

LOYOLA-INTERNATIONAL ACADEMIC COLLABORATION**LOYOLA COLLEGE CHENNAI – 600 034****BBA-FRANCE – END SEMESTER EXAMINATION**

III SEMESTER – NOVEMBER 2019

BBA 335 – FINANCIAL ACCOUNTING II

Date: 31/10/2019

Dept. No.

Max. : 100 Marks

Time: 9 A.M. – 12 P.M.

PART A

Answer ALL questions

Marks: 2x10 = 20

Write short notes on:

1. Market capitalization
2. Interest cover ratio
3. Net worth of a company
4. Serial Bonds and Term Bonds
5. Interim Dividend
6. Deferred Tax Asset
7. Free Cash Flow
8. Cost Driver with an example
9. Margin of safety
10. Bonus shares

PART B

Answer ANY FIVE questions

Marks: 5x10=50

11. Liba conducts a Computer Application Course for which candidates are selected through an intense test spread over 4 days, one exam per day. The fee for the entrance test is Rs.50. the following data was gathered for the past two years:

	2003 (Rs.)	2004 (Rs.)
Fees collected	<u>1,00,000</u>	<u>1,50,000</u>
<u>Expenses:</u>		
Valuation	40,000	60,000
Question papers	20,000	30,000
Hall rent at Rs.200 per day	8,000	8,000
Fees for superintendent	6,000	6,000
Supervision charges (one supervisor for every 100 candidates	4,000	6,000
Administration expenses	<u>6,000</u>	<u>6,000</u>
Total cost	<u>84,000</u>	<u>1,16,000</u>
Net income	16,000	34,000

You are required to compute:

- a) Budgeted net income, if 4000 candidates take up the entrance test in 2005.
 - b) Break even number of candidates
 - c) Number of candidates to be enrolled for the test if a net income of Rs.20000 is required.
12. A Ltd gives the following data for three of its products X,Y and Z:

	X	Y	Z
Product & sales (units)	40000	20000	8000
Raw material cost per unit	25	20	11
Labour hours per unit	1	2	1
Labour cost per unit	8	16	8
No.of set ups	3	7	20
No.of purchase orders	15	35	220
No.of delivery orders executed	15	10	25
No.of machine hours per unit	1	1	2
<u>Overhead costs:</u>			

Set up	30,000
Machine expenses	7,60,000
Purchase expenses	4,05,000
Delivery expenses	2,50,000

In the past the company had allocated overheads to products on the basis of direct labour hours. The Company now decided to adopt activity based costing to recover overheads. Calculate the cost per unit of the three products using :

- Direct labor hours
- Activity based costing for recovering overheads.

13. The following details relate to X Ltd, which produces three products A, B and C:

	A (Rs.)	B(Rs.)	C(Rs.)
Selling price per unit	100	80	110
Direct material at Rs.5/kg	40	25	30
Direct labour	20	24	24
Variable overheads	5	6	8
Normal demand (units)	3000	5000	2000

The company must produce 1000 units of product A for a special contract, before meeting normal demand. There are only 35000 kgs of material available.

What is the optimum production plan and also calculate the profit for this production, if total fixed costs are Rs.50000?

14a. The following details are given relating to XYZ Ltd.

Profit before interest and tax	Rs.90,000
Total assets	Rs.5,00,000
Current liabilities	Rs.1,00,000
10% debentures	Rs.1,50,000
Tax rate	30%
Last EPS	Rs.5
Dividend payout ratio	60%
Growth rate in dividend	10%
Market price per share	Rs.66

Calculate Economic value added.

14b. A company purchased a machine for Rs.4,00,000. It provides depreciation at 25% per annum on original cost. However, the IT department allows 50% depreciation for the first two years. Profit in 2018 and 2019 before depreciation and tax is Rs.6,00,000 and Rs.7,00,000 respectively. Tax rate is 40%. Show the entries for the year 2018 and 2019 relating to deferred tax.

15. On 1st January 2014 the shareholders' funds of X Ltd showed the following:

Equity capital Rs.10 each	Rs.3,00,000
12% preference share capital Rs.10 each	Rs.1,00,000
Retained earnings	Rs.2,50,000

During 2014 the following transactions took place:

January 3rd Issued 10000 equity shares of Rs.10 each at Rs.2 premium and 8000 preference shares of Rs.10 each at par. 12%

July 8th Paid an interim dividend of Rs.20,000

September 18th Issued bonus shares in the ratio of one for every five shares held. (market value of shares on date of issue was Rs.16 per share)

October 1st Purchased 1000 treasury stocks at Rs.14 per share

October 12th sold 600 treasury stocks at Rs.20 per share

December 10th sold 100 treasury stocks at Rs.14 per share

For the year ended 31st December 2015, the company earned a profit of Rs.2,20,000 and directors proposed Rs.60,000 as dividend.

Journalise the above and prepare shareholders' funds on 31st December 2015.

16. Prepare a Balance Sheet from the following data:

Current ratio 1.75; Liquid ration 1.25; Stock Turnover 9; GP ratio 25%;
Debt collection period 1.5 months; Reserves to capital 0.2; Fixed assets turnover (on cost of sales) 1.2;
Long term debt to shareholders' funds 0.5;
Fixed assets to net worth 1.25; Sales Rs.12,00,000.

17. Balance sheet contained the following:

<u>Liabilities</u>	<u>2018(Rs.)</u>	<u>2019(Rs.)</u>
Share capital (Rs.10)	3,00,000	4,00,000
Share premium	40,000	45,000
12% debentures	1,50,000	2,00,000
Revaluation reserve		1,00,000
<u>Assets</u>		
Machinery	2,00,000	2,50,000
Land	4,00,000	5,50,000
Investments	60,000	80,000

During the year machine was sold for Rs.40,000 at a profit of Rs.4,000.

Machinery costing Rs.30,000 was purchased and paid for by issue of shares.

5000 bonus shares were issued on par (market price Rs.12)

20% of debentures were converted into 800 shares of Rs.10 each.

Investments costing Rs.10,000 was sold at a loss of 10%.

Land was revalued at Rs.5,00,000 and the profit was transferred to Evaluation reserve.

Dividend paid Rs.4000

Interest received Rs.3,000

Calculate the cash from Financing and Investing activity.

PART C

Answer ANY TWO questions

Marks: 2x15=30

18. From the following Trial Balance and the accompanying adjustments prepare the Financial Statements of ABC Co. Ltd for the year ending March 31, 2014.

Debit Balances	Rs.	Credit Balances	Rs.
Sales returns	5000	Equity capital (Rs.10 each)	200000
Sales discounts	4000	10% Preference share capital	50000
Advertisement	6000	Sales	240000
Rent	11000	P/L balance (1.4.13)	20000
Inventory: 1/4/2013	15000	Securities premium	15000
Salaries	30000	Acc.dep machinery	20000
Interim dividend	7500		
Contribution to PF & ESI	4000	Acc. dep. Furniture	5000
Interest on loan	5000	10% loan	50000
Printing and stationery	2500	Creditors	8000
Machinery	150000	Investment income	4000
Furniture	25000		
Receivables	22000		
Loss on discontinued business	10000		
Land	170000		
Investment	25000		
VRS payment	31000		
Purchases:	75000		
Cash	14000		
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Total	<u>612000</u>	Total	<u>612000</u>

Directors propose dividend of Rs.1 per share on Equity shares.

Inventory on March 31, 2014: Rs.23,000

Provide depreciation on machinery 10% p.a. and on furniture 20% p.a. on original cost

Provide income tax at 30% and dividend tax at 10%.

Provide 5% on debtors on bad debts

19. Profit before tax Rs.1,20,000
 Tax rate 50%
 Net profit to sales ratio 12%
 GP ratio 60%
 Operating ratio 70%
 Debenture interest 10%
 Equity capital (Rs.10 each) Rs.2,70,000

12% Preference share capital Rs.50,000

Reserves Rs.30,000

Prepare:

- a. Income statement
- b. Common size statement
- c. Calculate the following ratios:
 - Operating profit ratio
 - Return on capital employed
 - Return on equity shareholders funds
 - Interest covered
 - Capital gearing ratio
 - Debt equity ratio
 - Earnings per share.

20. Income statement for the year 31/12/2018

Service revenue		Rs.9,70,000
Operating expenses	Rs.6,14,000	
Depreciation	Rs. 55,000	
Loss on sale of plant	Rs. 6,.000	
Selling expenses	Rs. 10,000	<u>Rs 6,85,000</u>
Profit before tax		Rs.2,85,000
Less Provision for tax		<u>Rs. 56,000</u>
Profit after tax		<u>Rs.2,29,000</u>

Balance sheet contained the following:

	<u>2017(Rs.)</u>	<u>2018 (Rs.)</u>
Receivables	60,000	70,000
Operating expenses payable	32,000	41,000
IT Provision	7,000	5,000
Prepaid operating expenses	4,000	3,000

Selling expenses include provision for bad debts Rs.1,500.

Prepare Cash flow under direct and indirect method.
