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MBAH 402

First Semester M.B.A. Degree Examination, June 2023

BUSINESS ADMINISTRATION

Business Accounting and Finance

Time : 3 Hours

Max. Marks : 70

SECTION – A

Answer **any two** questions. **Each** question carries **10** marks. Answer to the question should **not** exceed **5** pages. **(2×10=20)**

1. Explain the requirements of working capital and its financing for a project and explain their principal source.
2. "Recording of transaction is an important step in accounting process." Comment. Discuss the scope and functions of accounting standards.
3. Describe the factors influencing capital structure of a firm.

SECTION – B

Answer **any three** questions. **Each** question carries **12** marks. Answer to the question should **not** exceed **6** pages. **(3×12=36)**

4. Distinguish between the following :
 - a) Straight line method and diminishing balance method.
 - b) Annuity method and depreciation fund method.
 - c) Depreciation and depletion.
5. Describe the merits and demerits of ratio analysis.



6. Mr. Ramu has the following transactions in the month of July. Record them into the journal and show postings in the ledger and balance the accounts.

- July 1st : Ramu started business with a capital of ₹ 75,000
- 1st : Purchased goods from Manu on credit ₹ 25,000
- 2nd : Sold goods to Sonu ₹ 20,000
- 3rd : Purchased goods from Meenu ₹ 15,000
- 4th : Sold goods to Tanu for cash ₹ 16,000
- 5th : Goods returned to Manu ₹ 2,000
- 6th : Bought furniture for ₹ 15,000
- 7th : Bought goods from Zenu ₹ 12,000
- 8th : Cash paid to Manu ₹ 10,000
- 9th : Sold goods to Jane ₹ 13,500
- 10th : Goods returned from Sonu ₹ 3,000
- 11th : Cash received from Jane ₹ 5,500
- 12th : Goods taken by Ramu for domestic use ₹ 3,000
- 13th : Returned Goods to Zenu ₹ 1,000
- 14th : Cash received from Sonu ₹ 12,000
- 15th : Bought machinery for ₹ 18,000
- 16th : Sold part of the furniture for ₹ 1,000
- 17th : Cash paid for the purchase of bicycle for Ramu's son ₹ 1,500
- 19th : Cash sales ₹ 15,000
- 20th : Cash purchases ₹ 13,500

7. Balance Sheet of ABC Ltd. as on 1 Jan. 2007 and 31 Dec. 2007, were as follows.

Liabilities	Jan. 1 (Rs.)	Dec. 31 (Rs.)	Assets	Jan. 1 (Rs.)	Dec. 31 (Rs.)
Creditors	40,000	44,000	Cash	10,000	7,000
Mr. White's loan	25,000	—	Debtor	30,000	50,000
Loan from R.N. Bank	40,000	50,000	Stock	35,000	25,000
Capital	1,25,000	1,53,000	Machinery	80,000	55,000
			Land	40,000	50,000
			Building	35,000	60,000
	2,30,000	2,47,000		2,30,000	2,47,000

During the year machine costing Rs. 10,000 (accumulated depreciation Rs. 3,000) was sold for Rs. 5,000. The provision for depreciation against machinery as on 1 January 2007 was Rs. 25,000 and on 31 December 2007 Rs. 40,000. Net profit for the year 2007 amounted to Rs. 45,000. You are required to prepare funds flow statement.



8. A firm whose cost of capital is 10% is considering two mutually exclusive projects X and Y, the details of which are :

	Year	Project X	Project Y
Cost	0	Rs. 70,000	Rs. 70,000
	1	10,000	50,000
Cash inflows	2	20,000	40,000
	3	30,000	20,000
	4	45,000	10,000
	5	60,000	10,000

Compute the Net Present Value at 10%, Profitability Index, and Internal Rate of Return of the two projects.

SECTION – C
(Compulsory)

Answer to this question should **not** exceed 6 pages.

(1×14=14)

9. From the following Trial Balance of Mr. Garg as on 31st March 2021.

Trial Balance

Debit Balance	Rs.	Credit Balance	Rs.
Stock on 1 st April, 2005	500	Capital	2,000
Purchases	1,500	Sales	3,500
Land and Building	2,000	Sundry creditors	750
Bills receivable	300	Commission	50
Wages	300	Bills payable	300
Machinery	800	Loan	600
Carriage Inward	100		
Carriage Outward	100		
Power	150		
Salaries	200		
Discount allowed	30		
Drawings	100		
Insurance premium	20		
Cash at Bank	500		
Cash in Hand	100		
Investments	500		
	7,200		7,200



Adjustments :

- a) Stock as on 31st March 2021 is valued at Rs. 200
- b) Provide depreciation @ 10% on Machinery and @ 5% on Land and Building.
- c) Outstanding salaries amounted to Rs. 50.
- d) Insurance premium is paid in advance to the extent of Rs. 10.
- e) Allow interest on capital @ 6% per annum.
- f) Interest on loan @ 12% per annum is due for one year.

You are required to prepare :

- a) Trading Account
- b) Profit and Loss Account and
- c) Balance Sheet.

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