**Financial Accounting**

**Jun 2025 Examination**

**PLEASE NOTE: This assignment is application based, you have to apply what you have learnt in this subject into real life scenario. You will find most of the information through internet search and the remaining from your common sense. None of the answers appear directly in the textbook chapters but are based on the content in the chapter**

**Q1. XYZ Ltd. started its business on 1st March 2025 with the following transactions.**

**Pass the necessary journal entries and post them into the ledger accounts.**

**1. Business started with cash Rs.5,00,000 and bank balance Rs.3,00,000.**

**2. Purchased goods worth Rs.2,00,000 on credit from ABC Traders.**

**3. Sold goods worth Rs.1,50,000 for cash (Cost of goods sold: Rs.1,00,000).**

**4. Paid Rs.50,000 to ABC Traders in full settlement of their dues.**

**5. Purchased office furniture for Rs.80,000, paying 50% in cash and the rest on credit. (10 Marks)**

**Ans 1.**

**Introduction**

Financial accounting plays a critical role in every business by systematically recording, summarizing, and reporting financial transactions. It helps in maintaining transparency and provides stakeholders with an accurate picture of the company’s financial performance. At the core of this process are **journal entries** and **ledger postings**, which serve as the building blocks of double-entry bookkeeping. Journal entries are the first formal record of business transactions, while ledgers organize this information by account type. These tools are essential for ensuring that every transaction is correctly captured and categorized. This answer aims to apply theoretical knowledge of journalizing and ledger posting in a practical scenario, where XYZ Ltd. begins its business and records multiple transactions. The exercise enhances

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**Q2A. XYZ Ltd., planning to expand its operations globally. The company has been using Indian GAAP for financial reporting, but it faces difficulties in attracting foreign investors and securing international loans due to differences in accounting standards. Potential global investors are hesitant because they struggle to compare XYZ Ltd.'s financial statements with those of international competitors who follow IFRS.**

**To enhance transparency and gain global credibility, XYZ Ltd. decides to adopt International Financial Reporting Standards (IFRS). However, the transition comes with challenges such as retraining financial staff, adjusting accounting systems, and re-evaluating financial statements based on fair value principles. (5 Marks)**

**Ans 2A.**

**Introduction**

XYZ Ltd., an Indian company, is planning to expand globally. Until now, it has used Indian GAAP (Generally Accepted Accounting Principles) for its financial reporting. However, due to differing accounting standards, global investors find it difficult to compare XYZ Ltd.'s financials with those of international companies that follow IFRS. As a result, the company is facing hurdles in attracting foreign investments and obtaining international funding. To address this, XYZ Ltd. has decided to transition to International Financial Reporting Standards (IFRS)

**Q2B. Bright Industries, a leading automobile parts manufacturer, recently invested significantly in non-current assets, including state-of-the-art machinery, a new production facility, and advanced software systems. The management expects this investment to improve efficiency and profitability in the long run. However, a large portion of the funding was secured through long-term debt.**

**As a financial consultant, analyze how these non-current assets could impact the long-term financial health of Bright Industries, considering both the potential benefits and risks involved. (5 Marks)**

**Ans 2B.**

**Introduction**

Bright Industries, a prominent name in automobile parts manufacturing, has recently invested heavily in non-current assets like new machinery, advanced software systems, and production facilities. The aim is to enhance productivity, operational efficiency, and future profitability. However, a major portion of this investment has been financed through long-term debt. As a financial consultant, it is essential to analyze how such a capital-intensive move impacts the company’s long-term financial health by evaluating both the potential gains and the associated