

**STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.**

**COURSE CODE: 19AF/MC/FR14**

**B.COM A & F DEGREE EXAMINATION – NOVEMBER 2021**

**COMMERCE – SHIFT II**

**COURSE : MAJOR – CORE**

**PAPER : FINANCIAL REPORTING AND ANALYSIS**

**TIME : 3 HOURS**

**MAX. MARKS: 100**

**SECTION – A**

**Answer all the questions:**

**(3 x 4 = 12)**

1. Show how goods sent on sale or return basis will be recorded with an example?
2. Stock destroyed by fire Rs.65,000. Claim admitted by the insurance company is Rs.24,000. How will this appear in final accounts?
3. Calculate 'Liquidity Ratio' from the following information: Current liabilities Rs.50,000, Current assets Rs.80,000, Inventories Rs.20,000, Prepaid expenses Rs.5,000, advance tax Rs.5,000

**SECTION – B**

**Answer any THREE questions:**

**(3 x 16 = 48)**

4. a. With the help of the following ratios, find out various balance sheet items of the company:

|                                                    |             |
|----------------------------------------------------|-------------|
| Current Ratio                                      | 3.5         |
| Liquidity Ratio                                    | 2.5         |
| Net Working Capital                                | Rs.5,50,000 |
| Stock Turnover Ratio (Cost of sales/closing stock) | 5 times     |
| Gross profit ratio (on cost of sales)              | 25%         |
| Fixed Assets Turnover Ratio (on cost of sales)     | 3 times     |

**(8 marks)**

- b. Compute the Current Ratio, Proprietary Ratio and Debt Equity Ratio from the Balance Sheet of M/s Alpha Brothers Ltd.:

| <b>Liabilities</b>                           | <b>Rs.</b>    | <b>Assets</b>     | <b>Rs.</b>    |
|----------------------------------------------|---------------|-------------------|---------------|
| Paid up Capital: 2,000 shares of Rs. 10 each | 20,000        | Goodwill          | 5,000         |
| Debentures                                   | 10,000        | Freehold Property | 15,450        |
| Trade Creditors                              | 3,000         | Plant and tools   | 8,300         |
| Reserve Fund                                 | 5,000         | Stock             | 3,500         |
| Profit and Loss Account                      | 2,000         | Debtors           | 2,750         |
|                                              |               | Cash at Bank      | 5,000         |
|                                              | <b>40,000</b> |                   | <b>40,000</b> |

**(8 marks)**

5. a. Following are the balance sheets of Vinay Bros:

| <b>Liabilities</b> | <b>1-Jan-2015</b> | <b>31-Dec-2015</b> | <b>Assets</b> | <b>1-Jan-2015</b> | <b>31-Dec-2015</b> |
|--------------------|-------------------|--------------------|---------------|-------------------|--------------------|
| Creditors          | 76,000            | 81,000             | Cash          | 7,000             | 13,900             |
| Loan               | -                 | 10,000             | Debtors       | 38,000            | 38,500             |
| Loan from bank     | 60,000            | 35,000             | Stock         | 45,000            | 40,000             |
| Capital            | 1,78,000          | 2,14,000           | Machinery     | 80,000            | 89,000             |
|                    |                   |                    | Land          | 64,000            | 70,000             |
|                    |                   |                    | Building      | 80,000            | 88,600             |
|                    | <b>3,14,000</b>   | <b>3,40,000</b>    |               | <b>3,14,000</b>   | <b>3,40,000</b>    |

There were no drawings. Prepare a cash flow statement. **(8 marks)**

- b. Compute Cash from operating activities from the following figures:

Profits for the year 2006 is a sum of Rs. 39,200 after providing for depreciation of Rs. 2,490.

| <b>PARTICULARS</b>           | <b>2015</b> | <b>2016</b> |
|------------------------------|-------------|-------------|
| Sundry Debtors               | 20,000      | 21,000      |
| Provision for doubtful debts | 3,000       | 4,200       |
| Bills receivable             | 5,000       | 3,000       |
| Bills payable                | 7,000       | 6,700       |
| Sundry creditors             | 12,000      | 9,400       |
| Inventories                  | 9,000       | 8,100       |
| Short-term investments       | 15,000      | 12,300      |
| Income received in advance   | 3,000       | 4,400       |
| Outstanding expenses         | 500         | 620         |

**(8 marks)**

6. From the following balance sheets of X Ltd as on 31<sup>st</sup> December 2015 and 2016, prepare a schedule of changes in working capital and calculate funds from operations:

| <b>Liabilities</b>           | <b>2015<br/>Rs.</b> | <b>2016<br/>Rs.</b> | <b>Assets</b>    | <b>2015<br/>Rs.</b> | <b>2016<br/>Rs.</b> |
|------------------------------|---------------------|---------------------|------------------|---------------------|---------------------|
| Share Capital                | 15,00,000           | 15,00,000           | Goodwill         | 92,000              | 84,000              |
| General Reserve              | 1,24,000            | 1,84,000            | Building         | 12,40,000           | 12,08,200           |
| Profit and Loss account      | 1,16,000            | 96,000              | Plant            | 3,91,000            | 4,36,000            |
| Sundry Creditors             | 58,000              | 54,400              | Investments      | 10,000              | 11,000              |
| Bills Payable                | 21,200              | 18,000              | Stock            | 60,000              | 54,400              |
| Provision for taxation       | 18,000              | 25,000              | Bills Receivable | 12,000              | 13,200              |
| Provision for doubtful debts | 2,400               | 3,600               | Debtors          | 18,000              | 29,000              |
|                              |                     |                     | Cash at Bank     | 16,600              | 45,200              |
|                              | <b>18,39,600</b>    | <b>18,81,000</b>    |                  | <b>18,39,600</b>    | <b>18,81,000</b>    |

The following is also given:

- a. Depreciation charged on plant was Rs.1,24,000 and on building Rs.40,000
- b. Provision for taxation of Rs.20,000 was made during the year 2016.
- c. Interim dividend of Rs.40,000 was paid during the year 2016.

7. (a) From the following Income statement of X Ltd., for the years 2016 and 2017 prepare common size income statement:

|                                   | 2016<br>Rs.     | 2017<br>Rs.     |
|-----------------------------------|-----------------|-----------------|
| Gross sales                       | 17,20,000       | 19,20,000       |
| Less: sales return                | 2,25,000        | 1,15,000        |
| Net Sales                         | 14,95,000       | 18,05,000       |
| Cost of sales                     | 12,70,000       | 15,15,000       |
| Gross Profit                      | <b>2,25,000</b> | <b>2,90,000</b> |
| Operating Expenses                |                 |                 |
| Selling and distribution expenses | 25,000          | 24,000          |
| Administrative expenses           | 30,200          | 33,500          |
|                                   | <b>55,200</b>   | <b>57,500</b>   |
| Operating income                  | 1,69,800        | 2,32,500        |
| Other incomes                     | 4,800           | 8,050           |
|                                   | <b>1,74,600</b> | <b>2,40,550</b> |
| Non-operating expenses            | 2,200           | 3,560           |
| Net profit                        | <b>1,72,400</b> | <b>2,36,990</b> |

(8 marks)

- (b) Write a brief note on the requirements to be followed for disclosure of accounting policies. (8 marks)

## SECTION – C

Answer any ONE question:

(1 x 40 = 40)

8. (a) X Ltd. employs a manager who is entitled to a salary of Rs.40,000 per month and in addition to a commission of 2% of net profits of the company before such salary or commission. Information for the company's financial year ending 31<sup>st</sup> March 2018 is as follows:

| Particulars                                | Rs.<br>(‘000) | Particulars                              | Rs.<br>(‘000) |
|--------------------------------------------|---------------|------------------------------------------|---------------|
| To General expenses                        | 1,160         | By gross profit                          | 12,200        |
| To scientific research expenditure         | 580           |                                          |               |
| To staff salaries and bonus (Bonus Rs.740) | 2,740         | By subsidy from state govt.              | 500           |
| To ex-gratia to employees                  | 80            | By profit on sale of machinery and plant |               |
| To charitable donation                     | 200           | (difference between price                |               |

|                          |               |                      |               |
|--------------------------|---------------|----------------------|---------------|
| To depreciation          | 1,100         | realised and<br>WDV) | 800           |
| To commission to manager | 100           |                      |               |
| To Income tax            | 3,700         |                      |               |
| To net profit            | 3,840         |                      |               |
|                          | <b>13,500</b> |                      | <b>13,500</b> |

The amount realized on sale of machinery and plant was Rs.32,00,000 while the cost was Rs.30,00,000. Depreciation provided in Rs.1,10,000 in excess. The scientific expenditure was for purchasing new machinery. Bonus liability as per Payment of Bonus Act Rs.7,00,000. Calculate total remuneration payable to all managerial staff and the manager. **(15 marks)**

(b) The following is the trial balance of Kiran Ltd. as on 31<sup>st</sup> March 2020:

| Debit balances       | Rs.              | Credit balances            | Rs.              |
|----------------------|------------------|----------------------------|------------------|
| Stock as on 1/4/2019 | 5,50,000         | Purchase returns           | 1,25,000         |
| Purchases            | 27,50,000        | Sales                      | 42,00,500        |
| Wages                | 2,00,000         | Discount                   | 30,000           |
| Carriage inwards     | 9,500            | Profit and Loss<br>account | 1,89,000         |
| Furniture & fixtures | 1,90,000         | Share capital              | 10,00,000        |
| Salaries             | 95,000           | Sundry creditors           | 1,75,000         |
| Rent & rates         | 40,000           | General Reserve            | 2,55,000         |
| Sundry expenses      | 50,250           | Bills Payable              | 90,000           |
| Interim Dividend     | 89,000           |                            |                  |
| Sundry Debtors       | 2,85,000         |                            |                  |
| Plant and Machinery  | 10,90,000        |                            |                  |
| Cash at Bank         | 4,87,750         |                            |                  |
| Patents              | 1,38,000         |                            |                  |
| Bills receivable     | 90,000           |                            |                  |
|                      | <b>60,64,500</b> |                            | <b>60,64,500</b> |

Prepare statement of Profit and Loss for the year ended 31<sup>st</sup> March 2020 and Balance sheet as on that date after considering the following adjustments:

- Stock as on 31<sup>st</sup> March 2020 was valued at Rs.7,91,500.
- Make a provision for income tax at 25%.
- Depreciation Plant and Machinery at 20%, furniture & fixtures at 10% and patents at 5%.
- Outstanding salaries amounted to Rs.28,000.
- The Board of directors recommended payment of dividend at 20% p.a.
- Provide 5% on debtors for doubtful debts.
- Provide Rs.28,000 for manager's remuneration.

**(25 marks)**

9. (a)

The following are the balances in the ledger of Mr. Sriram for the year ended 31<sup>st</sup> March 2016:

Opening stock:

|                                     |          |
|-------------------------------------|----------|
| Raw materials                       | 20,000   |
| Work in progress                    | 3,000    |
| Finished goods                      | 10,800   |
| Purchase of raw materials           | 50,000   |
| Sales                               | 2,40,000 |
| Fuel and coal                       | 1,000    |
| Wages                               | 32,000   |
| Factory – Direct expenses           | 30,200   |
| Factory – Indirect expenses         | 9,800    |
| Freight inward                      | 3,400    |
| Freight outward                     | 2,000    |
| Office expenses                     | 30,000   |
| Depreciation on plant and machinery | 3,000    |
| Closing stock:                      |          |
| Raw materials                       | 20,000   |
| Work in progress                    | 4,000    |
| Finished goods                      | 8,000    |
| Depreciation on Office Building     | 1,500    |

Prepare manufacturing and trading account.

**(15 marks)**

(b) Mr. Vairam, a shopkeeper had prepared the following trial balance from his ledger as on 31<sup>st</sup> March 2012.

| Particulars                   | Debit Rs. | Credit Rs. |
|-------------------------------|-----------|------------|
| Purchases                     | 3,10,000  |            |
| Sales                         |           | 5,15,000   |
| Stock of goods as on 1/4/2012 | 50,000    |            |
| Cash in hand                  | 2,100     |            |
| Cash at Bank                  | 62,000    |            |
| Mr. Vairam's Capital          |           | 3,88,600   |
| Drawings                      | 4,000     |            |
| Rates and Taxes               | 5,000     |            |
| Salaries                      | 32,000    |            |
| Postage and Telephone         | 11,500    |            |
| Salesmen's Commission         | 35,000    |            |
| Insurance                     | 9,000     |            |
| Furniture & Fittings          | 22,000    |            |
| Advertising                   | 17,000    |            |
| Printing & Stationery         | 3,000     |            |
| Motor Car                     | 48,000    |            |
| Bad Debts                     | 2,000     |            |

|                   |                 |                 |
|-------------------|-----------------|-----------------|
| Cash Discounts    | 4,000           |                 |
| General Expenses  | 14,000          |                 |
| Carriage Inwards  | 10,000          |                 |
| Carriage Outwards | 22,000          |                 |
| Wages             | 20,000          |                 |
| Sundry Creditors  |                 | 40,000          |
| Sundry Debtors    | 2,50,000        |                 |
| Bills Receivable  | 21,000          |                 |
| Loan @ 10%        |                 | 10,000          |
| <b>Total</b>      | <b>9,53,600</b> | <b>9,53,600</b> |

You are required to prepare the Trading and Profit and Loss Account for the year ended 31<sup>st</sup> March 2012 and Balance Sheet as on that date:

- a. Cost of goods in stock as on 31<sup>st</sup> March 2012 Rs.1,45,000. The closing stock included goods costing Rs.1000 which were sold and recorded as sales but not delivered to the customer.
- b. Purchases include purchase of furniture worth Rs.10,000.
- c. Debtors include Rs.5,000 bad debts.
- d. Sales include goods with sale price of Rs.15,000 which was sent to SM & Co on approval and remaining unsold as on March 31<sup>st</sup> 2012. The rate of gross profit on cost was 25% .
- e. The provision for bad debts is to be created at 5% of sundry debtors.
- f. Depreciate furniture and fittings by 10% and motor car by 20%.
- g. Bills receivable includes a dishonoured promissory note of Rs.1,000.

**(25 marks)**

\*\*\*\*\*