**SESSION**

**JUL/AUG 2021**

**PROGRAM**

**MASTEROF BUSINESS ADMINISTRATION (MBA)**

**SEMESTER**

**I**

**COURSE CODE & NAME**

**DMBA104– FINANCIAL AND MANAGEMENT ACCOUNTING**

1. **Discuss 5 accounting concepts with suitable example of each concept.**

**Ans.**

1. **Business separate entity concept**

This concept states that business is a separate entity and it is different from the proprietor or the owner. In this concept a company can own assets and incur liabilities in its own name. This separation not only has important legal implication but also has an accounting implication. This enables the business to segregate the transactions of the company from the private transactions of the proprietor(s). It

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**2. Prepare trading account of XYZ for the year ending 31 March 2019 from the following information:**

**Purchases 13,00,000**

**Sales 15,00,000**

**Stock (April 1, 2018) 40,000**

**Wages 30,000**

**Carriage inwards 14,000**

**Returns outwards 3,000**

**Returns inwards 2,500**

**Freight 15,000**

**Additional information: Stock on 31 March 2019 was Rs. 1,70,000**

**Answer:**

Trading Account

|  |  |  |  |
| --- | --- | --- | --- |
| Particulars  | Rs | Particulars | Rs |

**3. Distinguish between management accounting and financial accounting.**

**Answer.** Financial accounting is the preparation and communication of financial information to outsiders such as creditors, bankers, government, customers, etc. Another objective of financial accounting is to give complete picture of the enterprise to shareholders. Management accounting on the other hand, aims at preparing and

**SET 2**

**4. The Balance Sheet of Punjab Auto Limited as on 31‐12‐2020 was as follows:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  **Particulars**  |  **Rs.**  |  **Particular**  |  **Rs.**  |   |
|  Equity Share Capital  |  40,000  |  Plant and Machinery  |  24,000  |   |
|  Capital Reserve  |  8,000  |  Land and Buildings  |  40,000  |   |
|  8% Loan on Mortgage  |  32,000  |  Furniture & Fixtures  |  16,000  |   |
|  Creditors  |  16,000  |  Stock  |  12,000  |   |
|  Bank overdraft  |  4,000  |  Debtors  |  12,000  |   |
|  Taxation: Current Future  |  4,000 4,000  |  Investments (Short‐term)  |  4,000  |   |
|  Profit and Loss A/c  |  12,000  |  Cash in hand  |  12,000  |   |

 120000 120000

**From the above, compute (a) Debt‐Equity Ratio and (b) Proprietary Ratio.**

**Answer:**

**Debt Equity Ratio**

The debt-to-equity (D/E) ratio is used to evaluate a company's financial leverage and is calculated by dividing a company’s total liabilities by its shareholder equity. The D/E ratio is an important metric used in corporate finance. It is a measure of the degree to which a company is financing its operations through debt versus wholly owned funds. More specifically, it reflects the ability of shareholder equity to cover all outstanding debts in the event of a

**5. State the purpose or objective of preparing a cash flow statement. Also give any two examples of cash flows from operating activities, investing activities and financing activities.**

**Answer:**

**Meaning of Cash Flow Analysis**

Cash flow analysis is an important tool of financial analysis. It is the process of understanding the change in position with respect to cash in the current year and the reasons

**6. Discuss the steps involved in standard costing. Also state the Differences between Standard Costing and Budgetary Control.**

**Answer.** Following are the steps involved in standard costing...

1. Establishment of standards

It is the first step in the standard costing process. Standards have to be set separately for each item of cost. It needs to be done very meticulously.

2. Comparison