



**SIDDHARTH INSTITUTE OF ENGINEERING & TECHNOLOGY
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QUESTION BANK (DESCRIPTIVE)

**Subject with Code :FINANCIAL ACCOUNTING AND ANALYSIS(16MB702)Course &
Branch: MBA IYear I-SemRegulation: R16**

UNIT –I

1. What is accounting? Explain its objectives and principles. 10M
2. What are accounting concepts and conventions? 10M
3. Accountants frequently refer to a procedure as being conservative. Explain, what is meant by “conservative accounting procedures”. State some of the applications of the concept of conservatism. 10M
4. (a) Explain accounting principles and its concepts 5M
(b) Classify the accounts with suitable examples and explain rule of debit and credit.5M
5. Classify the types of accounts and write accounting rules with example transaction for each type of account. 10M
6. What is dual concept of accounting and explain the accounting equation with suitable example transaction. 10M
7. What do you mean by accounting? And illustrate its scope. 10M
8. Accounting to the principles of ‘Double entry system’ Every debit has a Corresponding credit? Explain clearly. 10M
9. What are the advantages & dis advantages of Accounting` 10M
10. (a) Internal & External accounting users. 5M
(b) Personal & impersonal account. 5M

UNIT –II

1. How do you classify accounts? What is ledger? What is meant by sub-division of ledger? 10M
2. Prepare journal and post them into ledger:

| | | |
|--|---------|-----|
| 01.01.2002 James started business with cash | Rs 5000 | |
| 01.01.2002 Furniture | Rs 2000 | |
| 01.01.2002 Machinery | Rs 3000 | |
| 01.01.2002 Loan taken from his uncle | Rs 5000 | |
| 03.01.2002 Goods purchased from Sundaram & Co | Rs 1000 | |
| 04.01.2002 Sold goods to Rama Rao | Rs 5000 | |
| 31.01.2002 Rama Rao became insolvent and hence received only 5% of debt from his property remaining amount is taken as bad debt. | | 10M |
3. ` What is trail balance? State the errors which cannot be disclosed by it. 10M
4. (a) What do you understand by subsidiary books? Name them. 4M
 (b) Draw specimen of journal with two examples. 3M
 (c) What is accounting cycle? Explain with diagram. 3M
5. Explain the differences between capital and revenue expenses. 10M
6. What are subsidiary books of accounts? Discuss in detail the three column cash book. 10M
7. Discuss in detail the concept of depreciation and write a brief note on methods of depreciation. 10M
8. On 1st January, 2001 machinery was purchased by Mr.Prabhakar for Rs 80,000. On 1st July, 2002 he made addition at a cost of Rs 20,000. Again on 1st April, 2003 further additions were made at a cost of Rs 10,000. Prabhakar closes books every year on 31st December. What would be closing balance of machinery account on 31st December,2003 if he provides depreciation on diminishing balance method at 10% p.a? Show machinery account for three year. 10M
9. Describe the methods of valuing various Tangible and Intangible assets. 10M
10. Rama computers purchased a machine for making printed circuit boards (PCB) for Rs.8,00,000. The machine was expected to be useful for 5 years, with an estimated residual value of Rs.40,000 at the end of that time. The machine of expected to produce 50,000 PCB's. The machine produced 15,000 PCB's in year-1, 12,000 PCB's in year-2, 3000 PCB's in year-3, 16,000 PCB's in year-4, and 4,000 PCB in year-5. Compute the depreciation expense of each year under each of the following methods:-
 - a. Straight line. 5M
 - b. Written down value. 5M

UNIT-III

1. What is inventory? State the objectives of inventory valuation. 10M
2. (a) Lifo method (b) Fifo method (c) Simple average method
(d) Weighted average method 10M
3. Discuss the various methods of inventory issue and write merits and demerits of each method. 10M
4. Discuss various methods of valuation of good will. 10M
5. What is accounting from incomplete records? Features of incomplete records. 10M
6. Define single entry system? Write any three advantages & dis-advantages of single entry system. 10M
7. Define double entry system? Write merits & de-merits of double entry system. 10M
8. What are the advantages and disadvantages of FIFO and LIFO methods of pricing the material issues? 10M
9. Explain the merits and limitations of Simple and Weighted average methods of inventory valuation. 10M
10. Show the store's ledger entries as they would appear when using:
 - a. Weighted average method. 5M
 - b. LIFO method of pricing the issues in connection with the following transactions. 5M

| April | Unit | Value |
|-------------------|------|-------|
| 1 balance in hand | 300 | 600 |
| 2 purchased | 200 | 450 |
| 4 issued | 150 | - |
| 6 purchased | 200 | 460 |
| 11 issued | 150 | - |
| 19 issued | 200 | - |
| 20 purchased | 200 | 480 |
| 27 issued | 250 | - |

UNIT-IV

1. What do you understand by the working capital concept of the term 'funds'?
How is funds flow statement drawn under this concept? 10M
2. Mention some of the differences between cash flow statements and funds flow statements. 10M
3. Define working capital? What are sources of working capital? 10M
4. (a) Paid cost 5M
(b) Unpaid cost 5M
5. (a) Cash profit 5M
(b) Book profit 5M
6. Explain the steps in the preparation of funds flow statement. Discuss in brief about uses of funds flow statement. 10M
7. "A cash flow statement is required to explain the changes in cash account balances between balance sheet dates". Explain the statement. 10M
8. From the following sheets for the year 2010 and 2011 find out funds from operations.

| Particulars | 2010 (Rs) | 2011 (Rs) |
|---------------------------------------|-----------|-----------|
| General reserve | 10000 | 12500 |
| Good will | 5000 | 2500 |
| Provision for depreciation on plant | 5000 | 6000 |
| Preliminary expenses | 3000 | 2000 |
| Profit and loss appropriation account | 15000 | 20000 |

10M

9. From the following balances you are require to calculate cash from operations:

| | 31.12.2001 | 31.12.2002 |
|-----------------------------|------------|------------|
| Debtors | 50,000 | 47,000 |
| Bills receivable | 10,000 | 12,500 |
| Creditors | 20,000 | 25,000 |
| Bills payable | 8,000 | 6,000 |
| Outstanding expenses | 1,000 | 1,200 |
| Prepaid expenses | 800 | 700 |
| Accrued income | 600 | 750 |
| Income received in advanced | 300 | 250 |
| Profit made during the year | | 1,30,000 |

10M

10. (a) Funds from operation 3M
(b) Process of funds flow statement 4M
(c) Process of cash flow statement 3M

UNIT-V

1. State the merits and demerits of different types of financial analysis. 10M
2. Explain accounting standards and their usefulness in formulating accounting policies and practices. 10M
3. The particulars of incomes and expenses of a company are given here under, for the year ended 31/3/2001.

| Particulars | Rs | Particulars | Rs |
|---------------------------------|----------|------------------------|----------|
| Opening stock | 76,250 | Sales | 5,00,000 |
| Purchases | 3,15,250 | Closing stock | 98,500 |
| Manufacturing expenses | 7,000 | Income from Investment | 6,000 |
| Administration expenses | 1,00,000 | | |
| Selling & distribution Expenses | 12,000 | | |
| Loss by fire | 13,000 | | |

From the above information you are required to calculate.

- (a) Operating ratio. 2M
- (b) Operating profit ratio. 2M
- (c) Stock turnover ratio. 2M
- (d) Gross profit ratio and 2M
- (e) Net profit ratio. 2M
4. Describe the significance and types of ratios. 10M
5. Describe in brief the major requirements of accounting standards related to valuation of inventories and depreciation accounting. 10M
6. Explain the concept of window dressing and state its merits and demerits. 10M
7. (a) Explain briefly classification of ratios. 5M
- (b) Calculate the following ratios:
Current ratio, quick ratio and absolute liquid ratio.
Cash balance – 10,000, Debtors – 40,000, Bank – 1,00,000, B/R – 20,000,
Creditors – 10,000, B/P – 20,000, Bank over draft -15,000 5M
8. Explain the significance of ratio analysis in interpretation of final accounts. Discuss in brief the various categories of ratios. 10M
9. Describe in brief disclosure requirements of accounting standards related to accounting for fixed assets and investments. 10M
10. Using the following details, complete the balance sheet given below:

| | |
|--|---------|
| Gross profit (20% of sales) | 60,000 |
| Shareholders equity | 50,000 |
| Credit sales of total sales | 80% |
| Total assets turnover (on cost of sales) | 8 times |
| Average collection period (360 days in a year) | 18 days |
| Current ratio | 1.6 |
| Long term debt to equity | 40% |

| Proforma of balance sheet | | | |
|---------------------------|------|--------------|------|
| Creditors | XXXX | Cash | XXXX |
| Long term debt | XXXX | Debtors | XXXX |
| Shareholders equity | XXXX | Inventory | XXXX |
| | | Fixed assets | XXXX |
| Total | XXXX | Total | XXXX |

10M

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