

Mid-West University  
**Examinations Management Office**  
 Birendranagar, Surkhet  
 End Semester (Alternative/Physical) Examination-2078  
 Master of Business Administration (MBA)  
 Semester - I

Subject: Financial and Management Accounting  
 Full Marks: 50 Pass Marks: 25

Course Code: MGT 514  
 Time: 3:00 Hours

*You are required to answer in your own words as far as applicable.*

**Attempt all of the following Questions:**

**5×10=50**

1. a. Differentiate between financial and management accountings. [4]  
 b. Following information is given:  
 March 1. Mr. Sharma deposited Rs. 500,000 in a bank in exchange 5000 shares of Shambu & Co.  
 3. Purchased a building for Rs. 150,000 for cash. The building valued two-third and the remainder of the value is assigned to the land.  
 5. signed a promissory note with a bank in exchange of Rs. 50,000.  
 15. Paid Rent of Rs. 2,000 for the month of March.  
 21. Sold goods of Rs. 24,000, out of total sales amount 40% were received in cash.  
 30. Office supplies of Rs. 10,000 bought on credit.

**Required:** a) Journal entries b) Effect on accounting equation. [3+3]

2. Following are the balance sheet items of a manufacturing company.

Inventory.....	Rs 20,000	Prepaid expenses.....	Rs. 10,000
Unearned revenue.....	Rs.5,000	Goodwill.....	Rs. 20,000
Accounts payable.....	Rs.25,000	Accounts receivable.....	Rs. 30,000
Cash and bank.....	Rs.40,000	Computers.....	Rs.100,000
Bank overdraft.....	Rs.20,000	Sales Revenue.....	Rs 300,000
Gross profit.....	40% of sales	Office & admin. expenses	Rs10,000
Selling expenses.....	Rs 14,000		

**Required:** a) Current ratio b) Net profit ratio c) inventory turnover Ratio d) Explain the result from above answer. [2+2+2+4]

3. A company produces and sells three products P1, P2 and P3. The selected data on these products show the following:

Products	Sales units	selling price per unit	Variable cost per unit
P1	6000	Rs.25	Rs.15
P2	9000	Rs. 20	Rs. 10
P3	15000	Rs.10	Rs. 4

Total fixed cost Rs. 160000.

**Required:**

- a. Overall Break even units. [3]  
 b. Total sales units for earning Rs. 100,000 profit. [3]

- c. Revised Break even units, if sales mix is changed to 15000 : 9000 : 6000 from 6000 : 9000 : 15000. [4]

**OR**

Financial Accounting is fully guided by Generally Accepted Accounting Principles. Explain any four Accounting concept and principles with suitable examples. [2 +8]

4. Nagarkot Resort opened business with eight air- conditioned units. Its trial balance adjustment on Dec 31 is presented here.

Nagarkot Resort  
Trial Balance on 31 Dec 2020

Account Titles	Debit Rs.	Credit Rs.
Cash	24,600	
Prepaid insurance	5,400	
Supplies	4,300	
Land	40,000	
Cottages	132,000	
Furniture	36,000	
Accounts payable		6,500
Unearned rent revenue		6,800
8% bank loan		120,000
Common stock		100,000
Dividends	5,000	
Rent revenue		80,000
Salaries expense	53,000	
Utilities expense	9,400	
Repair expense	3,600	
	313,300	313,300

Other information:

- i. Insurance expires at the rate of Rs. 450 per month.
- ii. Annual depreciation is Rs. 4,400 on cottage and Rs.4,000 on furniture.
- iii. Unearned rent of Rs. 5,000 was earned prior to Dec 31.
- iv. Salaries of Rs. 600 were unpaid till Dec 31.
- v. Rental of Rs. 1,200 were due from tenants till Dec 31.

**Required:** Prepare multi-step income statement, the statement of retained earning and balance sheet (using vertical classified format) considering the above adjustment. [4+2+4]

5. The comparative balance sheets as on 31<sup>st</sup>Chaitra and the income statement for the year ended 2077 of Surya Garment Company are as follows:

Liabilities and capital	2076	2077	Assets	2076	2077
Share capital	500,000	800,000	Goodwill	30,000	20,000
Preference shares	300,000	400,000	Building	500,000	550,000
9% debentures	200,000	100,000	Plant & equipment	600,000	850,000
Accumulated depreciation	130,000	150,000	Inventory	150,000	200,000
Bank loan(short term)	50,000	100,000	Sundry debtors	50,000	30,000
Bank overdraft	25,000	20,000	Bills receivable	35,000	15,000

Sundry creditors	47,000	40,000	Marketable securities	35,000	15,000
Outstanding interest	58,000	50,000	Cash at bank	130,000	230,000
Retained earnings	220,000	250,000			
<b>Total</b>	<b>1,530,000</b>	<b>1,910,000</b>	<b>Total</b>	<b>1,530,000</b>	<b>1,910,000</b>

Additional information:

- Sales during the year 2077 Rs.980,000.
- Cost of goods sold at Rs.250,000.
- Direct wages Rs. 150,000.
- Office and selling expenses Rs.160,000 (including depreciation Rs 10,000).
- Interest on debentures Rs.30,000.
- Debenture premium on redemption Rs. 10,000.
- Tax paid Rs. 195,000.
- Dividend paid Rs. 100,000.
- A part of plant with book value of Rs.50,000 was sold at a gain of Rs. 15,000.
- Purchase of plant and machinery Rs. 350,000.

**Required:** Cash Flow Statement

[10]

**OR**

Describe the importance of financial statement analysis and explain the tools and techniques of financial statement analysis.

[3+7]

**The End**