# MGT 211: Accounting for Financial Analysis and Planning BBS $1^{\text {st }}$ Year <br> Model Question 

Full Marks: 100
Pass Marks: 35

## Candidates are required to give their answer in their own words as far as practicable. The figures in the margin indicate full marks.

## Attempt ALL Questions

Brief Questions Answer

1. Write about the two differences between Equity Share Capital and Preference Share Capital.
2. Differentiate between pre-acquisition and post-acquisition dividend.
3. Define the meaning of cash from financing activities.
4. What do you mean by current purchasing power method?
5. Why is Capital Budgeting significant for an organization?
6. A company presents the following information.

Equity Share Capital of Rs 100 each $=$ Rs. 100000
8\% Preference share capital of Rs 100 each = Rs. 60000
6\% Debentures = Rs. 40000
The company is within $40 \%$ tax racket
Required:EPS at EBIT level of Rs. 100000
7. You are provided the following information.

Sales = Rs. $300000 \quad$ Wages to workers = Rs. 50000
Interestreceived=Rs. $10000 \quad$ Cost of bought in materials and services $=$ Rs. 180000
Required: Amount of value added.
8. Acompany whoseNPAT was Rs. 60000 , has $10 \%$ Debenture of Rs. 100000 and $8 \%$ Performance Share Capital of Rs. 100000. If tax rate is $40 \%$, find out Interest Coverage Ratio.
9. The following information are provided

Costofsales adjustment=Rs. 30000
Depreciation adjustment = Rs. 10000
Currentcostadjustment=Rs. 60000
Required: Monitory working capital adjustment
10. A machine was purchased on 1st Baisakh, 2068 for Rs. 90000 and incurred Rs. 10000 each for transportation and installation. It was estimated that the machine will have a scrap value of Rs.10000. The total life of the machine will be 10000 hours. If machine runs for 3000 hours during 2068, find out the amount of depreciation for the year 2068.

## Descriptive Questions Answer (attempt any five)

11. a. Ratio Analysis is used to measure financial performance of the organization, comment.
b. The following information are given.

CurrentRatio=2
Fixed Assets=Rs. 500000
Prepaid expenses= Rs. 25000
Share Capital = Rs. 300000
Inventory Turnover ratio = 5 times
Required: a. QuickRatio
b. Sales (Rs.)
c. Debt to Total Capital Ratio

Current Liabilities = Rs. 250000
Stock $=$ Rs. 100000
Debenture = Rs. 100000
NetProfit=Rs. 50000
d. Return on Total Assets
(1.25×4=5)
12. A company is considering the replacement of old machine. Theexisting machine is 5 yearold, has current cash salvage value of Rs. 30000 and remaining depreciable life of 10 years. The machine was originallypurchasedforRs. 75000 anditis being depreciatedatRs. 5000 peryearfortaxpurpose. The new machine will cost Rs. 150000 and will be depreciated on straight line basis over 10 years with no salvage value. The management of the company anticipates that with expanded operation, there will be a need of an additional working capital of Rs. 30000 . The new machine will allow the company to expand the current operation and there by increase annual sales revenue by Rs. 40000 and annual variable operating cost by Rs. 10000 . The company's tax rate is $50 \%$ and its cost of capita I is $10 \%$.
Required: i) Net cash outlay (NCO)
ii) Incremental annual cash inflow (CFAT)
iii) Final year cashinflow.
iv) Net Present Value (NPV) of the project.
v) Decision regarding replacement of old machine.
13. a. Clarifythemeaning ofdepreciation withtwo main objectives.
b. The following are the particulars relating to the machine account.
i) Purchase $\quad 5$ machines at Rs. 10000 each
ii) Date of purchase January 1,2008
iii) Depreciation applied Straight line at $20 \%$ p.a.
iv) Salvage Value Rs. 2000 each (Bookvalue)
v) Scrapped
One machine realizing Rs. 6000 on the last date of December, 2010
vi) Accounts closed on
The last date of December every year

Required: Machinery account for 2010
14. A book store performed the following transactions during the year, 2012.
Amount(Rs.)
Amount (Rs.)

Sales revenue
Less: cost of goods sold:
Beginning inventory
Purchases
Ending Inventory
Gross Profit
Less: Operating Expenses:

| Administration (cash) | 500000 |
| :--- | :--- |
| Selling and Distribution (cash) | 240000 |
| Interest | 60000 |

Depreciation
$\underline{200000 \quad 1000000}$
Net income before tax
Less: Income Tax
Net income after Tax
Less: Dividend
Net Profit
Price Indices
1-1-2012 125
31-12-2012 200
Average Index 160
Time of fixed assets purchased100

Required: a) Purchasing power gain or less on holding monetary items.
b) Restated purchasing power income statement
15. The balance sheet of a company is as follows:

| Liabilities | Amount (Rs.) | Assets | Amount (Rs.) |
| :--- | :---: | :--- | :---: |
| 3000 Equity Share Capital <br> of Rs.100each, Rs.75calledup | 225000 | Land \& Building | 200,000 |
| 10\% Preference Share Capital of <br> Rs.100 each, fully paid up | 100000 | Plant\& Machinery | 240,000 |
| 8\% Debenture | 200000 | Inventory | 190000 |
| Account Payable | 225000 | Account <br> Receivable | 62000 |


| Preference dividend due | 12000 | Cash | 20000 |
| :--- | :---: | :--- | :---: |
|  |  | P/L account | 50000 |
|  | $\mathbf{7 6 2 0 0 0}$ |  | $\mathbf{7 6 2 0 0 0}$ |

The Company went into voluntary liquidation. The assets except cash realized Rs. 450000 including Rs. 180000 on sale of plant and machinery, which was mortgaged against $8 \%$ debenture. The liquidator was entitled to a remuneration of $4 \%$ on value of assets realized and $2 \%$ on amount paid to equity shareholders. The cost of liquidation was Rs. 12000.
Required: Liquidator's final statement of account
16. Define consolidated balance sheet. How would you ascertain the amount of minority interestand capital reserve or goodwill? Explain with suitable example.

## Analytical Questions Answer (attempt any two)

17. $A$ company and $B$ company decided to amalgamate and a new Company, $C$ Company is formed to take over the amalgamated companies with effect from January 1, 2013, when their balance sheet stood asfollows:

| Liabilities (Rs.) | A Co | B Co | Assets (Rs.) | A Co | B Co |
| :--- | ---: | ---: | :--- | ---: | :---: |
| Equity shares ofRs 100 each | 1000000 | 500000 | Goodwill | 190,000 | 60,000 |
| Reserve Fund | 290,000 | 175,000 | Premises | 500,000 | 240,000 |
| P/L A/C | 110,000 | 75,000 | Machinery | 300,000 | 195,000 |
| Accounts payable | 95,000 | 47,500 | Furniture | 85,00 |  |
| Outstanding expenses | 5000 | 2500 | Inventory | 130,000 | 90,000 |
|  |  |  | Accounts Receivables | 210,000 | 175,000 |
|  |  |  | Cash at bank | 85,000 | 30,000 |
|  |  |  | Preliminary expenses |  | $\mathbf{1 0 , 0 0 0}$ |
|  | $\mathbf{1 5 0 0 , 0 0 0}$ | $\mathbf{8 0 0 , 0 0 0}$ |  | $\mathbf{1 5 0 0 , 0 0 0}$ | $\mathbf{8 0 0 , 0 0 0}$ |

C Company issued 5000 equity shares of Rs. 100 each, $10000,8 \%$ preference shares of Rs. 10 each and $10 \%$ debentures Rs. 200000 to the public apart from the issues made to carry out the business combination.

## Required:

i) Calculate the amount payable to each company assuming that the purchase consideration was settled by the following in each of the companies. $40 \%$ in equity shares, $30 \%$ in preference shares, $20 \%$ in debentures and the rest in cash.
ii) Necessary journal entries in the book of A Co.
iii) Amalgamated balance sheet of New Company.
18. An unadjusted trial balance of a company is given below.

| Particulars | Debit (Rs.) | Credit (Rs.) |
| :--- | ---: | ---: |
| Cash | 200000 |  |
| Bank | 354000 |  |
| Discount Allowed | 5000 |  |
| Furniture | 120000 |  |
| Purchases | 200000 |  |
| Debtors | 85000 |  |
| Interest on loan | 6000 |  |
| Salary | 60000 |  |
| Rent | 30000 |  |
| Capital |  | 500000 |
| Creditors |  | 50000 |
| Discount Received |  | 10000 |
| Sales | $\mathbf{1 0 6 0 0 0 0}$ | $\mathbf{1 0 6 0 0 0 0}$ |
| 10\% Bank Loan |  |  |
|  |  |  |

Adjustment:
a. Closing stock Rs. 50000
b. Prepaid rent wasRs. 2000
c. Out standing interest on bank loan was Rs. 4000
d. Depreciation on furniture at $10 \%$ per annum

Required: i. Income Statement
ii. Balance Sheet
iii. Cashflow Statement
19. a. Explain the meaning, features and privileges of public limited company.
b. "Cash Flow Statement is useful internally to management and externally to investors an d creditors", Discuss.

