



LOYOLA-INTERNATIONAL ACADEMIC COLLABORATION

LOYOLA COLLEGE CHENNAI – 600 034

BBA-FRANCE – END SEMESTER EXAMINATION

III SEMESTER – APRIL 2023

BBA 335 – FINANCIAL ACCOUNTING II

Date : 04-05-2023

Dept. No.

Max. : 100 Marks

Time : 01:00 PM - 04:00 PM

PART A

ANSWER ALL QUESTIONS
EXPLAIN THE FOLLOWING

MAX MARKS: 10 X 2 = 20

1. Limiting Factor
2. Deferred Tax Asset
3. Break even point
4. Economic Value Added
5. Cash Inflow from investing activities
6. Intrinsic value per share
7. Price earnings ratio
8. Capital gearing Ratio
9. Cost driver
10. Machine hour rate.

PART – B

ANSWER 5 QUESTIONS

MAX MARKS: 5 X 10 = 50

11. A Ltd produces three products from an imported raw material, details of which are as follows:

| | Product A | Product B | Product C |
|--------------------------------|-----------|-----------|-----------|
| SP per unit | Rs.200 | Rs.300 | Rs.250 |
| Direct material (Rs.10 per kg) | Rs.50 | Rs.80 | Rs.60 |
| Direct wages at Rs.6 per hour | Rs.60 | Rs.120 | Rs.108 |
| Variable overheads | Rs.30 | Rs.60 | Rs.52 |

Determine profitability if,

- a. Material is in short supply
- b. Labour hours is limited

When maximum sales potential of A and B is 1200 units each and that of product C is 400 units for specific requirement and the availability of imported material is restricted to 10000 kgs per month, what is the most profitable sales mix and the profit if the company's Fixed Cost is Rs.12,000?

12. R Ltd gives you the following information for the year 2022 during which 10,000 units were produced and sold.

Material Rs.1,35,000
Power Rs.22,500
Plant repairs Rs.17,250
Sale proceeds of factory scrap Rs.2,250
Direct wages Rs.90,000
Factory indirect wages Rs.37,500
Clerical salaries Rs.30,000
Selling expenses Rs.15,000
Profit was 20% on costs

Prepare a cost sheet and ascertain profit made in 2022.

From January 1, 2023 selling price is fixed at Rs.40 per unit. It is estimated that 15,000 units will be produced and sold. The rates for material and direct labour are expected to increase by 10%. Assuming factory overheads are recovered as a percentage of direct wages, and office and selling expenses as a percentage of works cost, prepare a cost sheet for the year 2023, showing the estimated cost and profit.

13. The following data are obtained from the records of a factory:

| | | |
|------------------------------------|---------------|---------------|
| Sales 5000 units at Rs.20 per unit | | Rs.1,00,000 |
| Material consumed | 35,000 | |
| Labour charges | 25,000 | |
| Variable overheads | 10,000 | |
| Fixed overheads | <u>18,000</u> | <u>88,000</u> |
| Profit | | Rs. 12,000 |

Calculate :

- Number of units to be sold so that the company will neither lose nor gain
- Sales required in units to earn a profit of 20% on sales
- The number of units to be sold to obtain the present profit, if the selling price is reduced by 20%
- The selling price to be fixed to bring down the break-even points to 500 units.
- Margin of safety if the company earns a profit of Rs.1,00,000

14. On Jan 1, 2022 the stock holders' equity of T Ltd consisted of the following:

| | |
|---|-------------|
| 50,000 equity shares of Rs.10 par value | Rs.5,00,000 |
| 10,000 8% Preference stock of Rs.10 par value | Rs.1,00,000 |
| Share premium | Rs.2,00,000 |
| Retained earnings | Rs.6,00,000 |

The following transactions took place during the year 2018:

- Jan 1, 2022** Issued bonus shares of 1 share for every 10 shares held. Market price Rs.12 per share.
- Jan. 6** Issued 10,000 equity shares of Rs.10 par value at Rs.12 each and 5000, 8% Preference shares of Rs.10 par value at Rs.11 each.
- Jan 8** Issued 10,000 equity shares of Rs.10 par value to acquire building valued at Rs.1,00,000 and equipment valued at Rs.20,000.
- Feb 2** Purchased 1500 treasury stock at Rs.18 each.
- March 14** Sold 400 treasury stocks at Rs.14 each.
- May 18** Sold 600 treasury stock at Rs.14 each.
- Dec 31** Income for the year ended 31/12/2022 was Rs.4,80,000 before tax at 30%. Dividend at Rs.2 per share was declared on equity shares.

Journalize the above transactions and show the stock holders' equity on 31/12/2022.

15. a. Distinguish between stocks split, stock dividend and right shares.
- b. Mathew is employed on a salary of Rs.200 per hour. Normal working week is 40 hours and overtime is paid at double the normal wage. He is also entitled to a monthly DA of Rs.8,000. He is entitled for a bonus of 10% on the sales made by him, which was Rs.60,000 for the month. The employer deducts 10% for income tax, 12% for PF and 5% for ESI computed on his salary + DA. The employer makes a matching contribution towards his PF and ESI. Mathew has instructed his employer to pay his housing loan installment of Rs.2,000 per month. He is given a company flat towards which he pays Rs.1500 per month. During the week he worked for 170 hours. Calculate the gross and net pay for the month. Pass payroll entries in the books of the employer.

16. a. From the following calculate Economic Value Added:
 Equity share capital Rs.1,50,000
 Reserves Rs.50,000
 10% loan Rs.20000
 12% Preference share capital Rs.1,00,000
 Tax rate 40%
 Dividend paid last year Rs.3
 Growth rate in dividend 10%
 Market price per share Rs.66
 Profit after tax Rs.1,20,000
- b. A Ltd exchanged a computer costing Rs.50,000, accumulated depreciation Rs.30,000, for a new computer costing Rs.75,000. A trade in allowance of Rs.12,000 was received for the old computer. The balance was paid in cash. Journalize.
 If the trade in allowance was Rs.25,000 what would be your entry?
17. Profit after tax Rs.60,000
 Tax rate 40%
 Operating expenses Rs.32,000
 Sales Rs.3,20,000
 Sales returns Rs.20,000
 10% Preference share capital Rs.1,00,000
 Equity share capital Rs.10 each Rs.2,00,000
 12% debentures Rs.5,00,000
 Calculate :
- GP ratio
 - Operating Profit ratio
 - Interest cover ratio
 - Return on capital employed
 - Earnings per share

PART – C

ANSWER 2 QUESTIONS

MAX MARKS: 2 X 15 = 30

18. The following are the Balance Sheets of ABC Ltd as on 31st March 2022 and 31st March 2023.

| | 31/3/2022 | 31/3/2023 | | 31/3/2022 | 31/3/2023 |
|-------------------|-----------|-----------|--------------|-----------|-----------|
| | Rs. | Rs. | | Rs | Rs. |
| Share capital | 3,00,000 | 3,50,000 | Fixed Assets | 13,36,000 | 12,78,000 |
| P/L Account | 4,90,000 | 6,96,000 | Investments | 20,000 | - |
| Long-term loans | 5,00,000 | 2,00,000 | Stock | 20,000 | 24,000 |
| Creditors | 70,000 | 58,000 | Debtors | 33,000 | 57,000 |
| Tax provision | 86,000 | 1,02,000 | Bank | 50,000 | 44,000 |
| Proposed Dividend | 24,000 | 30,000 | Cash | 11,000 | 33,000 |
| | _____ | _____ | | _____ | _____ |

| | | | | | |
|--|-----------|-----------|--|-----------|-----------|
| | 14,70,000 | 14,36,000 | | 14,70,000 | 14,46,000 |
|--|-----------|-----------|--|-----------|-----------|

Income statement for the year ending 31st March 2018.

| | | | |
|--|---------------|------------------|--|
| Sales | | 20,00,000 | |
| Less: | | | |
| Cost of goods sold | | <u>10,54,000</u> | |
| Gross profit | | 9,46,000 | |
| Add: | | | |
| Dividend received | | 2,500 | |
| Profit on sales of investments | | <u>7,500</u> | |
| | | 9,56,000 | |
| Less: | | | |
| Operating expenses | 3,00,000 | | |
| Depreciation on fixed assets | 2,00,000 | | |
| Interest paid | 75,000 | | |
| Loss on sale of fixed assets | 27,000 | | |
| Provision for tax | <u>98,000</u> | <u>7,00,000</u> | |
| Profit after tax | | 2,56,000 | |
| Less: | | | |
| Proposed dividend | 30,000 | | |
| Interim dividend | <u>20,000</u> | <u>50,000</u> | |
| Profit transferred to P/L account | | <u>2,06,000</u> | |

Cost of Fixed assets sold is Rs.1,60,000 (Accumulated depreciation Rs.40,000).

Prepare a cash flow statement for the year ended 31 Mar 2023.

19. H Ltd., produces four products, details of which are given below:

| Product: | A | B | C | D |
|------------------------|----------|----------|----------|----------|
| Output (units) | 480 | 400 | 320 | 480 |
| Material cost per unit | 40 | 50 | 20 | 30 |
| Labour cost per unit | 28 | 10 | 14 | 10 |
| Machine hours/unit | 8 | 6 | 4 | 6 |
| No. of orders executed | 10 | 12 | 14 | 24 |
| No. of inspections | 18 | 14 | 10 | 8 |

The total production overheads Rs.1,56,000 is currently being absorbed using a blanket machine hour rate. An analysis of the production overheads and the relevant cost drivers are as follows:

| <u>Production overhead (Rs.)</u> | <u>Cost drivers</u> | |
|----------------------------------|---------------------|------------------------|
| Material handling | 57,600 | No. of orders executed |
| Quality control | 36,000 | No. of inspections |
| Machine Dept.expenses | <u>62,400</u> | Machine hours |
| | <u>1,56,000</u> | |

Calculate the cost per unit of each product, if the production overheads are recovered using:

- A blanket rate based on machine hours
- Activity based costing.

20. From the following Trial Balance and the accompanying adjustments prepare the Financial Statements of ABC Co. Ltd for the year ending March 31, 2023.

| <u>Debit Balances</u> | <u>Rs.</u> | <u>Credit Balances</u> | <u>Rs.</u> |
|----------------------------|----------------------|------------------------------|----------------------|
| Rent | 20000 | Equity capital (Rs.10 each) | 300000 |
| Office supplies | 10000 | 10% Preference share capital | 50000 |
| | | Reserve (1.4.22) | 35000 |
| <u>Inventory: 1/4/2022</u> | 15000 | Securities premium | 10000 |
| Purchases: | 75000 | Acc.dep machinery | 25000 |
| Salaries | 40500 | Sales | 350000 |
| Contribution to PF & ESI | 6000 | 12% loan | 40000 |
| Interest on loan | 2400 | Creditors | 34000 |
| Printing and stationery | 5100 | Dividend received | 14000 |
| Machinery | 285000 | | |
| Receivables | 22000 | | |
| Land | 335000 | | |
| Bonus to employees | 27000 | | |
| Cash | 15000 | | |
| Total | <u>858000</u> | Total | <u>858000</u> |

Directors propose dividend of Rs.1.50 per share on Equity shares.

Inventory on March 31, 2023 : Rs.22000

Provide depreciation on machinery 10% p.a. on Written Down Value

Provide income tax at 30%

Stock of office supplies on 31st March 2023 Rs.2000

Loan was taken on April 1, 2022.