

**MASTER OF BUSINESS ADMINISTRATION
FIRST SEMESTER [REPEAT]
FINANCIAL ACCOUNTING FOR MANAGERS
MBA – 104**

**SET
A**

[USE OMR SHEET FOR OBJECTIVE PART]

Duration: 3 hrs.

Full Marks: 70

Time: 30 mins.

(Objective)

Marks: 20

Choose the correct answer from the following:

1 × 20 = 20

1. The main objective of financial accounting is to:
 - a. Determine cost of production
 - b. Ascertain financial position and profit or loss
 - c. Control cost and wastage
 - d. Prepare budgets
2. Which of the following is a real account?
 - a. Rent Account
 - b. Capital Account
 - c. Machinery Account
 - d. Commission Account
3. The accounting equation is:
 - a. Assets = Capital – Liabilities
 - b. Assets = Capital – current Liabilities
 - c. Assets = Capital + Liabilities
 - d. Liabilities = Assets + Capital
4. Trial Balance is prepared to:
 - a. Find out profits
 - b. Check the arithmetical accuracy of accounts
 - c. Record transactions
 - d. Post entries in ledger
5. Closing stock appears in:
 - a. Trial Balance only
 - b. Trading Account only
 - c. Balance Sheet only
 - d. Both Trading Account and Balance Sheet
6. Outstanding expenses are shown in the Balance Sheet as:
 - a. Assets
 - b. Liabilities
 - c. Reserves
 - d. Provisions
7. The main operation expenses of a business are termed as:
 - a. Operating expenses
 - b. Non-administration expense
 - c. Selling expenses
 - d. Administration expense
8. The concept which treats the business and owner as two separate entities is:
 - a. Dual Aspect Concept
 - b. Matching Concept
 - c. Business Entity Concept
 - d. Conservatism Concept
9. Depreciation is charged because:
 - a. Assets lose value over time
 - b. Profits should be reduced
 - c. It is a legal requirement
 - d. To reduce tax liability

10. Which method of depreciation results in a constant charge every year?
 - a. Written Down Value Method
 - b. Annuity Method
 - c. Straight Line Method
 - d. Sinking Fund Method
11. If an asset costs ₹1,00,000 with a 10% depreciation rate (SLM), the annual depreciation is:
 - a. ₹9,000
 - b. ₹10,000
 - c. ₹5,000
 - d. ₹15,000
12. Depreciation is a:
 - a. Cash expense
 - b. Non-cash expense
 - c. Deferred revenue expenditure
 - d. Operating income
13. Which of the following increases working capital?
 - a. Purchase of fixed assets for cash
 - b. Issue of shares for cash
 - c. Payment to creditors
 - d. Purchase of goods on credit
14. Which of the following is NOT a current asset?
 - a. Inventory
 - b. Cash
 - c. Debtors
 - d. Machinery
15. A positive working capital means that -
 - a. the company is able to pay-off its long-term liabilities.
 - b. the company is able to select profitable projects
 - c. the company is unable to meet its short-term liabilities
 - d. the company is able to pay-off its short-term liabilities.
16. Overstating assets in the balance sheet helps in:
 - a. Inflating profits
 - b. Reducing tax liability
 - c. Decreasing net worth
 - d. Reducing revenue
17. Recording revenue before it is actually earned is called:
 - a. Channel stuffing
 - b. Cookie jar accounting
 - c. Early revenue recognition
 - d. Expense shifting
18. The difference between total cash inflows and outflows during the year is known as:
 - a. Cash profit
 - b. Net cash flow
 - c. Gross profit
 - d. Working capital
19. Cash Flow Statement is prepared for a:
 - a. Period of time
 - b. Particular date
 - c. Specific transaction
 - d. Financial ratio
20. The best defense against financial shenanigans is:
 - a. Ignoring accounting standards
 - b. Transparent disclosures and audits
 - c. Complex financial structures
 - d. Aggressive revenue recognition

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(Descriptive)

Time : 2 Hr. 30 Mins.

Marks : 50

[Answer question no.1 & any four (4) from the rest]

1. Define financial Accounting and explain two objectives of it. Briefly explain the users of financial accounting. 2+2+6=10
2. a) Discuss any two fundamental accounting concepts and any two accounting conventions. 5+2+3=10
b) What are the branches of Accounting? Point out three differences between journal and ledger.
3. Journalize the following transactions, post them into cash account, and prepare a trial balance as on 31st March, 2025: 10

Date	Particulars	Amount (₹)
April 1	Commenced business with cash	80,000
April 5	Withdraw cash for personal use	20,000
April 12	Bought furniture for cash	10,000
April 15	Received cash from Ramesh	19,500
April 18	Paid salary	5,000
April 30	Paid to Ram Rs. 4630 in full settlement of his account Rs. 5,000	
4. Compare the Straight Line Method (SLM) and Written Down Value (WDV) method. 2+8=10

A machine costing ₹1,00,000 was purchased on 1st April, 2022. Depreciation is to be charged at 10% p.a. using the Straight Line Method. On 1st October, 2024, the machine was sold for ₹70,000. Prepare the Machinery Account for three years ending 31st March, 2025.
5. Define cash flow statement. State two objectives of it. How are the various activities classified as per AS-3. 2+2+6=10
6. What are financial shenanigans? Explain any five types of accounting manipulations companies use to distort financial statements. 10
7. Define working capital. Explain the factors that determine the working capital requirements of a business. 2+8=10

8. From the following trial balance of M/s. Biswajit Traders, prepare the Trading and Profit & Loss Account and a Balance Sheet for the year ending 31st March, 2025.

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Particulars	Dr (₹)	Cr (₹)
Capital		1,00,000
Drawings	10,000	
Purchases	60,000	
Sales		1,20,000
Return inward	1,000	
Return outward		2,000
Wages	10,000	
Rent	4,000	
Salaries	6,000	
Furniture	20,000	
Debtors	30,000	
Creditors		25,000
Cash in hand	5,000	
Machinery	40,000	
Cash at bank	61,000	
Total	2,47,000	2,47,000

Adjustments:

1. Closing stock valued at ₹15,000.
2. Outstanding salaries ₹1,000.
3. Depreciate furniture @10% and machinery @20%

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