



MID-WEST UNIVERSITY
SCHOOL OF MANAGEMENT (MUSOM)
(An Autonomous Institution)
MUSOM EXAMINATIONS SECTION
FINAL EXAMINATION-2024 (2081)
MASTER OF BUSINESS ADMINISTRATION (MBA)
SEMESTER – I

Subject: Financial Accounting and Analysis

Course Code: MGT 514

Full Marks: 100

Time: 4 Hrs.

Exam Roll No.:

Section A: Multiple Choice Questions (1×20 = 20 Marks)

Time: 20 Minutes

Tick (✓) the correct answers

1. Shikhar Pvt. Ltd. provides services to a client on 15 May 2024 and sends an invoice for Rs. 25,000. The client pays the amount on 2nd June 2024. When should Shikhar Pvt. Ltd. recognize the revenue according to the revenue recognition concepts of accounting?
 - a. 15 May 2024
 - b. 2nd June 2024
 - c. When cash is received
 - d. Over the next 6 months
2. Which of the following concepts states that financial statements must be prepared by using the same accounting principles and procedures from one period to another?
 - a. Consistency Convention
 - b. Going Concern Concept
 - c. Conservative Convention
 - d. Materiality Convention
3. Which of the following types of accounting professionals is responsible for analyzing costs associated with producing goods and services?
 - a. Management accountant
 - b. Cost accountant
 - c. Tax consultant
 - d. External auditor Mr.
4. "Members may come, and members may go but the company goes forever. This indicates that the company has an eternal existence and cannot be dissolved in a foreseeable period. Which of the following assumptions is this statement based on?"
 - a. Accounting period assumption
 - b. Business entity assumption
 - c. Going concern assumption
 - d. Conservative convention
5. Which of the following is not added back to net profit while computing cash generated from operating activities by using an indirect method?
 - a. Depreciation
 - b. Loss on sale of machinery
 - c. Provision for taxation
 - d. Gain on sale of investment
6. In a business organization, the provision for taxation was Rs. 25,000 as of December 31, 2022, and Rs. 35,000 as of December 31, 2023. A provision of Rs. 50,000 for taxation was made during the year 2023. What was the amount of tax paid during the year?
 - a. Rs. 40,000
 - b. Rs. 25,000
 - c. Rs. 50,000
 - d. Rs. 60,000
7. Cash generated from operating activities before the adjustment of changes in the working capital of Super Company Ltd. is Rs. 135,000. Changes in working capital during the year are as follows:

Decrease in stock	Rs. 50,100	Increase in prepaid expenses	Rs. 2,200
Decrease in bills payable	Rs. 12,900	Increase in outstanding expenses	Rs. 3,800
Increase in bills receivable	Rs. 23,800		

Cash generated from operating activities for Super Company Ltd. will be:
 - a. Rs. 150,000
 - b. Rs. 120,000
 - c. Rs. 101,800
 - d. Rs. 160,000
8. By what amount, the bank account is debited when goods worth Rs. 50,000 are sold to Deuti General Stores on terms of 10% trade discount and 5% cash discount? 60% of the total amount due is received immediately, and Deuti General Stores takes advantage of a cash discount.
 - a. Rs. 27,000
 - b. Rs. 17,100
 - c. Rs. 18,000
 - d. Rs. 25,650

9. What will be the journal entry when a rent payment of Rs. 5,000 is made to Landlord Mr Gautam?
 - a. Mr. Gautam A/c Dr. 5,000
To Cash A/c 5,000
 - b. Rent A/c Dr. 5,000
To Cash A/c 5,000
 - c. Rent A/c Dr. 5,000
To Mr. Gautam A/c 5,000
 - d. Landlord A/c Dr. 5,000
To Cash A/c
10. By what amount will be purchase account debited with, if Mr. Thapa buys goods at the list price of Rs. 100,000 less a 20% trade discount and 2% cash discount and paid by 50% by cheque?
 - a. Rs. 100,000
 - b. Rs. 80,000
 - c. Rs. 78,000
 - d. Rs. 98,000
11. When goods are sold on credit and recorded in the sales book, what entry is made in subsidiary ledgers?
 - a. Debit Sales A/c and Credit Customer's A/c
 - b. Debit Cash A/c and Credit Sales A/c
 - c. Debit Customer's A/c and Credit Sales A/c
 - d. Debit Sales A/c and Credit Cash A/c
12. Which of the following components is not a part of a complete set of financial statements of a business corporation?
 - a. Statement of financial position
 - b. Statement of income and expenditure
 - c. Statement of cash flows
 - d. Statement of financial performance
13. Which financial statement is primarily used to assess a company's liquidity and solvency?
 - a. Statement of changes in equity
 - b. Statement of comprehensive income
 - c. Statement of cash flows
 - d. Statement of financial position
14. In the super profit method of goodwill valuation, the term "Super Profit" refers to:
 - a. Total profit of the business
 - b. Profit earned over and above normal profit
 - c. The difference between gross profit and net profit
 - d. Excess of normal profit over average profit
15. Which of the following transactions would typically not appear in the cash book?
 - a. Payment of expenses in cash
 - b. Cash withdrawn from bank for office use
 - c. Receipt of cash from debtors
 - d. Purchase of goods on credit
16. Which ratio is used to measure a company's ability to pay short-term debt?
 - a. Liquidity Ratio
 - b. Long-term solvency ratio
 - c. Profitability ratio
 - d. Turnover ratio
17. Which of the following will not appear in the profit and loss account of a business?
 - a. Personal expenses of the owner
 - b. Provision for bad debts
 - c. Expenses of the business
 - d. Accrued expenses
18. Financial institutions and Bankers use accounting information for the purpose of:
 - a. Increasing sales of the company
 - b. Improving the performance of the company
 - c. Controlling the affairs of the business
 - d. Assessing the liquidity and solvency position of the company
19. Which career path in accounting typically focuses on compliance, internal controls, and evaluating financial systems for efficiency?
 - a. Management accountant
 - b. Tax accountant
 - c. Internal auditors
 - d. System designer
20. One of the primary functions of a cash book is to maintain the cash and bank balance of a business corporation. Which of the following statements accurately reflects this role?
 - a. The cash book does not monitor cash and bank balances, it only records transactions.
 - b. The cash book monitors the cash balance but not the bank balance.
 - c. The cash book monitors both the cash and bank balances.
 - d. The cash book monitors the bank balance but not the cash balance.



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You are required to answer in your own words as far as applicable. The figures in the margin indicate full marks.

SECTION B: SHORT ANSWER QUESTIONS (5×6 = 30 MARKS)

Answer any five questions:

1. In the accounting profession, specialization can lead to diverse career opportunities. What are four specialized fields within accounting, and what are the key responsibilities and skills associated with each specialization? [2 +4]
2. ABC Ltd., is a retailer of fashionable goods, selling products nationwide and operating 25 stores in the major cities of the country. The head office of ABC Ltd is in Kathmandu, the capital of Nepal and is situated in a rented property. The company pays a monthly rent of Rs. 50,000 for this property. According to the TDS rule, TDS on rent payments is 10%. This means, the ABC Company must deduct 10% of the rent as TDS before paying the amount to the landlord.

Required:

- (i) Calculate the monthly TDS and net amount payable to the landlord. [2]
 - (ii) Make a journal entry to record the transaction in the books of ABC Ltd. [2]
 - (iii) Discuss the implications if ABC Ltd. does not deduct TDS while paying rent to the landlord? [2]
3. Goods worth Rs. 10,000 were purchased on credit from MK Traders, with a 10% trade discount. MK Traders offers a 4% cash discount if payment is made within 14 days. 50% of the total amount due is paid within the discount period to avail the discount, while the remaining 50% due amount is paid after the discount period ends.

Required: Make journal entries

[2+2+2]

4. Raju Collection, Surkhet who deals in readymade garments, purchased the following for August 2023:

Date	Particulars
August 3	Purchased from Fashion House, Kathmandu: 200 Shirts @ Rs. 900 per Shirt 300 T-shirts @ Rs.400 per piece Less: Trade Discount 10%; and packing & delivery charges Rs. 5,000. VAT is charged @ 13%
August 10	Purchased from J.M. Trading Pvt. Ltd., New Road: - 130 Shirts @ Rs.1,000 per piece 240 T-shirts @ Rs.500 per piece Less: 10% Trade Discount and delivery charges Rs. 10,000 VAT is charged @ 13%
August 18	Purchased from Nepo Industries Pvt. Ltd. Birgunj for cash: - 500 Shirts @ Rs. 1,500 per Shirt VAT is charged @ 13%
August 25	Purchased from Gandhi Furniture House, Surkhet for official use: - 10 Chairs @ Rs.6,000 per Chair

Required: (i) Purchase Book

[4]

(ii) Purchase Account

[2]

5. Prepare two-column cash books from the following transactions and balance the book on 31st December 2023:

Date	Particulars
2022 Dec 1	Cash in hand Rs. 15,000, bank overdraft Rs. 5,000
Dec 5	Purchased goods from Krishna Stores worth Rs. Rs. 50,000 at 10% trade discount

Dec 8	Goods sold for Rs. 35,000 in cash and payment received by cheque. The cheque was deposited in the bank on the same day.
Dec 10	Goods purchased from Thapa Stores on credit for Rs. 18,500 and paid Rs. 1,500 on freight and insurance.
Dec 15	Furniture sold for Rs. 45,800 and payment is received by cheque and the cheque is deposited into the bank the next day.
Dec 19	Paid to Thapa Stores Rs. 15,000 in full settlement of his account.
Dec 24	Cash received from Ammar Rs. 28,500 in full settlement of his account Rs. 30,000.
Dec 28	Cash withdrawn from the bank Rs. 4,500 for payment of proprietor's children's school fees.
Dec 31	Salary paid Rs. 24,000 by a cheque.
Dec 31	Deposited with the bank the entire balance after retaining Rs. 5,000 cash in hand.

6. Karnali Company Ltd. is acquiring the business of Bheri Company Ltd., for consideration of Rs. 300,000, effective from 1st January 2024. Both companies have agreed to use different methods to assess the value of goodwill using different methods. The following financial information of Bheri Company Ltd. is provided:

Liabilities	Rs.	Assets	Rs.
Share capital	100,000	Fixed assets	100,000
Profit & Loss A/c	50,000	Current assets	120,000
Sundry debtors	40,000		
Bills payable	20,000		
Outstanding expenses	10,000		
	220,000		220,000

Profit for the past four years after providing tax were:

Year 1: Rs. 18,000
Year 2: Rs. 25,000
Year 3: Rs. 24,000
Year 4: Rs. 22,000.

Additional information:

The expected normal rate of return in this type of business is 10%.

Management remuneration should be provided at Rs. 2,250 per annum.

Required:

- Value of goodwill at 3 years purchase of average profit [2]
 - Value of goodwill as per capitalization of super profit method [2]
 - Value of goodwill as per annuity of super profit method using the present value of Re. 1 for five years at 10% interest is 3.78 [2]
7. The following transactions were extracted from the books of Nepal Pvt. Co. Ltd.:
- On 10th July 2023: Sold goods to Mr. Sharma at the list price of Rs. 20,000 at a 10% trade discount.
 - On 16th July 2023: Received 60% of the total due amount from Mr. Sharma as a part payment by cheque.
 - On 28th July 2023: Received only Rs. 5,000 from Mr. Sharma on his insolvency.
- Required:** (i) Journal entries (ii) Mr. Sharma Account [3+3]

SECTION C: LONG ANSWER QUESTIONS

(2×15 = 30 MARKS)

Answer any two questions:

8. Accounting concepts and assumptions are essential for the preparation of financial statements and reporting to the users of accounting information in a business corporation. Every accountant should adhere to these principles when recording financial and producing financial statements. In this context, provide explanations for accounting concepts and conventions, list their names, and discuss the importance of these principles. [8+2+5]
9. The following is the trial balance of Corner Stores as at 31st December 2023

Debit items	Amount	Credit items	Amount
Machinery	75,000	Share capital	105,000
Furniture	35,000	12% Bank loan	20,000
Opening stock	17,000	Sales	147,860
Sundry debtors	12,000	Sundry creditors	25,800
Prepaid Insurance	6,000	Outstanding salaries	2,100
Cash at bank	4,500	Discount received	2,500

Purchases	120,300	Provision for doubtful debts	3,000
Sales return	1,200		
Wages	8,800		
Carriage on purchase	1,250		
Carriage on sales	750		
Bad debts	1,200		
Discount allowed	1,460		
Salaries	12,900		
Distribution expenses	3,500		
Travelling expenses	2,700		
Advertisement	1,500		
Interest on bank loan	1,200		
	306,260		306,260

Additional Information:

- Closing stock is valued at a market price of Rs. 45,000 and a cost price of Rs. 48,000.
- Provision for doubtful debt is provided at 8% on sundry debtors.
- Depreciation is charged on machinery and furniture at 10% and 15% respectively.
- Prepaid insurance has been expired to the extent of Rs. 3,000.
- Interest on bank loan has been paid for only half of the year.

Required: (i) Trading Account [2]
(ii) Profit and Loss Account [8]
(iii) Balance Sheet [5]

10. The balance sheet of Deuti Co. Ltd. As on 31st December 2023 is given below:

Share capital	500,000	Fixed assets	400,000
General reserve	50,000	Inventory	100,000
Profit and Loss A/c	22,000	Sundry Debtors	80,000
12% debenture	100,000	Cash at bank	140,000
Sundry creditors	30,000	Prepaid expenses	20,000
Bills payable	45,000	Preliminary expenses	10,000
Outstanding expenses	3,000		
	750,000		750,000

Additional information:

- Fixed assets turnover ratio is 3.5 times
- Net profit before tax Rs. Rs. 200,000
- Tax rate is 25%

Required:

- Amount of sales
- Net profit after tax
- Current ratio
- Quick ratio
- Inventor turnover ratio
- Sundry debtor turnover ratio
- Debt to equity ratio
- Capital employed turnover ratio

[2+1+2+2+2+2+2+2]

SECTION D: CASE STUDY (20 MARKS)

11. Read a case given below and answer the following questions.

The balance sheet of XYZ Co. Ltd., for the year ending 31st year is given below:

Liabilities	Last year	This year	Assets	Last year	This year
Share capital	200,000	340,000	Inventory	70,000	56,000
Share premium	20,000	34,000	Sundry debtors	25,000	68,000
Profit and Loss A/c	40,000	52,000	Cash at bank	9,000	41,000
10% Debenture	75,000	40,000	Investment	50,000	40,000
Sundry creditors	35,000	50,000	Plant and machine, net	125,000	224,000
Bills payables	20,800	12,600	Land and Building	140,000	140,000
Provision for taxation	25,000	35,000			
Outstanding expenses	3,200	5,400			
	419,000	569,000		419,000	569,000

Income Statement for the year ending 31st December for this year

Particulars	Rs.	Rs.
Sales		350,000
Less: Cost of Goods Sold:		
Beginning inventory	70,000	
Purchases	140,000	
Ending inventory	(56,000)	154,000
Wages paid		56,000
Total Cost of Goods Sold		210,000
Gross Margin		140,000
Less: Operating expenses:		
Office expenses	25,000	
Selling and distribution expense	10,000	
Depreciation	28,000	
Premium on redemption of debenture	3,500	
Interest on debenture	5,750	
Provision for taxation	35,000	107,250
Net operating income		32,750
Add: Profit on sale of machine (Book value Rs. 22,250)		16,250
		49,000
Less: Loss on sale of investment		2,000
Net income		47,000
Less: Dividend paid		35,000
Retained earning		12,000

Required:

- Based on the given financial statements, and additional information, prepare Cash Flow Statement. [5+4+3]
- Identify and evaluate the major sources and uses of cash for XYZ Co. Ltd., during the year. [4]
- Assess whether the company has generated enough cash from operating activities to cover day-to-day expenses. [2]
- Has the company generated enough cash to cover all its capital expenditure (e.g. purchase of land, building, machinery)? [2]

