BITS, PILANI – DUBAI
International Academic City, DUBAI
2nd Year – Semester II – 2010-2011
Course – ECON C211 – Fundamentals of finance and accounting

Component	**Comprehensive Exam**	Date	**9.6.2011**
Maximum Marks	**80**	Duration	**3 Hrs.**

Write Section-A in blue and Section-B in green answer scripts

SECTION – A

I. Electro products Ltd. is a wholesaler of electrical goods manufactured in US. The accounting staff had assembled the following information for the year ended December 31, 2010. Its cash and cash equivalents on Jan 1st is $35,000 while the closing cash balance on Dec 31st is $55,000. (15 marks)

i. The company issued bonds payable for $100,000 cash
ii. Cash received from sales to customers $870,000
iii. Suppliers and employees were paid $764,000 cash during the year
iv. Marketable securities worth $45,000 were sold for a loss of $5000
v. Borrowed $45,000 by issuing short-term notes payable to banks
vi. Paid income tax $38,000
vii. Loan collections during the year $12,000
viii. Interest and dividends received from external investments during the year amounted to $10,000.
ix. Repaid $55,000 due on short term loans
x. Paid $28,000 interests on loans borrowed
xi. Plant assets having a book value of $50,000 were sold for a profit of $25,000
xii. Cash loaned to borrowers $17,000
xiii. The company purchased plant assets and paid $160,000 for it.
xiv. Cash paid for purchase of marketable securities $65,000
xv. Cash dividends declared and paid to stockholders amounted to $40,000.
xvi. Issued 1,000 shares of $10 par value capital stock for cash at a price of $50 per share

a. Using the above information, prepare a statement of cash flows.
b. Include a proper heading for the financial statement and classify the given information into the categories of operating activities, investing activities and financing activities.
c. Place brackets around the dollar amounts of all cash disbursements.

II. The following are the closing ledger balances from Jan's Art Studio for the year ending March 31, 2011. (15 marks)

a. Prepare a Trial Balance dated March 31, 2011
b. Prepare an Income Statement **and** a Statement of Retained Earnings for the year ended March 31, 2011
c. Prepare a Balance Sheet showing the studio's financial position as on Mar 31, 2011.

cash	171,100
accounts receivable	9,400
prepaid rent	3,000
unexpired insurance	7,200
office supplies	500
equipment	18,000
accumulated depreciation - equipment	7,200
notes payable	10,000
accounts payable	3,200
salaries payable	4,000
income taxes payable	6,000
unearned revenue	8,800
capital stock	100,000
retained earnings	40,000
dividends declared	6,000
studio revenue earned	165,000
salary expense	85,000
supplies expense	3,900
rent expense	12,000
insurance expense	1,900
advertising expense	500
depreciation expense	1,800
interest expense	900
income taxes expense	23,000

III. During the current year, Technik USA made cash sales of $285,000 and credit sales of $460,000. During the year, accounts receivable decreased by $32,000. Compute for the current year the amounts of (a) net sales reported as revenue in the Income statement, (b) cash received from collecting accounts receivable, (c) cash received from customers. **(3 marks)**

IV. Norman's unadjusted trial balance dated December 31, 2010 reports Income Taxes Expense of $57,200 and Income Taxes payable of $14,300. The company's accountant estimates that income taxes expense for the entire year ended Dec 31, 2010 is $62,800. Determine the amount that would be reported in the **adjusted trial balance** as income tax expense. **(2 marks)**

V. Milford Corporation borrowed $24,000 on Dec 1, 2010 by issuing a two month 8 percent per annum note payable to Citibank. The entire amount of the loan plus interest is due on February 1, 2011. How would this transaction appear on the balance sheet? **(2 marks)**

VI. Before the month end adjustments are made, the January 31, 2011 trial balance of Rover Excursion Ltd. contains revenue of $27,900 and expenses of $17,340. Calculate the **net profit for the month** after the following adjustments are made: **(3 marks)**

a. Portion of prepaid rent applicable to January – $2,700
b. Depreciation for the month – $1,440
c. Fees earned in January but not yet billed to customers – $1,950

SECTION – B

I. Briefly discuss (3 + 5 = 8 Marks)

a) Importance of finance in the economic system of the Nation

b) Role of stock exchange in the financial markets

II. Write short notes on the following: (2 x 6 =12 Marks)

a) OMOs

b) Issued Capital

c) Cooperative Bank

d) NEP

e) Hedging

f) Scheduled bank

III. Differentiate between: (2.5 x 4 = 10 Marks)

a) Money Market and Capital Market

b) Monetary Policy and Fiscal Policy

c) Equity and Debt Financing

d) Systematic risk and Non systematic risk

IV. Mention the following: (5 Marks)

a) Two external market reforms by Government regulatory bodies towards capital flows

b) Two categories of small savings provided by financial intermediaries

c) Three types of business organizations

d) Three types of deposits in the Indian Bank

V. Match Column A with appropriate answer from the Column B (0.5 x10 = 5 Marks)

Column A	Column B
Social security and promotes individual welfare	Money Market
Type of savings from their salaries	Insurance companies
Unable to meet the liabilities	Settlement risks
Internal equity or undistributed profits	Liquidity risk
Plant machinery	Provident funds
Financial instruments with maturities of three, six, nine months	Retained earnings
Government securities	Primary Market
Indirect markets	Intangible assets
Screen based trading	Treasury bills
Short term liquidity adjustment tool	Secondary markets
	Gilt edged securities
	Repo market
	NDS
	Tangible assets

********** GOOD LUCK**********

BITS, PILANI – DUBAI

International Academic City, DUBAI
2nd Year – Semester II – 2010-2011
Course – ECON C211 – Fundamentals of Finance and Accounting

Component	**Test – 2 (Open book)**	Date	**5.5.2011**
Maximum Marks	**40**	Duration	**50 min**

I. **The following balances have been extracted from the trial balance of Rainbow Paints Company Ltd. as of Dec 31, 2003.**

Accounts receivable	183,100	Advertising expenses	98,300
Notes receivable	36,000	Cost of goods sold	590,000
Merchandise inventory	201,900	Unearned rent revenue	4,800
Cash	99,300	Insurance expense	2,400
Paid-in capital	620,000	Prepaid insurance	2,200
Building	300,000	Accounts payable	52,500
Accumulated depreciation - building	20,000	Interest expense	600
Land	169,200	Telephone expense	2,900
Sales	936,800	Notes payable	20,000
Salary expense	124,300	Miscellaneous expense	3,400
Retained earnings, Dec 31,2002	164,000	Maintenance expense	4,300

The following implicit transactions for the month of December have not been taken into consideration. Adjustments have already been made for the 11 months preceding December.

1. Salaries of $5,200 have been earned by employees for the last week in the month of December for which payment will be made on Jan 2, 2004.
2. Interest at 10 percent per annum on the 3-month Note receivable is expected to be collected by the company when the Note is due in March 2004. The Note receivable was dated as Dec 15, 2003.
3. Part of the building owned by the company was rented to a tenant on December 1, 2003 for 6 months, payable in advance. This rent was collected in cash and is represented by the item labeled, Unearned rent revenue.
4. Depreciation on the building for the year 2003 is $6,000.
5. Prepaid Insurance was taken in June 2003 for 12 months. Insurance expense for the month of December is $400.
6. Income tax is applicable at 40 percent, which is to be paid in the early part of 2004.

(a) **You are required to prepare the following:**
   i. Ledger postings - **only** for those accounts that are affected by the adjustments **(6 marks)**
   ii. An adjusted trial balance **(6 marks)**
   iii. An income statement **(6 marks)**

(b) **Comment on the profitability of the firm by calculating two profitability ratios. (6 marks)**

II. **Answer the following: (3.5 x 2 = 7 Marks)**

1. Mention the two variable ratios utilized by the RBI and compare them in situation of excess in demand and deficient in demand.
2. Supervisory measures revised under the new economic policy of India 1991.

III. **State whether the following statements are true or false and give your justification for the same: (2 x3 = 6 Marks)**

a) Increase of banking habit can affect the composition of bank deposits.

b) SEBI has emerged as the important constituent to protect the interest of investors only.

IV. **Suggest an appropriate word for the following explanation: (3 Marks)**

1. Two types of deposits mostly available in commercial banks
2. Two important policies utilized by RBI to bring in the financial stability in the economy.
3. Which bank can be best called as Bankers Bank.
4. The technique of sales and purchase of government securities by RBI to have monetary control.

**********GOOD LUCK**********

BITS, PILANI – DUBAI

International Academic City, DUBAI
2nd Year – Semester I – 2010-2011
Course – ECON C211 – Principles of Finance and Accounting

Component	**Test – 1 (Closed book)**	Date	**3.4.2011**
Maximum Marks	**50**	Duration	**50 min**

I. Jainson Corporation's retained earnings account balance was Rs. 75,000 on Jan 1, 2011. During January, the company recorded revenue of Rs.100, 000, expenses of Rs. 60,000 and dividends of Rs.5, 000. The company also purchased land during the period for 20,000 cash. **Determine the company's retained earnings account balance on 31 Jan 2011. (5 marks)**

II. The following are a few items culled out from the balance sheet of Smith Trading Co. as on February 28, 2011.

Particulars	**Amount**
Cash	4,700
Accounts receivable	8,300
Notes payable	10,000
Accounts payable	8,000
Trucks	72,000
Office equipment	3,000
Capital stock	70,000

In March the company had the following transactions:

a. Bought office equipment at a cost of Rs. 2,600 for cash.
b. Paid Rs. 2,000 of accounts payable
c. Borrowed Rs. 5,000 from a bank. Signed a note payable for the amount.
d. Purchased three trucks for a total of Rs. 60,000. Paid Rs. 5,000 cash, balance to be paid in 3 months.
e. Sold additional stock to investors for Rs. 25,000.
f. Inventory purchased on open account for Rs.25,000.

For the month of March, post ledger balances in the relevant T-accounts and prepare a trial balance dated March 31, 2011 to check its accuracy. (10 + 5 = 15 marks)

III. **Classify the following items as revenue, expense, asset, liability or owners' equity: (5 marks)**

1. accounts payable
2. prepaid insurance
3. cost of goods sold
4. depreciation
5. inventory
6. salaries
7. retained earnings

8. sales
9. paid-in capital
10. salesmen commission

IV. **Discuss: (4 x 5 = 20)**

a) Difference between money markets and capital markets
b) Functions of stock exchange
c) Household sectors in capital flow.
d) Role transformation of banks in Indian Financial System

V. **Suggest an appropriate term for the following description: (0.5 x 10 = 5)**

1. The diversifiable risk involved when a company is unable to procure raw materials on time.
2. Privilege given to a shareholder Mr. Mehra in ABCL Corporation to purchase new issue of shares in the ratio of what he already possesses
3. The term for a part of registered capital that is offered to the public for subscription.
4. The type of shareholders who receive a fixed dividend rate
5. Synonym for the undistributed profits of equity capital.
6. Measure of volatility of security which shows the extent to which the risk is non-diversifiable.
7. The type of risk involved when the shares possessed by an individual have no more takers in the market.
8. A credit institution which provide funds for the agricultural sector.
9. The kind of liability that partners in a partnership firm have.
10. The risk called when the borrower of debtor doesn't pay the specified amount of interest and repay the principal, both at the time specified for maturity.

*****All the best*****

quiz-1

BITS PILANI, DUBAI CAMPUS
SECOND SEMESTER 2010- 2011
SECOND YEAR

Course Code: ECON C211 **Date:01-03-2011**
Course Title: Fundamentals of Finance and Accounting **Max Marks: 16**
Duration: 20 minutes **Weightage: 8%**

Name: ..... ID No: ..... Sec / Prog: .....

I. Fill in the blanks: (1 x 8 = 8 marks)

1. Mention the financial markets classified according to the maturity period of the financial assets.

   a. _____ b._____

2. Price of Share depends upon the demand and supply model in _____ market.
3. Commercial paper can be placed in which type of Market? _____
4. What type of business organization has limited liability? _____
5. The method of floating the new securities in the market through online system is known as _____.
6. Short term instruments negotiable issued by the commercial banks and development financial institution during the periods of tight liquidity are known as _____
7. Identify the type of financial markets where securities are directly issued to the savers _____

II. Read the following transactions and say how it would affect the Balance Sheet Equation. Under the following column headings mark 'I' for Increase and 'D' for Decrease and 'NC' for No Change: (0.5 x 8 = 4 marks)

Transactions	Assets	Liabilities	Owners' equity
Borrowed money from a bank			
Paid up a liability			
Sold land for cash at a price in excess of cost			
Purchased computer on credit			
The owner invested cash in the business			
Collected an account receivable			
Returned for credit some of the office furniture previously purchased on credit but not yet paid for			
Paid insurance in advance for next year			

PTO

III. Read the case and answer the following questions in the space given below the question: (0.5 x 8 = 4 marks)

In 2005, Alpha Company was incorporated with a share capital of 10,000 shares of common stock at a face value of $10. In 2010, the company's shares are quoted in the Stock Exchange at $ 15. To fund its expansion program, the company issued a further 10,000 shares of common stock for $14 per share in 2010. This time when the company floated shares, Zeta became a shareholder in the company by purchasing 1000 shares. When the company closed its books of accounts for the year on Sep 30, 2011, the company's stocks were trading at $12 in the Stock Exchange. The company declared a dividend of 25% to its shareholders. After the dividends were paid, the company had $20,000 of profits left over.

1. At the end of the fiscal year in 2011, what is the company's share capital?
2. What is the company's additional paid-in capital?
3. What reason do you attribute for Zeta not purchasing the shares from the open market?
4. Calculate the amount that Zeta will receive as dividend.
5. What is her Return on Investment?
6. What is the par value of the issued shares?
7. What is the term given to the $20,000 profits left over after payment of dividend?
8. The company's fiscal year is the same as its calendar year. True or False?

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