. To manage his finances better, he started maintaining detailed accounting records. He is unsure how to account for discounts given to customers, recognize revenue from unfinished projects, and depreciate machinery purchased for production. His accountant advises him to follow standard accounting concepts and conventions for accurate and consistent financial reporting. Using accounting principles, explain how John should handle these situations. Identify the specific accounting conventions applied in each case.</td><td>10</td><td>CO3</td></tr>
<tr><td>Q7</td><td>Shyamal Textile House, located in Vasant Vinar, Dehradun, purchased machinery for its operations. The firm uses the Written Down Value (WDV) method of depreciation at 10% per annum. Below are the details related to the machinery owned by the business:

Transactions:

A) On 1st April 2021, Kumar Textile House purchased machinery worth ₹5,00,000.
B) On 1st October 2022, they purchased additional machinery worth ₹2,00,000.
C) On 1st July 2023, machinery purchased on 1st April 2021 was sold for ₹3,20,000.
D) On 1st January 2024, additional machinery was purchased for ₹1,50,000.

Prepare the Machinery Account for three years from 1st April 2021 to 31st March 2024 using the Written Down Value (WDV) method of depreciation at 10% p.a.</td><td>10</td><td>CO3</td></tr>
<tr><td>Q8</td><td>How can common size financial statements help identify trends in a company's performance over time? Discuss how these statements can highlight changes in cost structure, revenue allocation, or profitability.</td><td>10</td><td>CO3</td></tr>
<tr><td colspan="4">SECTION-D
2Qx15M= 30 Marks</td></tr>
<tr><td>Q9</td><td>From the following Trial Balance of Mohan and Sons, prepare Trading and Profit & Loss Account and a Balance Sheet as at 31st March, 2023:
<table><tr><td>Name of Accounts</td><td>Debit Balances (Rs)</td><td>Credit Balances (Rs)</td></tr><tr><td>Drawings and Capital</td><td>18,000</td><td>80,000</td></tr></table></td><td>15</td><td>CO4</td></tr>
</table>

	Purchases and Sales	82,600	1,55,000		
	Stock (1-4-2022)	42,000			
	Return Outward		1600		
	Carriage Inward	1200			
	Wages	4000			
	Power	6000			
	Machinery	50,000			
	Furniture	14,000			
	Rent	22,000			
	Salary	15,000			
	Insurance	3600			
	8% Bank Loan		25,000		
	Debtors	20,600			
	Creditors		18,900		
	Cash in hand	1500			
	Total	2,80,500	2,80,500		

Adjustments:

1. Closing stock ₹64,000
2. Wages outstanding ₹2,400
3. Bad debts ₹600 and provision for bad and doubtful debts to be 5% on debtors.
4. Rent is paid for 11 months.
5. Loan from the bank was taken on 1st October 2022.
6. Provide depreciation on machinery @ 10% p.a.
7. Provide Manager's commission at 10% on net profit after charging such commission.

Q10 The Balance Sheets of a firm as on 31st December 2021 and 2022 are given below: **15** **CO4**

Liabilities	2021	2022	Assets	2021	2022
Share Capital	1,00,000	1,60,000	Fixed Assets - Cost	1,52,000	2,00,000
Retained Earnings	70,250	85,300	Inventory	93,400	89,200
Accumulated Depreciation	60,000	40,000	Debtors	30,800	21,100
12% Debenture	50,000	50,000	Prepaid Expenses	3,950	3,000
Creditors	28,000	48,000	Bank	28,100	20,000
Total	3,08,250	3,33,300		3,08,250	3,33,300

Additional Information:

1. Net profit is Rs. 27,050.
2. Depreciation charged Rs. 10,000.
3. Cash dividend declared during the period Rs. 12,000.
4. An addition to the building was made during the year at a cost of Rs. 78,000 and fully depreciated equipment costing Rs. 30,000 were discarded with no salvage being realized.

You are required to prepare the cash flow statement for 2022.

OR

The following are the Trading and Profit and Loss Account and the Balance Sheet of New Company Limited for the year ending 31st March 2021:

TRADING AND PROFIT AND LOSS ACCOUNT
for the year ended 31st March 2021

Dr.	Rs.	Cr.	Rs.
To Opening Stock	61,000	By Sales	4,00,400
To Purchases	2,52,200	By Closing Stock	78,400
To Carriage Inward	1,600		
To Wages	4,000		
To Gross Profit c/d	1,60,000		
Total	**4,78,800**	**Total**	**4,78,800**
To Administrative Expenses	80,800	By Gross Profit b/d	1,60,000
To Selling and Distribution Expenses	9,600	By Non-Operating Income	4,800
To Finance Expenses (Interest on Debentures)	5,600		
To Non-Operating Expenses	1,600		
To Net Profit	67,200		
Total	**1,64,800**	**Total**	**1,64,800**

BALANCE SHEET
as at 31st March, 2021

Liabilities	Rs.	Assets	Rs.
Share Capital (paid-up):		Land and Building	2,00,000
Equity Share Capital	2,00,000	Plant and Machinery	40,400
Preference Share Capital	40,000	Stock	78,400
General Reserves	4,800	Sundry Debtors	36,000
Profit and Loss Account	67,200	Bank	10,000
14% Debentures	40,000	Cash	2,000

Bank Overdraft	2,800		
Creditors	12,000		
Total	**3,66,800**	**Total**	**3,66,800**

Calculate the following ratios and indicate the purpose which they serve:

1. Gross Profit Ratio
2. Operating Ratio
3. Liquid Ratio
4. Proprietary Ratio
5. Working Capital Turnover Ratio