**Financial Accounting & Analysis**

**September 2023 Examination**

**Q1. Provide the journal entries for the following along with detailed narration in the books Tristar Industries Ltd. (10 Marks)**

|  |  |
| --- | --- |
| **05 January 2023** | **Commenced business by issuing equity capital worth 25 lakhs. This amount was transferred to the current account of the business.** |
| **07 January 2023** | **Purchased goods worth ₹150000 on credit from Ms. Greenest Co.** |
| **11 January 2023** | **Sold goods to Ashray Co. for ₹575000 on credit.** |
| **13 January 2023** | **Purchased Machinary worth ₹725000 from ICK and cheque was issued to them for the full payment.** |
| **20 January 2023** | **Purchased shares of ALZ Ltd. for ₹345000 for long term investment.** |
| **29 January 2023** | **Paid salaries ₹125000 and rent ₹35500 from the bank account of business** |

**Ans:**

**Introduction:**

Tristar Industries Ltd. is a fictional company that is the subject of the journal entries discussed in this context. These journal entries aim to file the financial transactions and sports of Tristar Industries Ltd. all through the desired period. The entries exhibit the company's initial capitalization, purchases and income of goods, acquisition of assets, investments, and charge of expenses.

Financial file-keeping through journal entries is essential to accounting, permitting businesses to hold correct and organized economic information. Those records provide insights into the company's financial performance, profitability, and overall economic health. They also serve as

**Q2. Ratio analysis is an important aspect of fundamental analysis prior to considering any company for investment. Select any company of your choice and using the balance sheet & Profit & loss of the company compute the following ratios for the years 2021-22 & 2020-21 and provide your analysis: (10 Marks)**

**1. Current Ratio**

**2. Debt-Equity Ratio**

**3. Net Profit Ratio**

**4. Operating Profit Ratio**

**5. Earnings per share**

**Ans:**

**Introduction:**

Ratio analysis is a crucial tool trader and financial analysts use to assess a company's financial performance and make informed investment selections. It includes analyzing economic statements, including the balance sheet and earnings and loss declaration, to calculate various monetary ratios. These ratios help in the knowledge of a company's liquidity, solvency, profitability, and efficiency. By comparing ratios over exceptional intervals or benchmarking them against industry averages, investors can gain valuable insights into a company's financial health and capability to generate returns.

**Concept & application:**

Ratio analysis is a fundamental tool used by investors to evaluate the financial health and

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**Q3. Cash flow statement complements the income statement and the balance sheet summarizing all cash inflows and outflow transactions in the company within the given financial year. However, there are two different methods of preparing the cash flow statement – direct and indirect.**

**A) Enlist the differences between Direct and Indirect method of cash flow statement. (5 marks)**

**Ans:**

**Introduction:**

The cash flow statement is an essential financial statement that complements the income assertion and stability sheet in summarizing all cash inflows and outflow transactions inside a given financial year. It presents treasured insights into a corporation's liquidity, operating activities, investing sports, and financing activities. The cash flow declaration facilitates

**B) Lets consider the case of XYZ Ltd., a manufacturing company based in India. In the fiscal year 2022, XYZ Ltd. raised INR 50 crores by issuing new equity shares and INR 100 crores by taking on long-term debt. The company also repaid INR 80 crores in long-term debt and paid INR 30 crores in dividends to shareholders. Calculate the cash flows from financial activities for the company. (5 Marks)**

**Ans:**

**Introduction:**

XYZ Ltd. is a manufacturing company based totally in India. During the financial year 2022, the corporation raised its price range through various economic activities, including issuing the latest equity stocks and taking on lengthy-time debt. Additionally, the company made payments on its lengthy-term debt and paid dividends to its shareholders. In this analysis, we can calculate the