

**NAVRACHANA UNIVERSITY**  
**MBA and MHRM Program – Semester I**  
**End-Sem Examination**  
**Academic Year 2017-2018**

Course Code: FA107

Date: 20-Nov-17

Subject: Financial Accounting and Reporting

Time: 10.30-12.30

- Open Book Examination, no exchange of study material allowed.
- Use of calculator is allowed
- Total Marks is 40

Q-1 Answer the questions given at the end of the case:

30

**Quick Bites**

In mid-2015, Mr. and Mrs. Iyer decided to go into the restaurant business. Mr. Rama was dissatisfied with his job as short-order cook in a small family owned restaurant where he earned \$ 10 an hour. During July 2015, the Iyers found a business that seemed to be what they wanted. This was the quick Bite, a lunch counter located in Fisher's Department Store downtown. The Quick Bite was operated under a lease with department store; only the equipment was actually the property of the operator of the lunchroom. The equipment was, but Mr. Iyer thought that it was in fairly good condition.

The couple opened negotiations with the current lunchroom operator and quickly reached an agreement to take over the lease and equipment on September 1, and to pay the operator a price of \$10,300. Of this price, Mr. Iyer estimated that \$4,600 represented the fair value of the equipment. The lease expired on August 31, 2015, and was renewable for 3 years if Fisher's consented. Under the terms of the lease, Fisher's furnished space, heat, light and water, and the operators (i.e. the Iyers) paid Fisher's 15% of gross receipts as rent.

The Iyers paid the \$ 10,300 from their personal savings account and also transferred \$5,150 to a checking account that they opened in the name of Quick Bites.

Shortly after they started operations, the cooking range broke down. The Iyers thereupon sold the range for \$400 (which was approximately estimated value as a part of the \$4,600) and purchased a new range for \$4,000. It was installed immediately, and they paid \$600 for its installation.

The coffee urn also broke down, but Mr. Iyer was able to repair it himself by working 16 hours one Sunday.

Early in 2016, the Iyer called in a firm that specialized in making out reports for small businesses and requested financial statements for Quick Bites for the period ended Dec 31, 2015. From their Cash Register and cheque book, they had the following figures:

<b>CASH RECEIPTS</b>	\$
Cash receipts from customers	33165
Sale of Cooking Range	400
<b>Total Receipts</b>	<b>33565</b>
<b>CASH DISBURSEMENTS:</b>	
Food Supplies	14275
License Fees	225
15% rent paid to Fishers from Sep to Nov	3460
New Cooking Range	4000

Installation of cooking Range	600
Other Operating Expense	90
Withdrawals for personal use	3800
<b>Total Disbursements</b>	<b>26450</b>

Before going home on Dec 31, the Iyer had estimated the value of food and supplied then on hand to be about \$750 at cost. Early in January, they paid 2 bills, the December meat bill of \$890 and the December rent of \$1515.

The Iyer also explained to the accountant that the cash receipts of \$33,165 included \$3850 received from the sale of 140 'Coupons' at \$ 27.5 each, which could be used to pay for meals. As of Dec 31, coupons with a face value of \$2,700 had been used to pay for meals; therefore, coupons with a face value of \$1500 were still outstanding.

Questions:

1. Prepare Income Statement, Balance Sheet and Cash Flow Statement for the period ending on 31<sup>st</sup> Dec, 2015. (8 for each Statements)
2. Explain briefly your treatment of the coupon books. (6 Marks)

**Q-2 Answer the following:**

(10)

1. External audit of the accounts of a limited company is required:
  - a. at the discretion of the shareholders
  - b. by the Companies Act 2013
  - c. to detect fraud
  - d. because it is demanded by the company's bankers
2. Directors' responsibilities are unlikely to include
  - a. a fiduciary (trustee) duty
  - b. a duty to keep proper accounting records
  - c. a duty of care and affection
  - d. a duty to propose high dividends for shareholders
3. The statement of cash flows is
  - a. a legal requirement for all business entities
  - b. an alternative to the income statement account
4. Performance review of a business must compare against
  - a. the performance of a similar business outside its industrial sector
  - b. an appropriate standard for comparison
  - c. the performance of a similar business within its industrial sector
  - d. a business of similar size
5. When a company gives an apartment to the Director of the company, the rent paid is posted to:
  - a. Cost of Material Consumed
  - b. Selling, Distribution and General Administration
  - c. Employee Benefit Cost
  - d. Other Expenses
6. From the following identify operating activities are applicable to respective industry. Prepare the table and mention yes, if applicable to the industry and no otherwise. (0.5x4=2 Marks)

Industry	Inventory	Bills Receivables	Creditors
Banking			
Bakery			
TV Channel (Media)			
Computer Software			

7. You are a consultant for Financial reporting, a student body called YUVA is working for the welfare of students. Suggest various reports to be published for getting sponsorship, membership and confidence of various stakeholders. (3)