

SECOND SEMESTER UG DEGREE EXAMINATION, APRIL 2024**(Regular/Improvement/Supplementary)****BBA HONOURS****GBAH2B08T: PRINCIPLES OF ACCOUNTING - II****Time: 3 Hours****Maximum Marks: 80****PART A: Answer all the questions. Each carries one mark.****Choose the correct answer.**

1. Preferred stock holders get preference on:

A) Payment of dividends.	B) Distribution of assets on liquidation.
C) Both A & B.	D) Only on selecting board of directors.
2. At same profits, due to issue of debentures the EPS of a company generally.

A) Increases.	B) Decreases.	C) No change.	D) May increase or decrease.
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3. The term capital structure in a company refers to

A) The way a company finances its operations using long term funds.
B) The mix of long term and short-term sources of funds.
C) The employee structure in the organization.
D) The remuneration structure in the organization.
4. With sales remaining constant effect of an increase in advertisement expense results in the gross profit.

A) Increasing.	B) Decreasing.	C) No change.	D) May increase or decrease.
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5. The cost of equity capital is.....

A) Lesser than cost of debentures.	B) Lesser than cost of bank loan.
C) Higher than cost of debentures.	D) Usually lower than debt but can be higher.

Fill in the Blanks.

6. Redemption of debentures affects cash flows from activities.
7. The returns of equity shareholders can be increased by borrowing funds. This is called as process of
8. is an estimated future bad debt.
9. An asset from the payment of cash before the incurrence of expense is known as
10. In a common size balance sheet is used as a base for calculation.

**(10 x 1 = 10 Marks)
(PTO)**

PART B: Answer any *eight* questions. Each carries *two* marks.

11. State the importance of final accounts.
12. Highlight the importance of profitability and solvency analysis.
13. Comment on leverage.
14. What are the major components of stockholders' equity in the balance sheet?
15. When is equity method of accounting used?
16. How is goods withdrawn by the owner treated in the final accounts?
17. What is the importance of a cash flow statement?
18. Do you agree that par value indicate the market price or issue price of the stock?
19. Write an account on accrued liabilities with examples.
20. List out the advantages and disadvantages of issue of shares.

(8 x 2 =16 Marks)

PART C: Answer any *six* questions. Each carries *four* marks.

21. Explain the various long term and short term sources of finance for a business.
22. What are the factors affecting capital structure decisions?
23. If the current ratio is 2.5, Working capital is Rs 60,000, sales is 20% of cost of goods sold and sales is Rs.3,20,000 what is the current asset, current liability and cost of goods sold?
24. Prepare a comparative profit and loss account from the following:

	2021 (Rs)	2022(Rs)		2021(Rs)	2022(Rs)
To Cost of goods sold	6,00,000	7,50,000	Sales.	8,00,000	10,00,000
To Operating expense:					
Administrative	20,000	20,000			
Selling	30,000	40,000			
To net profit	1,50,000	1,90,000			

25. What will be the current asset and current liability if current ratio is 2.5 and working capital is Rs 60,000.
26. Explain the difference between trial balance and balance sheet.
27. On January 1, 2021, Watson Firm wants to issue Rs. 10,000 face value bonds with 8% face rate of interest and with interest paid annually each year for four years. However, the market rate of interest is 6% for similar bonds. What should be the issue price of bonds? Should it be issued at premium or discount?
28. Compute cash from operation from the following:
 - a) Net profit for the year ended 31st Dec 2022: Rs. 1,00,000
 - b) Loss on sale of machinery: Rs. 10,000
 - c) Preliminary expense written off: Rs. 5,000
 - d) Gain on sale of building: Rs. 8,000
 - e) Goodwill written off: Rs. 5,000

(6 x 4 = 24 Marks)

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

29. Explain the different types of ratios with their importance.
30. Explain how the following items which are outside the trial balance appear in the final accounts.
- a) Closing stock.
 - b) Prepaid insurance.
 - c) Outstanding wages.
 - d) Interest on capital & interest on drawings.
 - e) Commission earned but not received.
 - f) Debtors of Rs 50,000.
 - g) Additional bad debts of Rs 5,000.
 - h) Reserve for bad debts @ 5% and discount on debtors @ 5%.
 - i) Creditors of Rs 30,000.
 - j) Reserve for discount on creditors @ 1%.

31.

Liabilities	2022	2023	Assets	2022	2023
Capital	5,00,000	7,00,000	Land	80,000	1,20,000
Profit & Loss	1,00,000	1,60,000	Machinery	5,00,000	8,00,000
General Reserve	50,000	70,000	Stock	1,00,000	75,000
Creditors	1,53,000	1,90,000	Debtors	1,50,000	1,60,000
Bills payable	40,000	50,000	Cash	20,000	20,000
O/S Expenses	7000	5000			

- a) Rs. 50,000 depreciations has been charged on Plant and Machinery during 2023.
- b) A piece of Machinery was sold for Rs. 8,000 during the year 2023. It had cost Rs. 12,000; depreciation of Rs. 7,000 had been provided on it.

Prepare a cash flow statement for 2023.

(2 x 15 = 30 Marks)