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MBAH 402

I Semester M.B.A. Degree Examination, August 2021
(Choice Based Credit System)
BUSINESS ADMINISTRATION
Business Accounting and Finance

Time : 3 Hours

Max. Marks : 70

SECTION – A

Note : Answer **any two** questions. **Each** question carries **10** marks. Answer to the question should **not** exceed **five** pages **each**. **(2×10=20)**

1. Discuss briefly the basic accounting concepts.
2. Define Depreciation. Briefly explain any three methods of depreciation.
3. Briefly discuss the determinants of working capital requirement.

SECTION – B

Note : Answer **any three** questions. **Each** question carries **12** marks. Answer to the question should **not** exceed **six** pages. **(3×12=36)**

4. On 1st January, 2020, Prosperous Ltd. was registered with a nominal capital 60,000 equity shares of Rs. 10 each. On 5 January 10,000 of these shares were allotted at par, the cash being received in full forthwith. On November 4, the balance of shares were offered to the public at a premium of Rs. 2.50 per share, the whole issue having been underwritten for a commission of 2 percent of the issue price. Only 28,000 shares were subscribed by and allotted to the public. Rs. 2.50 per share was payable on 15th December. The whole of the money due from the public was paid: the underwriters had paid the application and allotment money, but had not paid the first call before the end of the year.

You are required to give the necessary journal entries for these transactions and show how they would appear in the company's Balance Sheet on 31st December, 2020, assuming that the underwriting commission was not yet paid.

P.T.O.



5. Prepare a cash budget for the three months ended 30th September, 2020 based on the following information :

	Rs.
Cash at bank on 1 st July, 2020	25,000
Monthly salaries and wages (estimated)	10,000
Interest payable in August, 2020	5,000

Estimated	June	July	August	September
	Rs.	Rs.	Rs.	Rs.
Cash sales (actual)	1,20,000	1,40,000	1,52,000	1,21,000
Credit sales	1,00,000	80,000	1,40,000	1,20,000
Purchases	1,60,000	1,70,000	2,40,000	1,80,000
Other expenses	18,000	20,000	22,000	21,000

Credit sales are collected 50% in the month of sale and 50% in the month following. Collections from credit sales are subjected to 10% discount if received in the month of sale and to 5% if received in the month following. 10% of the purchase are in the cash balance is paid in next month.

6. The following data related to a Tata Co. Ltd.

Particulars	Rs. in Crores
Share capital (Rs. 10 per share)	12.50
Reserve	7.5
Profit after tax	1.85
Dividends paid	1.50
P/E ratio	13.33

You are required :

- To comment on the firm's dividend policy using the Walter's model;
- To determine the optimum payout ratio using the Walter's model;
- To determine the price-earnings ratio at which dividend payout will have no effect on share price.



7. A/C manufacturing company provides depreciation under straight line method at 10%. The balance standing in the plant and machinery account on 31st December 1999 after writing off depreciation for the year was Rs. 1,95,150 (total cost price of the plant was Rs. 3,58,000). During January 2000 new plant was purchased at a cost of 29,500 and one machine which had cost Rs. 5,500 in 1988 was sold as scrap at Rs. 400. During January 2001, there were additions costing Rs. 18,000 and a machine which had cost Rs. 7,000 in 1995 was sold for Rs. 3,500. You are required to write up plant and machinery A/c for 2000 and 2001.
8. Comment on the emerging role of finance manager in the era of changing business environment.

SECTION – C
(Compulsory)

Note : Answer to the question should **not** exceed **six** pages. **(1×14=14)**

9. Following is the trial balance of Umeshchandra as on 31st March, 2021.

Particulars	Debit	Credit
Capital		40,000
Drawing	2,000	
Land and Building	20,000	
Stock 1 st April 2020	12,500	
Machinery	5,000	
Loose tools	1,000	
Furniture	1,200	
Rent	1,800	
Salary	1,100	
Debtors	2,100	
Creditors		1,000
Purchases and sales returns	30,000	800
Sales and sales returns	1,000	47,000
Discount received		100
Postage and telegrams	200	
Wages	2,400	
Carriage inwards	200	



Bills receivable and bills payable	1,500	1,100
Sundry expenses	800	
Income tax paid	200	
Cash on hand	1,000	
Cash at bank	6,000	
	90,000	90,000

Adjustments :

- 1) The closing stock was valued at Rs. 12,000.
- 2) Provide for discount on creditors at 2.5%.
- 3) The amount of sundry debtors includes a sum of Rs. 100 to be written off a bad.
- 4) Provide 5% on sundry debtors for doubtful debts.
- 5) Salary outstanding Rs. 100; wages paid in advance Rs. 50.
- 6) Depreciation on machinery and furniture at 5%, loose tools are valued at Rs. 800 on 31st March, 2020.

Prepare the trading and profit and loss account and the balance sheet of Umeshchandra.

Debit		Credit
	5,000	Debit
	20,000	Land and Building
	15,500	Stock 31st March 2020
	5,000	Machinery
	1,000	Loose tools
	1,200	Furniture
	1,800	Rent
	4,100	Salary
	2,100	Debtors
	1,000	Creditors
	80,000	Purchases and sales returns
	1,000	Sales and sales returns
	100	Discount received
	200	Postage and telegrams
	2,400	Wages
	200	Carriage inwards