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| **SESSION** | **NOVEMBER 2024** |
| **PROGRAM** | **MASTER OF COMPUTER APPLICATIONS (MCA)** |
| **SEMESTER** | **1** |
| **COURSE CODE & NAME** | **DCA2204 PRINCIPLES OF FINANCIAL ACCOUNTING AND MANAGEMENT** |
|  |  |
|  |  |

**Set-I**

**Q1. a. Write short note on users of Accounting Information.**

**b. Explain Business entity concept and Money measurement concept in brief. 5 + 5**

**Ans 1.**

**a. Users of Accounting Information**

Accounting information plays a critical role in decision-making for various stakeholders. Different users rely on this information to evaluate the financial performance, stability, and future prospects of an organization. The primary users of accounting information can be categorized as internal and external users.

**Internal Users**

Internal users include individuals within the organization who are directly involved in its operations. For instance, **managers** rely on accounting information to plan, control, and make strategic decisions. They use financial reports to assess the organization’s profitability, manage costs, and allocate resources efficiently. **Owners and shareholders** of a business, who are

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**Q2. Pass journal entries for the following transactions.**

**1. Ramesh Sharma started business with cash ₹ 50,000.**

**2. Purchased goods from Virat on credit ₹ 20,000.**

**3. Sold goods to Rahul on credit ₹ 30,000.**

**4. Received Dividend₹ 500 from Reliance Industries.**

**Paid for Advertisement ₹1500 to Times of India 2\*5**

**Ans 2.**

**Journal Entries for Given Transactions**

To pass the journal entries for the given transactions, the rules of **debit and credit** (Golden Rules of Accounting) are followed. The process involves identifying the accounts affected, classifying them under the proper account type (real, nominal, or personal), and determining which account to debit or credit.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Particulars** | **Debit (₹)** | **Credit (₹)** | **Explanation** |
| 1. | Cash A/c Dr. | 50,000 |  | Cash (real account) comes in. |
|  | To Capital A/c |  | 50,000 | Capital introduced by Ramesh. |
|  |  |  |  |  |
| 2. | Purchases A/c Dr. | 20,000 |  | Goods purchased (nominal account). |
|  | To Virat A/c |  | 20,000 | Credit purchase from Virat. |
|  |  |  |  |  |
| 3. | Rahul A/c Dr. | 30,000 |  | Rahul becomes a debtor. |
|  | To Sales A/c |  | 30,000 | Goods sold on credit. |
|  |  |  |  |  |
| 4. | Bank A/c Dr. | 500 |  | Dividend received in bank. |
|  | To Dividend Income A/c |  | 500 | Dividend is income (nominal). |
|  |  |  |  |  |
| 5. | Advertisement Expense A/c Dr. | 1,500 |  | Advertisement is an expense. |
|  | To Cash A/c |  | 1,500 | Paid in cash. |

**Explanation of Calculations**

**Transaction 1: Started Business with Cash ₹50,000**

* + Cash comes in: Debit the Cash Account (Real Account: "Debit what comes in").

**Q3. State the motives of holding cash.**

**Ans 3.**

**Motives of Holding Cash**

Cash plays a critical role in the smooth functioning of a business. Organizations hold cash for various purposes, ensuring they meet obligations, invest in opportunities, and safeguard themselves against uncertainties. The need for holding cash can be classified into three primary motives: transactional, precautionary, and speculative motives. These motives ensure businesses are prepared for planned and unforeseen financial needs while maintaining operational stability.

**1. Transactional Motive**

The **transactional motive** refers to holding cash to meet day-to-day operational and business

**Set-II**

**4. a. Explain the advantages and limitations of Ratio analysis.**

**b. Explain the steps in financial planning. 5+5**

**Ans 4.**

**a. Advantages and Limitations of Ratio Analysis**

**Advantages of Ratio Analysis** Ratio analysis is a critical tool in financial analysis, providing insights into a company’s financial performance, efficiency, and stability. One of its primary advantages is that it simplifies complex financial data into easily interpretable ratios. By comparing ratios, stakeholders such as investors, creditors, and managers can assess the financial health of an organization. For example, liquidity ratios like the current ratio help determine whether a company can meet short-term obligations, while profitability ratios measure the efficiency of operations. Ratio analysis also facilitates **comparative analysis**, allowing businesses

**5. a. Explain the importance of cost accounting.**

**b. Discuss the functional classification of cost 4+6**

**Ans 5.**

**a. Importance of Cost Accounting**

**Cost accounting** is a vital tool for businesses as it enables effective cost management, cost control, and decision-making. It focuses on analyzing, recording, and classifying the costs associated with the production of goods and services. The importance of cost accounting can be seen in various ways, as it helps businesses achieve efficiency, profitability, and sustainability.

One of the primary benefits of cost accounting is that it provides detailed **cost information** that aids in cost control and reduction. By identifying unnecessary expenditures and cost-saving o

**6. Selling price per unit Rs. 40**

**Variable cost per unit Rs. 30**

**Fixed overheads Rs. 40000**

**From the above given data calculate:**

**The breakeven sales in Rupees will be.**

**If sales are 20% above BEP, determine the net profit 5+5**

**Ans 6.**

**Calculation of Breakeven Sales and Net Profit**

To calculate breakeven sales and net profit, the following formulas are used:

* **Breakeven Sales (BEP)** = Fixed Costs ÷ Contribution per unit
* **Contribution per unit** = Selling Price per unit - Variable Cost per unit
* **Net Profit** = Contribution from sales above BEP - Fixed Costs

**Given Data**

* Selling Price per unit = ₹40
* Variable Cost per unit = ₹30