

BITS, PILANI – DUBAI CAMPUS
International Academic City, DUBAI
Semester II – 2012-2013
Course: ECON C211 – Fundamentals of Finance and Accounting

Component	Comprehensive Exam	Date	8.6.2013
Maximum Marks	40	Weightage:40%	3 Hrs.
		Duration	

Note : Answer all questions and show your calculations

- I. The following are the closing ledger balances for Cambridge Corporation for the month of April 2013.
(15 marks)

cash	15680
accounts receivable	4370
prepaid rent	5500
Notes receivable	15000
Inventory	7540
equipment	16110
accumulated depreciation - equipment	1300
notes payable	13,000
accounts payable	8,200
salaries payable	2,300
Retained earnings	14500
unearned revenue	4900
capital stock	20,000

17930
2270

The following transactions occurred during the month of May 2013

1st - Bought an automobile on account from Elgine Company \$35000.

5th -Paid towards miscellaneous expenses \$900.

8th -Paid towards note payable to Emirates bank \$3000.

10th - Partial payments done towards Accounts payable \$1000.

11th -Employees payment was delayed due to some bank problems and paid \$2300 of which 1800 were not paid in the month of April.

12th -Purchased supplies on account from Glory company \$2350.

15th -Collected \$ 4000 towards accounts receivables.

18th - Paid dividends \$1500.

29th - Paid wages \$1950 for the month of May

Received \$5600 cash from customers for services provided in April.

Provided services and issued the bill to the customers for services performed \$1900.

Received \$3300 from Anderson corporation in advance for providing future services.

The Accounts department had closed the ledgers at the end of May,2013 after incorporating the above transactions

V. State whether these statements are true or False and Justify. (3 Marks)

- a) Industries can be operated with zero working capital .
- b) High Liquidity ratio is necessary for the payment of the firms to meet the obligations.

VI. Distinguish between (6 Marks)

- a) Note payable and Account payable
- b) Debt and Equity financing
- c) Money market and capital market

VII. a) What is the other name of working capital ratio? How is it calculated ? (1 Mark)

b)Mention two types of risks faced by the assets in diversified portfolio.(1 Mark)

c) The ratio used to measure the growth and value of the company share, how is it calculated? (1 Mark)

VIII.You are financial analyst for the Cyber Technology. The director of the capital budgeting has asked you to analyze two mutually exclusive proposed projects for Sama and Sara. The required rate of return is 11.25 percent and 10.75 percent respectively. (5 Marks)

Year	Project Sama AED	Project Sara AED
0	(48,000)	(126,900)
1	18,400	69,700
2	31,300	80,900
3	11,700	0

Which project would you accept and why according to?

- a) Payback period method
- b) Net Present Value method

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

BITS, PILANI – DUBAI CAMPUS
International Academic City, DUBAI
Semester II – 2012-2013
Course: ECON C211 – Fundamentals of Finance and Accounting

Component	Comprehensive Exam	Date	8.6.2013
Maximum Marks	40	Weightage:40%	3 Hrs.

Marking and Answering Scheme

- I. The following are the closing ledger balances for Cambridge Corporation for the month of April 2013.
(15 marks)

Trial Balance Total = **109360**

Balance Sheet **99360**

Income = **5250**

Retained earnings **7750**

- II. Carribean corporation is located in Dubai The accounts department has gathered following information for the year ended December 31, 2012. Its cash and cash equivalents on Jan 1st is \$ 10,000 while the closing cash balance on Dec 31st is \$27500. (5 marks)

III.

	inflows	outflows	
cash flows from operating activities			
cash received from customers	435000		
interest and dividends received	5000		
cash paid to suppliers and employees		(382,000)	
interest paid		(14,000)	
income tax paid		(19,000)	
net cash flows from operating activities			25,000
cash flows from investing activities			
purchases of marketable securities		(32500)	
proceeds from sales of marketable securities	20,000		
loans made to borrowers		(8500)	
collections on loans	6,000		
purchases of plant assets		(80,000)	
proceeds from sales of plant assets	37500		
net cash flows from investing activities			(57500)
cash flows from financing activities			
proceeds from short term borrowing	22,500		
payment to settle short term debts		(27,500)	
proceeds from issuing bonds payable	50,000		
proceeds from issuing capital stock	25,000		

dividends paid		(20,000)	
net cash flows from financing activities			<u>50,000</u>
net cash increase (decrease)			17,500
cash and cash equivalents, Jan 1			<u>10,000</u>
cash and cash equivalents, Dec 31			<u>27,500</u>

Using the above information, prepare a statement of cash flows classify the above information into the categories as operating activities, investing activities and financing activities.

IV. 70,000.

(1 Mark)

V. Need to explain both approaches and choose MW approach as this diversifies the risk and returns will be high.

(2 marks)

VI. State whether these statements are true or False and Justify. (3 Marks)

- True and justify giving the examples of industries which use JIT approach.
- False, too much of liquidity means block the cash.

VII. Distinguish between (6 Marks) (a-c)

Need to differentiate by at least giving 4 points

VIII. a) current ratio = current assets/current liabilities. (1 Mark)

b) Market risk and Industry risk (1 Mark)

c) P-E ratio = Market price per share of common stock /Earnings per share of common stock. (1 Mark)

IX. You are financial analyst for the Cyber Technology. The director of the capital budgeting has asked you to analyze two mutually exclusive proposed projects for Sama and Sara. The required rate of return is 11.25 percent and 10.75 percent respectively. (5 Marks)

Which project would you accept and why according to?

- Payback period method** : Choose the lowest pay back period calculate and show
- Net Present Value method** : Choose the higher NPV. calculate and show

BITS Pilani, Dubai Campus
International Academic City Dubai
Second Semester 2012-2013

Test-2 (Open Book)

Course: Fundamentals of Finance and Accounting
Weightage: 20%

Course No: ECON C211
Max Marks :20
Time : 50 Minutes

Date: 08-05-2013

No of Pages: 2

I. Financial Statement data of Saturn Company has 45,000 average number of common shares outstanding as on December 31, 2012 is given below and it takes on average 30 days to pay for labor and materials. (5 Marks)

- a) Comment on efficiency in terms of investment in assets.
- b) What is the cash conversion cycle period?
- c) Calculate EPS

Accounts	Amount in \$
Accounts receivables	657534
Inventory	2000000
Total assets	400,000
Stockholder's equity	250,000
Cost of goods sold	800,000
Interest expense	5,000
Net income	70,000
Inventory sales	10,000000
Accounts payable	657534
Cost of Goods Sold	8000000

2. As an investment manager for \$200,000 with the following scenario (6 Marks)

Possible return %	Outcomes	Probability
14	Normally likely	30
8	Most likely	50
3	Meagrely likely	18
-2	Least likely	2

- i) Calculate the rate of return.
- ii) What is the standard deviation?
- iii) Calculate the missing values and suggest which one would you prefer to invest in and why?

Market	Beta	Risk free rate	Required rate of return	Market risk premium
Raasa LLC	1.51	4.3	?	11.4
Zeta LLC	0.73	6.9	?	5.3

3. The following are the ending balances for the unadjusted trial balance of Saara Productions as on March 31st 2013,

Account	Amount \$, 000.
Cash	6850
Accounts Receivable	?
Inventory	2540
Unexpired insurance	1240
Long term assets	103300
Miscellaneous expenses	3010
Revenues	118,250
Capital	58000
Unearned rent revenue	2500
Accumulated depreciation	19400
Rent expense	8400
Wages expenses	44830
Utilities	5430
Accounts payable	1850
License Fees	10,400

Additional information:

- Records showed Inventory on hand \$ 760.
- Insurance expired for this month was \$630.
- Depreciation on total equipment is \$9900.
- Wages accrued for the last week of April but are to be paid \$ 880.
- On April 15th \$2000 were received towards sales on account but were not recorded.
- Cash receipts of \$ 1500 originally recorded as Unearned rent revenue have been earned.

Comment on Liquidity performance (2 Marks)

Prepare the adjusted trial balance as on April 30, 2013 in the Column format as shown below. (7 M)

Unadjusted trial balance	Adjustments	Adjusted trial balance

*****Good Luck*****

BITS PILANI, DUBAI CAMPUS
SECOND SEMESTER 2012- 2013
TEST 2 (Open Book)

Course Code: ECON C211
Course Title: Fundamentals of Finance and Accounting
Duration: 50 minutes

Date: 08-05-2013
Max Marks: 20
Weightage: 20%

MARKING AND ANSWERING SCHEME

- I. Based on Saturn Company details (5 Marks)
a) Return on investment = Net income /Total Assets = 1.75 (1)
b) Cash Conversion is given by Inventory conversion period+ Receivable collection period-Payables deferral period = 73 +24-30 days=67 (3)
c) 1.56 (1)
- II. a) Expected return = 8.7% (2) (6 Marks)
b) 4.1 (2)
c) Raasa =11.4 and Zeta 10.76, Student need to make a decision based on the returns and risk associated with its investments (2)

III

Trial Balance of Saara Productions, March 31,2013 (7 Marks)

Unadjusted trial balance		Adjustments		Adjusted trial balance	
Cash	6850			6850	
accounts receivable	14000	e)2000		16000	
Inventory	2540	a)760		760	
unexpired insurance	1240	b) 610		610	
Long term assets	103300			103300	
Miscellaneous expenses	3010			3010	
Revenues			e)2000+f)1500		121750
Capital					58000
Unearned rent revenue			f)1000		1000
Accumulated depreciation			c) 9900		29300
Rent expense	8400			8400	
Wages expense	44830	d) 880		45710	
Utilities	5430			5430	1850
Accounts payable		1850			
License Fees	10400			10400	
a) Inventory expense		1780		1780	
b) Insurance expense		630		630	
c) Depreciation ex		9900		9900	
d) Wages payable			880		880
	200,000	200,000		212780	212780

- b) Need to write regarding its liquidity position by using the any one of the Liquidity ratios. (2 M)



Semester II – 2012-13
Course – Econ C211 – Fundamentals of Finance and Accounting

Component	Test 1 (Closed Book)	Date	21.03.2013
Maximum Marks	25{weight 25%}	Pages : 2	50 Minutes

Note : Answer all Questions by Showing your working neatly.

III. The accounting records of RAASS Corporation has shown the ending balances for the following accounts as on Jan 31st 2013. **(8 Marks)**

Accounts	Amount in AED
Cash	15000
Accounts receivable	3700
Office Supplies	500
Automobiles	8000
Office Equipment	6000
Land	80,000
Building	95,000
Accounts payable	3600
Notes payable	100,000
Common stock	85,000
Retained earnings	19,600

The following transactions occurred during the month of February 2013.

- 1) Purchased supplies for cash 250.
 - 2) Paid insurance premium 1500.
 - 3) Received Cash from customers for the services already provided 500.
 - 4) Paid 1000 to the supplier which was due in the previous month.
 - 5) Collected 2500 towards accounts receivables.
 - 6) Purchased office equipment through cash payment of 1000 and remaining 3300 on credit for 3 months.
 - 7) Received 700 from the customers immediately after providing the services.
 - 8) Paid rent for the current month 700
 - 9) Incurred utility expenses on account 470.
 - 10) Earned revenues of 9500 of which 4500 was cash and balance is due in April.
 - 11) Used 450 worth of supplies.
 - 12) Dividends were paid
 - 13) Paid wages 1000 and advertising expenses 700
 - 14) Borrowed 10,000 from Dubai Bank on a nominal interest rate.
- a) **Prepare a tabular analysis for the above transactions using Equation approach and show the ending balances for the month of February 2013.**
- b) **Prepare retained earnings statement.**

PTO

II. On December 31 2012, ledgers of Beckham Corporation showed Cash \$9,000, Accounts Receivable \$1,700, Supplies \$600, Equipment \$6,000, Accounts Payable \$3,600, and Capital \$13,700. **(8 Marks)**

During January 2013, following transactions occurred.

1. Paid \$2,900 cash on accounts payable.
2. Collected \$1,300 of accounts receivable.
3. Purchased additional office equipment for \$2,100, paying \$800 in cash and the balance on account.
4. Earned revenue of \$7,800, of which \$2,500 is received in cash and the balance is due in March.
5. Paid \$1,100 towards Dividends.
6. Paid salaries \$1,700, rent for September \$900, and advertising expense \$450.
7. Incurred utilities expense for month on account \$170.
8. Borrowed \$10,000 for by signing a promissory note.

- a) Post them on to "T" Accounts and show the balances of the ledgers.
- b) Prepare the balance sheet as on January 31, 2013.

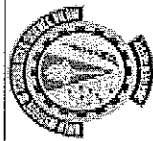
III. Prepare an income statement for the month of February for SARA AH LLC. **(2 Marks)**

- 1) 15th January Purchased delivery truck on account AED 67,000.
 - 2) Borrowed 5000 by signing a note payable.
 - 3) 31st January Paid 4000 towards salaries for the sales staff.
 - 4) Received 120,000 towards sale of the merchandise.
 - 5) The cost of inventory utilized was 88,000..
 - 6) Salaries and wages paid for February other expenses amount to 12000.
3. Following are the balances of the ledgers.

IV. Answer briefly.

a) Differentiate between Primary markets and Secondary markets. (4 Marks)

b) Comment on statement " Financial Markets provides a platform to allocate the resources ..." (3 Marks).



BITS Pilani
Dubai Campus

Semester II – 2012-13

Course – Econ C211 – Fundamentals of Finance and Accounting

Component	Test 1 (Closed Book)	Date	21.03.2013
Maximum Marks	25{weight 25%}	Pages : 2	50 Minutes

Marking and Answering Scheme

- I. Show the working Assets = Liabilities + Stockholder's Equity which will be equal to 29350.
- II. As shown
- III. Aed 20,000
- IV. a) Need to differentiate in terms of sales, medium of sales, flow of funds, focus on selling / buying , pricing, location.
b) give details of functions of the market.

Assets

(a)

Beckham LLC

	Accounts				Notes Payable	Accounts Payable		Common stock	Stockholders Equity	
	Cash	+ Receivable	+ Supplies	+ Equipment		+ Payable	+ Payable		Dividends	Revenues - Expenses
Bal.	\$ 9,000	+ \$1,700	+ \$600	+ \$ 6,000	=		\$3,600	+ \$13,700		
1.	<u>-2,900</u>						<u>-2,900</u>			
	6,100	+ 1,700	+ 600	+ 6,000	=		700	+ 13,700		
2.	<u>+1,300</u>	<u>-1,300</u>								
	7,400	+ 400	+ 600	+ 6,000	=		700	+ 13,700		
3.	<u>-800</u>			<u>+2,100</u>			<u>+1,300</u>			
	6,600	+ 400	+ 600	+ 8,100	=		2,000	+ 13,700		
4.	<u>+2,500</u>	<u>+5,300</u>								<u>+7,800</u>
	9,100	+ 5,700	+ 600	+ 8,100	=		2,000	+ 13,700	<u>-1,100</u>	7,800
5.	<u>-1,100</u>								<u>-1,100</u>	
	8,000	+ 5,700	+ 600	+ 8,100	=		2,000	+ 13,700	7,800	
										<u>-1,700</u>
6.	<u>-3,050</u>									<u>-1,700</u>
	4,950	+ 5,700	+ 600	+ 8,100	=		2,000	+ 13,700	-1,100	7,800
7.							<u>+170</u>			<u>-170</u>
	4,950	+ 5,700	+ 600	+ 8,100	=		2,170	+ 13,700	-1,100	7,800
8.	<u>+10,000</u>									
	\$14,950	+ \$5,700	+ \$600	+ \$ 8,100	=	<u>+10,000</u>	<u>\$2,170</u>	+ \$13,700	<u>\$1,100</u>	<u>- \$3,220</u>

\$20 250

\$20 250

RAASS Corporation
Balance Sheet
February, 2013

	Assets	
Cash		\$14,950
Accounts receivable		
Supplies	5,700	
Equipment.....	600	
	<u>8,100</u>	
Total assets.....	<u>\$29,350</u>	
	Liabilities and Owner's Equity	
Liabilities		
Notes payable	\$10,000	
Accounts payable	<u>2,170</u>	
Total liabilities	12,170	
Owner's equity		
Owner's capital	<u>17,180</u>	
Total liabilities and owner's equity	<u>\$29,350</u>	

IT Acc Attached.

Answer sheet
Term 1

Cash			
Balance	\$15,000	1)	\$250
3)	500	2)	1,500
5)	2,500	4)	1,100
7)	700	6)	1,000
10)	4,500	8)	700
14)	10,000	12)	800
		13)	1,700
	<u>\$33,200</u>		<u>\$7,050</u>

Automobiles	
Balance	\$8,000

Accounts receivable			
Balance	\$3,700	3)	\$500
10)	5,000	5)	2,500
	<u>\$8,700</u>		<u>\$3,000</u>

Office equipment	
Balance	\$6,000
6)	4,300
	<u>\$10,300</u>

Office supplies			
Balance	\$500	11)	\$450
1)	250		
	<u>\$750</u>		<u>\$450</u>

Land	
Balance	\$80,000

Buildings	
Balance	\$95,000

Wages expense	
13)	\$1,000

Advertising expense	
13)	\$700

Accounts Payable			
4)	\$1,100	Balance	\$3,600
		6)	3,300
	<u>\$1,100</u>		<u>\$6,900</u>

Common stock	
	Balance \$85,000

Notes payable	
	Balance \$100,000
14)	10,000
	<u>\$110,000</u>

Retained earnings	
	Balance \$19,600

Commissions earned	
7)	\$ 700
10)	<u>9,500</u>
	\$10,200

Insurance expense	
2)	\$1,500

Rent expense	
8)	\$700

Utility expense	
9)	\$470

Utility payable	
9)	\$470

Supplies expense	
11)	\$450

Dividends	
12)	\$800

II. On December 31 2012, ledgers of Beckham Corporation showed Cash \$9,000, Accounts Receivable \$1,700, Supplies \$600, Equipment \$6,000, Accounts Payable \$3,600, and Capital \$13,700. **(6 Marks)**

During January 2013, following transactions occurred.

1. Paid \$2,900 cash on accounts payable.
2. Collected \$1,300 of accounts receivable.
3. Purchased additional office equipment for \$2,100, paying \$800 in cash and the balance on account.
4. Earned revenue of \$7800, of which \$2500 is received in cash and the balance is due in March.
5. Paid \$1100 towards Dividends.
6. Paid salaries \$1,700 rent for September \$900, and advertising expense \$450.
7. Incurred utilities expense for month on account \$170.
8. Borrowed \$10,000 for by signing a promissory note.

- a) Prepare a tabular analysis for the above transactions using Equation approach and show the ending balances for the month of January 2013.
- b) Prepare retained earnings statement.

III. Prepare an income statement for the month of February for SARA AH LLC. **(2 Marks)**

- 1) 15th January Purchased delivery truck on account AED 67,000.
- 2) Borrowed 5000 by signing a note payable.
- 3) 31st January Paid 4000 towards salaries for the sales staff.
- 4) Received 120,000 towards sale of the merchandise.
- 5) The cost of inventory utilized was 88,000..
- 6) Salaries and wages paid for February other expenses amount to 12000.

IV. Answer briefly.

- a) Differentiate between Primary markets and Secondary markets. **(4 Marks)** (4 Points)
- b) Comment on statement " Financial Markets provides a platform to allocate the resources ..." **(3 Marks)**.

(4 Points)



Second Semester 2012-2013

Quiz-2 (Closed Book)

Course: Fundamentals of Finance and Accounting
Weightage :7%

Course No: ECON C211
Max Marks :7
Time : 15 Minutes

Date: 24 -04-2013

No of Pages: 2

Name :

Id No :

1. Identify accounts and their respective amounts effects for the following transactions The trial balance as of Feb 29 2013 shows Cash 30,000, Accounts Receivable 20,000, Inventory 8000, Capital 38,000, Accounts payable 12,000 and Note payable 8000. You are required to prepare the trial balance until 15th April 2013.(3 Marks)

Transaction	Debit	Credit
On February 30 2013 borrowed AED 6000 for interest of 9% per annum to be payable in 2 years		
Paid biweekly salaries 4100		
Inventory on hand 3000		
Received cash 20,000 as advance payment on equipment rental from Ms Namer Construction company.		
Paid towards insurance for 1 year on March 15,2013.		

Show the cash balance.



Second Semester 2012-2013

Quiz-2 (Closed Book)

Course: Fundamentals of Finance and Accounting

Course No: ECON C211

Weightage :7%

Max Marks :7

Date: 24 -04-2013

Answering Scheme

Time : 15 Minutes

Name :

Id No :

No of Pages: 2

1. Identify accounts and their respective amounts effects for the following transactions .The trial balance as of Feb ~~28~~ 2013 shows Cash 30,000, Accounts Receivable 20,000, Inventory 8000, Capital 38,000, Accounts payable 12,000 and Note payable 8000. You are required to prepare the trial balance until 30th April 2013.(3 Marks)

Transaction	Debit	Credit
On February 30 2013 borrowed AED 6000 for interest of 9% per annum to be payable in 2 years	Cash - 6000 Interest expense - 180	Note payable - 6000 Interest payable - 180
Paid biweekly salaries 4100	Salaries expense 16,400	Cash 16,400
Inventory on hand 3000	Inventory expense 5000	Inventory Credit 5000
Received cash 20,000 as advance payment on equipment rental from Ms Namer Construction company.	Cash 20,000	Unearned revenue 20,000
Paid towards insurance for 1 year on March 15,2013.	Insurance expense	Prepaid Insurance Cash

Show the cash balance.

April 30th → 39,600.

SECOND SEMESTER 2012- 2013

Course Code: ECON C211

Date: 06-03-2013

Course Title: Fundamentals of Finance and Accounting

Max Marks: 08

Duration: 20 minutes

Weightage: 8%

Name: ID No:

I. Fill in the blanks: (0.25x8 = 2 Marks)

1. Dividends are not taken into account as expenses of the organization. State True or False.

2. The determinant of the Financial market is household sector also. State True or False?

3. Which type of financial market mobilizes the funds required for the business directly from the investors?

4. Balance Sheet is a snap shot of financial status of a company at particular period of time. State True or False.

5. Commercial paper is placed in which type of financial market?

6. Lighting Camera at ABC Productions was bought for 7200, Its useful life is 5 years. Calculate the depreciation value of the lighting camera per month.

7. The type of financial markets classified as per maturity period of the financial assets. Mention them.

a.

b.

8. Find out the missing numbers (The value is expressed in terms of US dollars \$) (0.75 Marks)

Year 2011

Current assets 123,624

Non- current assets ?

Total Assets ?

Current Liabilities 96,815

Non Current Liabilities ?

Paid in Capital 215,255

Retained earnings 16,598

Total Liabilities and
Stockholder's Equity 598,765

SECOND SEMESTER 2012- 2013

Course Code: ECON C211
Date: 06-03-2013
Course Title: Fundamentals of Finance and Accounting
Max Marks: 08
Duration: 20 minutes
Pages :2
Weightage: 8%

Name: ID No:

I. Fill in the blanks: (0.25 x 8 = 2 Marks)

1. Dividends are taken into account as expenses of the organization. State True or False.

False

2. The only determinant of the Financial market is household sector. State True or False?

False

3. Which type of financial market mobilizes the funds required for the business directly from the investors?

Pri

4. Balance Sheet is a snap shot of financial status of a company at the end of the year only State True or False.

False

5. Commercial paper is placed in which type of financial market?

Money Market

6. Lighting Camera at ABC Productions was bought for 7200, Its useful life is 5 years. Calculate the depreciation value of the lighting camera per month.

120

7. The type of financial markets classified as per maturity period of the financial assets. Mention them.

a. *Money* b. *Capital.*

8. Find out the missing numbers (The value is expressed in terms of US dollars \$) (0.75 Marks)

Year 2011

Current assets	227,248
Non- current assets	? 970,282
<hr/>	
Total Assets	? 1,197,530

Current Liabilities	112,284
Non Current Liabilities	? 627366
Paid in Capital	430,310
Retained earnings	27,570

Total Liabilities and Stockholder's Equity	1,197,530
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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: (5.25 marks)

Transactions	Assets	Liabilities	Owners' equity
Borrowed money from a bank	I	I	NC
Paid up a liability	D	D	NC
Sold Equipment for cash at a price in excess of cost	I	NC	I
Purchased Inventory on credit	I	I	NC
Collected an account receivable	NC	NC	NC
Returned for credit some of the inventory previously purchased on credit but not yet paid for	D	D	NC
Cash received from the customers for providing the services	I	NC	I
