



Institute of Management
JK Lakshmipat University, Jaipur
EVEN SEMESTER MID TERM EXAMINATION I -2019

B.Com H (VI sem.) Financial Reporting & Analysis

Time: 1.5 Hours

Subject Code: AC 16

MM: 20Marks

Instructions: All questions are compulsory.

Section A

1. Fill in the blanks (half marks each)
 - a) Stock in trade is to be recorded at cost or market price, whichever is less, is based on _____ Principle.
 - b) The assets that are recorded in the books of accounts in the cost of acquisition are based on _____ concept.
 - c) Transaction between owner and business are recorded separately due to _____ concept.
 - d) Business concern must prepare financial statements at least once in a year, which is based on _____ assumption.
 - e) _____ Principle requires that the same accounting methods should be followed from one accounting period to the next.
 - f) The policy of 'anticipate no profit and provide for all possible losses' due to _____ convention.
2. Classify following business transactions into operating, investing and financing activities of cash flow statements. (half marks each)
 - a) Paid corporate income tax
 - b) Issued debentures
 - c) Issued commercial paper with maturity of 60 days.
 - d) Converted long term loan into equity shares
 - e) Sold patent at a gain.
 - f) Received interest on investment in treasury bills.
3. The primary objective of financial reporting is to provide information to present and potential investors, creditors and others in making rational investment, credit and other information. To meet out this objective what characteristics must inherent in accounting information? Elaborate. (4 Marks)

4. Frame a transaction that has the following effect on the accounting equation (half marks each):
- Increases an asset and increases in liability.
 - Increases in asset and decreases another asset.
 - Increases an asset and increases equity.
 - Decrease an asset and decreases a liability.
5. What, if at all, is wrong with the following accounting practices? (any 3 @ 1 mark each)
- A business records an expense for the electricity charges for the owner's home.
 - A business buys a car at an auction for Rs. 40,000 and records it at that amount. One week later, the price of the car is Rs. 50,000 and the business records the car at the new market value.
 - A business records a smart phone purchased for the owner's personal use as an asset of the business.
 - The production of a manufacturing firm fell down and accountant mentioned that due to low employee morale productivity of employees got diminish.

Section B

The national bank has been approached by two customers for a short term loan of Rs. 5,000. The following summarized information is availed from the latest financial statements.

	Granny Foods	Home Foods
Net Sales	91,000 Rs.	75,000 Rs.
Gross Profit	38,220	29,250
Interest expenses	2,000	820
Income tax	7,500	5,000
Profit after tax	8200	5625
Inventories	9000	6520
Receivables	7000	5600
Cash	600	1800
Current Liabilities	18260	11,600
Non Current Liabilities	16,000	13,000
Shareholder's equity	18,000	14,000

The bank intends to accept one of the loan requests. Which customer's loan request should be accept and why? Give your answer with logical facts. (5 marks)