

Internal Assessment Test - II

Sub:	Financial Accounting and Reporting							Code:	24MBA102
Date:	25.03.2025	Duration:	90 mts.	Max Marks:	50	Sem:	I	Branch:	MBA
SET- I									

		OBE	
		CO	RBT
Part A - Answer Any Two Full Questions (2* 20 = 40 marks)			
1 (a)	<p>A firm has made credit purchases of Rs 3,00,000. The amount payable to the creditors at the beginning and the end of the year is Rs 70,000 and Rs 80,000 respectively. Calculate the ‘Creditors Turnover Ratio’.</p> <p>Solution: Creditors Turnover Ratio = Net Credit Purchases/Average Creditors</p> <p>= 3,00,000 / (70000 + 80000) =4</p> <p>Creditors Payment Period = 12 months/4 = 3 months.</p>	[03]	CO2 <

**Machinery Account
(Under Straight Line Method)**

Dr.			Cr.		
Date	Particulars	Rs	Date	Particulars	Rs
Apr 1, 2007	To Bank A/c	53,000	Mar 31, 2008	By Depreciation A/c	9,600
	To Bank A/c	<u>53,000</u>		By Balance c/d	<u>43,400</u>
					<u>53,000</u>
Apr 1, 2009		43,400	Mar 31, 2009	By Depreciation A/c	9,600
		<u>43,400</u>		By Balance c/d	<u>33,800</u>
					<u>43,400</u>

**Machinery Account
(Diminishing Balance Method)**

Dr.			Cr.		
Date	Particulars	Rs	Date	Particulars	Rs
Apr 1, 2007	To Bank Account	53,000	Mar 31, 2008	By Depreciation A/c (20% on 53,000)	10,600
		<u>53,000</u>		By Balance c/d	<u>42,400</u>
					<u>53,000</u>
Apr 1, 2008	To Balance b/d	42,400	Mar 31, 2009	By Depreciation on A/c (20% on 42,400)	8,480
		<u>42,400</u>		By Balance c/d	<u>23,920</u>
					<u>42,400</u>

- 2 (a) A firm has sold goods worth Rs 4,00,000 with a gross profit margin of 25%. The stock at the beginning and at the end of the period are Rs 45,000 and Rs 55,000 respectively. Calculate the 'Inventory Turnover Ratio'.

Solution:

Cost of Goods Sold = Sales – Gross Profit

Sales = Rs 4,00,000 (Given) Gross Profit (G. 25% of Rs 4,00,000 = Rs 1,00,000
(Profit = (Rs 4,00,000 – Rs 1,00,000). = 3,00,000

Average Inventory (Rs 45,000 + Rs 55,000)/2 → (Stock in the beginning + Stock at the end)/2

Inventory Turnover Ratio = Rs 3,00,000/Rs 50,000 = 6 times

- (b) The cash book shows a bank balance of ₹ 7,800. On comparing the cash book with the passbook the following discrepancies were noted: (i) Cheque deposited in the bank but not credited ₹3,000 (ii) Cheque issued but not yet presented for payment ₹1,500 (iii) Insurance premium paid by the bank ₹2,000 (iv) Bank interest credit by the bank ₹400 (v) Bank charges ₹100 (vi) Directly deposited by a customer ₹4,000.

Ans: The bank reconciliation statement is shown below:

S. No.	Particulars	(+) Amount	(-) Amount
	Balance as per the Cash Book	7,800	-
(a)	Cheque deposited but not credited to the Pass Book		3,000
(b)	Cheque issued but not yet presented for payment	1,500	
(c)	An insurance premium paid by the bank		2,000
(d)	Bank allowed interest	400	
(e)	Bank debited charges		100
(f)	Amount directly deposited by the customer	4,000	
	Balance as per the Pass Book		8,600
		13,700	13,700

- (c) Analyse the performance metrics in exhibiting 'sustainability reporting' as a way of accounting by corporate.
Sustainability reporting in accounting involves disclosing an organization's environmental, social, and governance (ESG) performance alongside traditional

[03]

CO2

L3

[07]

CO1

L3

[10]

CO1

L4

financial metrics, providing stakeholders with a transparent view of its sustainability initiatives and impacts.

Here is a more detailed breakdown:

□ **Definition:**

Sustainability reporting is a form of non-financial reporting that communicates an organization's progress towards sustainability goals across environmental, social, and governance (ESG) areas.

□ **Purpose:**

It aims to inform stakeholders about an organization's role and contribution to society, encompassing issues like climate change, labor practices, and community engagement.

□ **Key Areas Covered:**

Sustainability reports typically address a wide range of topics, including:

□ **Environmental:** Carbon emissions, energy usage, waste management, and resource consumption.

□ **Social:** Employee relations, community engagement, human rights, and labor practices.

□ **Governance:** Corporate structure, ethical conduct, and risk management.

□ **Benefits:**

□ Improved corporate reputation and building consumer confidence .

□ Enhanced stakeholder engagement and transparency .

□ Increased innovation and identification of opportunities .

□ Improved risk management and regulatory compliance .

□ Frameworks and Standards:

□ **Global Reporting Initiative (GRI):** A widely used framework for sustainability reporting, providing guidance and standards for organizations to report on their economic, environmental, and social impacts.

□ **Sustainability Accounting Standards Board (SASB):** An industry-specific framework that provides disclosure guidance about sustainability-related financial risks and opportunities.

□ **Relationship to Financial Reporting:**

Sustainability reporting complements traditional financial reporting by providing a broader view of an organization's performance and its impact on society.

□ **Increasing Importance:**

Sustainability reporting is gaining importance as stakeholders, including investors, customers, and regulators, increasingly demand transparency and accountability from organizations regarding their sustainability performance.

3 (a) Illustrate the scope of forensic accounting.

Criminal Investigations:

Forensic science plays a crucial role in criminal investigations by analyzing evidence, identifying suspects, and reconstructing crime scenes.

Civil Litigation:

Forensic science can also be used in civil cases, such as analyzing financial records, assessing damages, or determining the authenticity of documents.

Specialized Areas

Forensic Biology: Analysis of biological evidence like DNA, blood, and hair.

□ **Forensic Chemistry:** Analysis of chemical substances, drugs, and toxins.

[03]

CO1

L2

- **Forensic Toxicology:** Identification and analysis of poisons and drugs in body fluids and tissues.
- **Forensic Anthropology:** Identification of skeletal remains and analysis of skeletal features.

(b)	<p>Calculate 'Operating Profit Ratio' from the following:</p> <p>Net Profit Rs.6,00,000 Loss on Sale of Furniture Rs 20,000 Profit on Sale of Investment Rs.60,000 Interest paid on Loan Rs.60,000 Interest from Investment Rs.40,000 Sales Rs.11,60,000.</p> <p>Solution</p> <p>Step 1: Non-operating expenses have to be calculated.</p> $\begin{aligned}\text{Non-operating Expenses} &= \text{Interest on Loan} + \text{Loss on Sale of Furniture} \\ &= \text{Rs } 60,000 + \text{Rs } 20,000 \\ &= \text{Rs } 80,000\end{aligned}$ <p>Step 2: Non-operating income to be computed.</p> $\begin{aligned}\text{Non-operating Income} &= \text{Interest received from Investments} + \text{Profit on Sale of Investment} \\ &= \text{Rs } 40,000 + \text{Rs } 60,000 \\ &= \text{Rs } 1,00,000\end{aligned}$ <p>Step 3: Operating profit is to be computed</p> $\begin{aligned}\text{Operating Profit} &= \text{Net Profit} + \text{Non-operating Expenses} - \text{Non-operating Income} \\ &= \text{Rs } 6,00,000 + 80,000 - 1,00,000 \\ &= \text{Rs } 5,80,000\end{aligned}$ <p>Step 4: Operating Profit Ratio = Operating Profit/Net Sales × 100</p> $\begin{aligned}&= 5,80,000/11,60,000 \times 100 \\ &= 50\%\end{aligned}$	[07]	CO2	L4
(c)	<p>On April 01, 2015, following balances appeared in the books of M/s Kumar Enterprises:</p> <p>Furniture account Rs.50,000, Provision for depreciation on furniture Rs.22,000.</p> <p>On October 01, 2015 a part of furniture purchased for Rs.20,000 in April 01, 2011 was sold for Rs.5,000. On the same date a new furniture costing Rs.25,000 was purchased. The depreciation was provided @ 10% p.a. on original cost of the asset and no depreciation was charged on the asset in the year of sale. Apply furniture account and provision for depreciation account for the year ending March 31, 2016.</p>	[10]	CO1	L3

DATE / /							
DR Furniture A/c				Cr			
Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
2015				2015			
Apr 01	Balance b/d		50,000	Oct 01	Bank		5,000
Oct 01	Bank		25,000	2016	Provision for depreciation		8,000
					Provision for depreciation (Loss on sale)		7,000
					Balance c/d		55,000
			75,000				75,000

DR Provision for Depreciation on Furniture A/c				Cr			
Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
2015				2015			
Oct 01	Furniture (Accumulated depreciation on sold furniture)		8,000	Apr 01	Balance b/d		22,000
2016				2016	Depreciation		8,000
Mar 31	Balance c/d		18,250	Mar 31	(2000 + 1250)		4250
			26,250				26,250

Working Notes :-

① Calculation of depreciation (Rs)

Original cost 01.10.2015 20,000

Less dep. for 4 years @ 10% pa 8,000

Value as on 01.10.2015 12,000

Sale price 5,000

Loss on sale 7,000

② Depreciation for 2015-16 10% of 30,000 (50,000 - 20,000) 3,000

10%, 25,000 for 6 months 1250

4250

Part B - Compulsory (01*10=10 marks) – CASE STUDY

- 4 From the following information, outline a Comparative Balance Sheet of ABC Ltd:

Particulars	March 31, 2008	March 31, 2009
Equity Shares Capital	30,00,000	30,00,000
Fixed Assets	25,00,000	30,00,000
Reserves and Surplus	4,00,000	4,50,000
Investments	5,00,000	6,00,000
Long-term Loan	10,00,000	10,00,000
Current Assets	20,00,000	15,00,000
Current Liabilities	6,00,000	6,50,000

CO3

L4

Solution:

Course Outcomes	PO1	PO2	PO3	PO4	PO5	PSO1	PSO2	PSO3	PSO4
CO1: Know what and how books of accounts and					1(b) (c) 2(b) 2(c) 3(a) 3(c)	1(b) (c) 2(b) 2(c) 3(a) 3(c)			

Comparative Balance Sheet

Particulars	2008 Rs	2009 Rs	Absolute Change Rs	Percentage %
Fixed Assets	25,00,000	30,00,000	5,00,000	20
Investments	5,00,000	6,00,000	1,00,000	20
Current Assets	20,00,000	15,00,000	(5,00,000)	(25)
Total Assets	<u>50,00,000</u>	<u>51,00,000</u>	<u>1,00,000</u>	<u>2</u>
Equity Share Capital	30,00,000	30,00,000	—	—
Reserves and Surplus	4,00,000	4,50,000	50,000	12.5
Long-term Loans	10,00,000	10,00,000	—	—
Current Liabilities	6,00,000	6,50,000	50,000	8.33
Total Liabilities	<u>50,00,000</u>	<u>51,00,000</u>	<u>1,00,000</u>	<u>2</u>

	financial statements are prepared.									
CO2:	How to interpret financial statements of companies for decision making.			1(a) 2(a) 3(b)				1(a) 2(a) 3(b)		
CO3:	Independently undertake financial statement analysis and take decisions.				4				4	

Cognitive level	KEYWORDS
L1 - Remember	list, define, tell, describe, recite, recall, identify, show, label, tabulate, quote, name, who, when, where, etc.
L2 - Understand	describe, explain, paraphrase, restate, associate, contrast, summarize, differentiate interpret, discuss
L3 - Apply	calculate, predict, apply, solve, illustrate, use, demonstrate, determine, model, experiment, show, examine, modify
L4 - Analyze	classify, outline, break down, categorize, analyze, diagram, illustrate, infer, select
L5 - Evaluate	asses, decide, choose, rank, grade, test, measure, defend, recommend, convince, select, judge, support, conclude, argue, justify, compare, summarize, evaluate
L6 - Create	design, formulate, build, invent, create, compose, generate, derive, modify, develop, integrate

