

SECOND SEMESTER UG DEGREE EXAMINATION, APRIL 2023

(Regular/Improvement/Supplementary)

BBA HONOURS

GBAH2B08T: PRINCIPLES OF ACCOUNTING - II

Time: 3 Hours

Maximum Marks: 80

PART A: Answer all the questions. Each carries 1 mark.**Choose the correct answer.**

1. The term "Capital structure" refers to the relationship between.....
 - A) Current assets and Current Liabilities
 - B) Sum of all non current asset
 - C) Debentures, preference shares and equity share capital
 - D) Sum of all outsider's liabilities
2. Which of the following may be a current liability?
 - A) Sundry Creditors
 - B) Deposits received from customers
 - C) Deferred Revenue
 - D) All of these
3. An Income statement will specify which of the following?
 - A) a point in time
 - B) a period of time
 - C) both of these
 - D) none of these
4. Under accrual basis of accounting, revenues are recognised in the accounting period in which
 - A) Cash is received
 - B) Revenues are earned
 - C) Both of these
 - D) None of these
5. Statement of Cash flow includes.....
 - A) Financing activities
 - B) Operating Activities
 - C) Investing Activities
 - D) All of the above

Fill in the Blanks.

6. In Balance sheet, the sum of retained earnings and common stock are known as.....
7. A financial document indicating the success or failure of a business trading over a time period is known as.....
8. A.....stock holder is the real owner of the corporation.
9. If the total assets of a firm are Rs.800 000 and its fixed assets are Rs.500 000. the percentage of current assets on total assets is.....
10. In a common size balance sheet, total liabilities are assumed to be equal to.....

(10 × 1 = 10 Marks)**PART B: Answer any eight questions. Each carries 2 marks.**

11. Mention the uses of Classified Balance Sheet.
12. List out the preferences available to a Preference share holder.
13. What do you mean by the term Time Value of Money?
14. How Shareholders equity is different from Equity Share Capital?
15. What is meant by Solvency analysis?
16. Explain Inter-company investments.
17. What is the purpose of preparing a consolidated financial statement?
18. Enlist the advantages of preparing a cash flow statement.
19. What is meant by Treasury Stock?
20. How do you calculate Cash from Operating Activities?

(8 × 2 = 16 Marks)**(PTO)**

PART C: Answer any six questions. Each carries 4 marks.

21. Identify and explain the primary assumptions made in preparing financial statements.
22. The following items are available from the records of the Free Ship Corporation at the end of the current year. (All Amounts in Rupees)

Accounts Payable	12550	Notes Payable	50000
Accounts Receivable	23920	Office Equipment	12000
Advertising Expenses	2100	Retained earnings at the end of the year	37590
Buildings	85000	Salary and wage expenses	8230
Capital Stock	25000	Sales Revenue	14220
Cash	4220		

Prepare a Balance sheet using the above items.

23. A company's beginning shareholders' equity is Rs.500 million, its net income for the year is Rs.50 million, its cash dividends for the year is Rs.5 million, and the company did not issue or repurchase any of its stock. If the company's actual ending shareholders' equity is Rs.570 million, what is its comprehensive income?
24. From the following information, prepare a comparative statement of profit and loss for the year 2021-2022

Particulars	2021	2022
Revenue from Operations	700000	850000
Materials consumed	330000	420000
Manufacturing and Office Expenses	240000	260000
Other Incomes	30000	30000

Other Information

- (i) Income tax is calculated @ 50%.
- (ii) Manufacturing expenses are 50% of the total of that category.
25. Big Company owns a 20 percent interest in Little Company purchased on January 1, 2008, for Rs.2, 00,000. Little then reports net income of Rs.200,000, Rs.300,000, and Rs.400,000, respectively, in the next three years while paying dividends of Rs.50,000, Rs.100,000, and Rs.200,000. The fair values of Big's investment in little, as determined by market prices, were Rs.235,000, Rs.255,000, and Rs.320,000 at the end of 2008, 2009, and 2010, respectively. Show Journal entries in the Books of Big Company under Equity Method?
26. What are the rules to determine which segments need to be reported under segment reporting?
27. How working capital is considered as a measure of Liquidity? Explain
28. The following data relate to a manufacturing company during 2021-22
Credit sales-Rs. 4,50,000; Credit purchase -Rs. 3,80,000; Finished Inventory -Rs. 90,000; Cost of goods sold - Rs. 60% of total sales of Rs. 6,00,000 and Accounts payable -Rs. 1,45,000.
Calculate cash conversion cycle of the company. Also determine Net Working Capital of the company.

(6 × 4 = 24 Marks)

PART D: Answer any two questions. Each carries 15 marks.

29. Balance sheet of A and B as on 1/1/2020 and 31/12/2020 were as follows:-

LIABILITIES	1/1/2020	31/12/2020	ASSETS	1/1/2020	31/12/2020
Creditors	40000	44000	Cash	10000	7000
Mrs.A's Loan	25000	---	Debtors	30000	50000
Loan from Bank	40000	50000	Stock	35000	25000
Capital	125000	153000	Machinery	80000	55000
			Land	40000	50000
			Building	35000	60000
	230000	247000		230000	247000

During the year a machine costing Rs.10000 (Accumulated depreciation Rs.3000) was sold for Rs.5000. The provision for depreciation against Machinery as on 1/1/2020 was Rs.25000 and on 31/12/2020 Rs.40000. Net Profit for the year 2020 amounted to Rs.45000. Prepare Cash flow statement?

30. Alpha and Beta are two companies operating in the same line of Business which has furnished certain details from their Balance sheet as on 31st March 2022. Analyse the solvency of the two businesses and comment on it

PARTICULARS	ALPHA COMPANY	BETA COMPANY
Common stock (Rs.1 par Value) (1)	550000	500000
Preferred Stock (2)	150000	200000
Retained earnings (3)	800000	700000
Total Equity (1+2+3)	1500000	1400000
Current Assets	1500000	1700000
Non Current Assets	1500000	1200000
Total Assets (A+B)	3000000	2900000
Short Term Debt (C)	600000	10 00000
Long Term Debt (D)	900000	500000
Total Debt(C+D)	1500000	1500000

(PTO)

31. The following list of accounts for Company C.V. Ltd. is available at the end of 2022.

Long-term holdings in equity (1) 2,500
Shares in the entity held by the entity 1,000
Salary payable 20
Adjustments for changes in value of financial instruments available for sale 50
Accumulated depreciation of intangible assets 950
Accumulated depreciation of tangible fixed assets (2) 1,000
Customers advances 100
Cash 1,335
Capital stock 21,000
Accounts receivable 200
Constructions (3) 5,000
Constructions in progress 300
Short-term credit from the sale of tangible fixed assets 500
Impairment of inventories of goods for sale 100
Short-term debt with credit institutions 2,000
Long-term debt with credit institutions 2,000
Other owners' contributions 200
Vehicles 4,000
Computers 2,000
Inventories of goods for sale 1,000
Short-term deposits and guarantees given 500
Expenses paid in advance 270
Payable to public authorities (withholdings) 220
Receivable from public authorities (income tax refund) 50
Interest payable to credit institutions 10
Interest receivable 50
Furniture 5,200
Income for the year 1,925
Intellectual property 4,000
Accounts payable for goods 50
Provisions for environmental actions 500
Prior years' negative income 300
Legal reserve 1,600
Uncalled subscribed capital receivable 5,000
Capital grants 1,500

- (1) These are shares that have been classified by the company as "available for sale".
 - (2) The breakdown of the accumulated depreciation is the following:
 - Constructions: 500 • Furniture: 250 • Computers: 100 • Vehicles: 150
 - (3) A warehouse with a value of 2,000 (accumulated depreciation: 200) is not being used in the operations but being rented to another company.
- Prepare a Classified Balance Sheet as per the above data.

(2 × 15 = 30 Marks)