



Institute of Management
JK Lakshmipat University, Jaipur
END TERM EXAMINATION-2018

Pinnacle MBA (Term I)
Subject Code: P 102
MM: 40Marks

Introduction to Financial Accounting
Time: 2 Hours

Instructions: All questions are compulsory.

1. Calculate the cost of closing inventory using LIFO and FIFO method, from the given data: (2 marks)

	Units	Units Price
Opening inventory	459	Rs. 1
Purchase	685	Rs. 5
Sales	848	Rs. 15

2. The current ratio of a company is 2.5: 1 and liquidity ratio is 0.9:1. Comment on the short term solvency position of the company. (4 marks)
3. Horiba Inc. reported the following data:

Net Income	1,20,000\$
Depreciation expenses	12,000\$
Loss on sale of assets	15,000\$
Increase in bills receivables	5,000\$
Decrease in bills payable	2,000\$
Increase in share capital	9,000\$
Decrease in debentures	6000\$
Dividend paid during the year	3500\$

Prepare the cash flows from operating and financing activities section, of the statement of cash flows, using the indirect method. (4 marks)

4. Mohit has the following transactions. Prepare the accounting equations and show their effects on assets, liabilities and capital of Mohit business. (8 marks)

- Business started with cash Rs. 1,75,000
- Purchased goods from Rohit Rs. 50,000
- Sold goods on credit to Manish (costing Rs. 17,500) Rs. 20,000
- Purchased furniture for office use Rs. 10,000
- Cash paid to Rohit in full settlement Rs. 48,500
- Cash received from Manish Rs. 20,000
- Rent Paid Rs. 1,000
- Loan received Rs. 25,000.

P.T.O.

5. Analyze and comment on different cases: (4 marks each)
- A company is charging depreciation on its fixed assets through straight line method. Without any major requirement it changed its methods of charging depreciation. Which accounting principle A company is violating? Explain the basic condition of particular accounting principle.
 - If a company charges provision of doubtful debts, on total value of its debtors; which accounting principle company is following? Explain the concept of particular accounting principle.
 - Madhulika Ltd. company CEO died accidentally and accountant of company bought down the profit of concerned company by Rs. 10,00,000, giving excuse that due to death of CEO, employees morale went down which affected their productivity. Suggest your opinion whether accountant is rightly following accounting principles or not. Name and comment on particular accounting principle.
6. Following was the balance sheet of Kashyap Ltd as on 31st March 2017

Liabilities	Rs	Assets	Rs
Equity share Capital	20,000	Goodwill	12,000
Reserves	4,000	Fixed Assets	28,000
8% loan on mortgage	16,000	Stock	6,000
Trade creditors	8,000	Debtors	4,000
Bank Overdraft	2,000	Bank	8,000
Provision for Taxation	4,000	Prepaid expenses	2000
Profit & Loss A/C for the year ending 2017	12000		
Less: Transfer to Reserve	4000		
Dividend Paid	2000		
	6000		
	60,000		60,000

Sales amounted to Rs. 1,20,000.

You are required to calculate following ratios:

- All liquidity Ratios
- Proprietary Ratio, Debt Equity Ratio, Capital Gearing Ratio
- Net Profit Ratio, Return on Capital Employed, Return on Shareholder's Fund

On the basis of ratio analysis, interpret the financial position of Kashyap Ltd. according to specific classifications in given case. (10 Marks)