

**STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.**  
(For candidates admitted during the academic year 2008-2009 & thereafter)

**SUBJECT CODE : CM/AC/FS14**

**B.C.A. DEGREE EXAMINATION NOVEMBER 2010**  
**FIRST SEMESTER**

**REG.NO. \_\_\_\_\_**

**COURSE : ALLIED – CORE**  
**PAPER : FINANCIAL STATEMENTS & ANALYSIS**  
**TIME : 30 MINUTES** **MAX. MARKS : 30**

**SECTION – A**  
**[TO BE ANSWERED IN THE QUESTION PAPER ITSELF]**

**ANSWER ALL QUESTIONS: (30 x 1 = 30)**

**I CHOOSE THE CORRECT ANSWER:**

1. Financial statements are prepared from the point of view of -  
a) shareholders      b) management      c) creditors      d) investors
2. Comparative balance sheet is useful for studying -  
a) the trends      b) financial position      c) liquidity      d) profitability
3. Debt-equity ratio is a -  
a) short term solvency ratio      b) operating ratio  
c) activity ratio      d) long term solvency ratio
4. Incremental cost is a type of -  
a) differential cost      b) out-of –post cost      c) conversion cost      d) controlling cost
5. The term Fixed Assets include –  
a) Stock-in-trade      b) Furniture      c) Payments in advance      d) Good will
6. In case of a limited company, the term financial statements include –  
a) Profit & Loss a/c and Balance Sheet.  
b) Profit & Loss a/c, Profit & Loss Appropriation a/c and Balance Sheet  
c) Balance Sheet  
d) Profit & Loss a/c.
7. The prime function of accounting is to –  
a) record economic data.  
b) provide the informational basis for action.  
c) classify and record business transactions.  
d) attain non-economic goals.

8. Observing changes in the financial variables across the years is -
- |                          |                          |
|--------------------------|--------------------------|
| a) Vertical analysis     | b) Horizontal analysis   |
| c) Inter-firm comparison | d) Intra-firm comparison |
9. Purchase book is also known as –
- |                 |                        |
|-----------------|------------------------|
| a) Invoice book | b) Inward returns book |
| c) Day book     | d) Credit Note         |
10. Direct costs are –
- costs which can be identified with cost centre but not identified to a single cost unit.
  - costs which can be identified with a single cost unit.
  - costs incurred as a direct result of a particular decision.
  - none of the above.

## II      **FILL IN THE BLANKS:**

- Accounting designed to serve parties external to the operating responsibility of the firm, is termed as \_\_\_\_\_.
- 'Acid Test' denotes \_\_\_\_\_.
- Balance Sheet is a statement of \_\_\_\_\_ of a business at a specific moment of time.
- \_\_\_\_\_ concept determines what is to be recorded and what is to be excluded from the books of accounts.
- The total of all direct expenses is known as \_\_\_\_\_ cost.
- Operating ratio is a \_\_\_\_\_ ratio.
- Financial statements disclose only \_\_\_\_\_ facts.
- When a claim against a debtor becomes irrecoverable, it is called \_\_\_\_\_.
- Financial Statements disclose only \_\_\_\_\_ facts.
- Costing is a technique of \_\_\_\_\_.

## III      **STATE WHETHER TRUE OR FALSE:**

- Fixed cost per unit remains fixed.
- Assets and liabilities in a Balance Sheet may be arranged either according to liquidity order or permanency order.
- The statistical yardstick that provides a measure of the relationship between two accounting figures is the accounting ratio.
- Rent of a factory building is a variable cost.
- Rate of return on capital employed is a turnover ratio..
- Depreciation is an 'out f pocket cost'.
- Rearrangement of figures is necessary for analysis and interpretation.
- A cost sheet on the basis of actual cost data is termed as Historical Cost Sheet.
- Ratio analysis is a technique of planning and control.
- Closing Stock includes raw materials, work-in-progress and finished goods.



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**PAPER : FINANCIAL STATEMENTS & ANALYSIS**  
**TIME : 2 ½ HOURS** **MAX. MARKS : 70**

**SECTION – B**

**ANSWER ANY FIVE QUESTIONS: (5 x 8 = 40)**

1. Prepare a Common size Income Statement for the year ending 31.12.2005, from the following information:

Trading and Profit and Loss account			
	Rs.		Rs.
To Cost of sales	11,50,000	By Sales	15,00,000
Gross profit	<u>3,50,000</u>		
	<u>15,00,000</u>		<u>15,00,000</u>
To Operating expenses:		By Gross profit	3,50,000
Administration	1,60,000	By Interest on investments	50,000
Selling	20,000		
Distribution	20,000		
To Non operating expenses:			
Finance	1,20,000		
To Net profit	<u>80,000</u>		
	<u>4,00,000</u>		<u>4,00,000</u>

2. From the following particulars of Mr.Arun prepare a cash book with cash and bank columns for the month of January 2008. On 1st January Mr.Arun commenced his business with Rs.1,60,000 and deposited Rs.20,000 into bank on the same date.

- Jan 2 Bought goods for cash Rs.10,000
- 4 Purchased goods for cash Rs.20,000
- 7 Goods sold for cash Rs.6,000
- 8 Goods sold for credit Rs.12,000
- 10 Cash paid to creditor Rs.12,000
- 20 Cash received from a customer Rs.10,000
- 25 Paid freight Rs.8,000
- 26 Insurance paid Rs.4,800
- 30 Salaries paid by cheque Rs.10,000
- 31 Withdrew cash for personal use Rs.5,000

3. Following are the ratios relating to the trading activities of Neela Traders Ltd.
- |                      |                           |
|----------------------|---------------------------|
| Receivables turnover | 90 days (360 days a year) |
| Inventory turnover   | 3 times                   |
| Payables turnover    | 3 months                  |
| Gross profit ratio   | 25%                       |
- Gross profit for the year amounted to Rs.18,000. Closing inventory of the year is Rs.2,000 above the opening inventory. Bills receivable amount to Rs.2,500 and Bills payable Rs.1,000. Ascertain the following:
- a) Sales      b) Debtors      c) Closing inventory      d) Sundry Creditors.

4. From the following balance sheet extracts, compute trend percentages:

	2000	2001	2002	2003	2004
	Rs.	Rs.	Rs.	Rs.	Rs.
Stock	1,50,000	1,70,000	1,90,000	2,30,000	2,20,000
Debtors	1,40,000	1,20,000	80,000	90,000	1,00,000
Cash	60,000	50,000	50,000	60,000	90,000
Creditors	3,00,000	3,20,000	3,00,000	2,80,000	2,40,000

5. Profit & Loss a/c of X Ltd. is given below:

	Rs.		Rs.
To opening stock	2,00,000	By sales	16,00,000
To purchases	12,00,000	By closing stock	3,20,000
To administration exp's	1,20,000	By dividend	4,000
To selling exp's	80,000		
To interest	40,000		
To net profit	2,84,000		
	-----		-----
	19,24,000		19,24,000
	-----		-----

- Calculate :-
- Gross Profit ratio
  - Administrative expenses ratio
  - Net Profit ratio
  - Operating expenses ratio
  - Operating Profit ratio.

6. In a factory 20,000 units of Product A were manufactured in the month of July. From the following figures obtained from the costing records, prepare a cost sheet showing cost per unit.

	Rs.
Opening stock of raw materials	5,000
Purchases	55,000
Closing stock	10,000
Direct wages	25,000
Factory Overhead	40,000
Office & Administrative Overhead	20,000

7. Pass necessary entries for the following adjustments:
- Depreciation at 10% is to be charged on machinery costing Rs.1,00,000.
  - Salaries outstanding Rs.5,000.
  - Goods worth Rs.2,000 distributed as free samples to customers.
  - The proprietor has withdrawn goods worth Rs.200 from stock.
  - Provide provision for doubtful debts at 2% on Debtors worth Rs.20,000.
  - Commission received in advance Rs.1,000.
  - Insurance unexpired Rs.200.
  - To provide 10% Interest on capital of Rs.2,50,000.

### SECTION – C

ANSWER ANY TWO QUESTIONS:

(2 x 15 = 30)

8. Balance Sheet of Rama Ltd. as on 31.12.2009 is as follows:

Liabilities	Rs.	Assets	Rs.
Equity Share Capital	2,00,000	Fixed Assets	3,60,000
9% Preference Share Capital	1,00,000	Stock	50,000
8% Debentures	1,00,000	Debtors	1,10,000
Profit & Loss a/c	40,000	B/R	6,000
Creditors	90,000	Bank	4,000
	-----		-----
	5,30,000		5,30,000
	-----		-----

Compute the solvency ratios.

9. The following balances are drawn from the books of M/s.Arvind Mills as on 31.12.2008.

	Rs.		Rs.
Land	1,00,000	Sales	3,00,000
Buildings	2,00,000	Purchases returns	5,000
Sales returns	10,000	Bank overdraft	15,000
Creditors	20,000	Debtors	50,000
Wages	12,000	Purchases	1,75,000
General expenses	5,000	Opening Stock	25,000
Bad debts	1,000	Cash	5,000
Capital	2,81,000	Salaries	10,000
Goodwill	15,000	Selling expenses	12,000
Insurance	1,000		

- Closing stock is Rs.30,000
  - Provide for depreciation at 10% on Buildings
  - Salaries outstanding Rs.3,000.
- Prepare final accounts of Ms.Arvind Mills.

10. The following extracts of costing information relate to commodity A for the year ending 31.03.2009.

	Rs.
Purchase of Raw material	48,000
Direct wages	40,000
Stock on 1.04.2008 –	
Of Raw material	8,000
Of Finished goods (1,600 kgs)	6,400
Stock on 31.03.2009 –	
Of Raw material	8,800
Of Finished goods (3,200 kgs)	
Work on cost	16,800
Work-in-progress –	
1 <sup>st</sup> April 2008	1,920
31 <sup>st</sup> March 2009	6,400
Office & Administrative Overhead	3,200
Sales	1,20,000

Advertising, discount allowed and selling cost is 40paise per kg. During the year 25,600 kgs of commodity were produced.  
Calculate cost of production and extend the cost sheet to include profit.

11. M/s. Rajkumar & Bros. started their business on 1<sup>st</sup> April 2009 with Rs.50,000 as their capital. Following were the transaction for one month:

April 2009		Rs.
1	Paid into bank	20,000
2	Purchased furniture from Modern furniture Ltd. on credit	3,000
6	Sold goods on credit to Sivakumar	3,500
8	Paid to Modern furniture Ltd. cash	2,000
11	Purchased goods from Mohan	8,800
15	Paid wages in cash	200
16	Issued cheque to Mohan	7,000
20	Received from Sivakumar	1,500
21	Paid into bank	1,500
23	Cash sales	3,500
25	Cash purchases	1,800
27	Goods withdrawn for personal use	500
28	Cash withdrawn for personal use	750
29	Paid for stationary	100
30	Paid salaries by cheque	1,000

Give journal entries and prepare the ledger accounts and trial balance as on 30.04.2009.



