**Financial Accounting & Analysis**

**June 2023 Examination**

**Q1. Analyze the following transactions for Surprise Ltd. using the concept of Accounting Equation comprising Assets, Liabilities, and Equity. (10 Marks)**

**1. Commenced business with cash of ₹ 5, 00,000.**

**2. Purchased equipment for cash ₹ 2, 00,000.**

**3. Purchased furniture worth ₹50,000 on credit from IndiMart.**

**4. Purchased raw materials for ₹25,000 against cash from XYZ Suppliers.**

**5. Deposited cash of ₹ 1, 25,000 in the current account.**

**6. Sold goods for ₹75,000 and received a cheque against the same.**

**ANS:**

**Introduction**

Accounting Equation is a fundamental idea in bookkeeping that aids in storing the path of the monetary situation of a business. It's miles based on the precept that every deal has two features, a debt & a credit. The Accounting Equation is the premise of the dual-entrance bookkeeping scheme, and it affords clear information on a business’s assets, obligations &impartiality. This equation forms the idea of a company's monetary declaration, which delivers data on the commercial enterprise’s economic situation. Assets are capital that a business possesses or panels, which might probably offer upcoming financial welfare. Those

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**Q2. Prepare a vertical balance sheet from the following information: (10 Marks)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Liabilities** | **Rs.** | **Assets** | **Rs.** |
| **Share capital**  **Share Premium Account**  **General Reserve**  **Profit and Loss account**  **6% Debenture**  **Bank Loan (Long Term)**  **Bank Overdraft**  **Sundry Creditors**  **Provision for Taxation** | **1,50,000**  **5,000**  **60,000**  **17,000**  **50,000**  **35,000**  **20,000**  **60,000**  **10,000** | **Goodwill**  **Land and Building**  **Plant (at cost less dep.)**  **Furniture (at cost less dep.)**  **Investment (Trade)**  **Debtors**  **Stock**  **Cash at Bank**  **Prepaid expenses**  **Preliminary expenses** | **20,000**  **80,000**  **44,000**  **3,000**  **80,000**  **70,000**  **60,000**  **40,000**  **5,000**  **5,000** |
| **Total Rs.** | **4,07,000** | **Total Rs.** | **4,07,000** |

**ANS:**

**Introduction**

A vertical financial statement is an economic statement that accounts for a business's property, liabilities & fairness as a picture of a precise fact in duration. The assertion is called "vertical" as it lists the gadgets from pinnacle to bottom in command of liquidness or how easily they will be transformed into currency. The vertical financial declaration format is allocated into 2segments: the property phase and the liabilities & equity segment. The assets unit includes the business's possessions, including cutting-edge assets, non-current assets, and

**Q3. A) Prepare a comparative income statement for any company extracting their P&L statement for the years 2020-21 & 2021-22. Analyze the incline and decline in the different elements in the P&L Statement and provide detailed insights. (5 Marks)**

**ANS:**

**Introduction**

The increase in the price of property evened& functioning expenditures indicates that the company may be facing challenges with cost management, and it will be important for the company to monitor these expenses closely in the future. In addition, the positive impact of other income in 2021-22 shows that the company may have successfully implemented new

**Q3. B) Prepare a trend analysis statement for any of the same companies extracting their P&L statement for the years 2019-20, 2020-21 & 2021-22. Analyze the incline and decline in the different elements in the P&L Statement and provide detailed insights. (5 Marks)**

**ANS:**

**Introduction**

The company's sales growth may be attributed to its successful expansion into new markets and its capacity to develop refined products that meet customer desires. The slower growth in COGS compared to sales increases indicates that the enterprise is becoming more efficient in its operations and supply chain control. The increase in