MANGALORE INSTITUTE OF TECHNOLOGY & ENGINEERING

(A Unit of Rajalaxmi Education Trust®, Mangalore)
Autonomous Institute affiliated to VTU, Belagavi, Approved by AICTE, New Delhi
Accredited by NAAC with A+ Grade & ISO 9001:2015 Certified Institution

Model Question Paper

First Semester MBA Degree Examination, 2026-27

Financial Accounting and Reporting

Time: 3 Hours **Max. Marks: 100**

Note: 1. Answer any FOUR full questions from Q1 to Q7.
2. Question No. 8 is compulsory.
3. M: Marks, L: RBT (Revised Bloom's Taxonomy) level, C: Course outcomes.

			M	L	C
Q1	a.	A company shows unusually high cash balance and low expenses just before the year-end to attract investors. Identify the accounting practice involved and justify why it is considered misleading.	03	L3	CO1
	b.	Apex Logistics Ltd is expanding into international markets and needs to align its financial reporting with global capital market expectations. Explain the structural and conceptual differences between Indian Accounting Standards (Ind AS) and International Financial Reporting Standards (IFRS), and recommend an optimal compliance roadmap for the firm.	07	L2	CO1
	c.	Apply double-entry rules to journalize the following transactions in the books of Ananya Tech Corp for March 2026. March 1: Sold goods to Rahul worth Rs 50,000 at a trade discount of 10% and cash discount of 5%. Rahul paid 60% immediately by cheque. March 8: Received a cheque of Rs 18,000 from Rahul in full settlement of his A/c. March 12: Rahul's cheque was deposited into the bank but subsequently dishonoured by the bank with Rs 150 bank charges. March 18: Recovered a bad debt of Rs 5,000 previously written off in FY 2024-25. March 22: Paid Life Insurance Premium of proprietor Rs 6,000 by bank cheque. March 28: Charged interest on capital @ 8% p.a. on opening capital of Rs 5,00,000. March 31: Bank credited Rs 1,200 for interest on savings account and debited Rs 450 for annual bank service charges.	10	L3	CO2
Q2	a.	A firm appears profitable in its financial statements but is losing market reputation and skilled employees. State the limitation of financial statements highlighted in this case.	03	L2	CO1
	b.	Apply the fundamental Accounting Equation (Assets = Liabilities + Capital) to demonstrate the step-by-step financial position after each of the following business transactions during April 2026: April 1: Started business with cash Rs 1,50,000 and goods inventory Rs 50,000. April 5: Borrowed a bank loan of Rs 80,000 at 10% p.a. interest. April 10: Purchased office furniture worth Rs 30,000, paying 40% in cash and remaining on credit. April 15: Sold goods costing Rs 25,000 for Rs 35,000 (received Rs 20,000 cash, balance on credit). April 20: Paid salaries Rs 8,000 and accrued outstanding rent Rs 2,000. April 25: Owner withdrew goods worth Rs 4,000 and cash Rs 3,000 for personal use. April 30: Received interest on fixed deposit Rs 1,500.	07	L3	CO2

	c.	Apply the accounting concepts to the following statements and justify the reason. i) A business purchased machinery for ₹2,00,000 and recorded it at the purchase price, even though its market value increased to ₹2,50,000. ii) A shopkeeper records the purchase of goods on credit in the books of accounts, even though payment will be made next month. iii) The owner of a business uses his personal money to purchase a household television, and the transaction is not recorded in the business books. iv) A business records its electricity expenses every month, even if the bill is paid in the following month. v) A company prepares its financial statements every year to determine its profit or loss and financial position.	10	L3	CO1
Q3	a.	Distinguish between Trail Balance and Balance Sheet.	03	L2	CO1
	b.	Apply accounting rules to prepare a Three-Column Cash Book from the following details: May 1: Opening balance: Cash in hand Rs 12,000, Bank balance Rs 28,000. May 4: Received cheque from M/s Kapoor & Sons for Rs 9,700 in full settlement of Rs 10,000 debt; cheque endorsed to landlord for office rent on May 6. May 10: Cash sales Rs 15,000, out of which Rs 10,000 directly deposited into bank. May 15: Paid vendor Suresh Rs 4,850 by cheque, receiving a discount of Rs 150. May 20: Withdrew cash from bank Rs 5,000 for office use and Rs 2,000 for personal tax payment. May25: Customer Ramesh directly deposited Rs 6,500 into company's bank account. May 31: Bank charges debited Rs 200; interest on overdraft credited Rs 350.	07	L3	CO2
	c.	On 1st April 2022, Surya Chemicals Ltd purchased machinery for Rs 4,00,000 and spent Rs 40,000 on installation. On 1st October 2023, an additional plant was purchased for Rs 2,00,000. On 30th June 2025, one-half of the original machinery purchased on 1st April 2022 was sold for Rs 1,30,000, and on the same date, new machinery was acquired for Rs 3,00,000, incurring Rs 10,000 for freight and erection. Prepare the Plant and Machinery Account for four years, charging depreciation @ 10% p.a. on the Written Down Value method.	10	L3	CO3
Q4	a.	Calculate current assets and current liabilities if Working Capital is 1,20,000 and Current ratio is 2.5.	03	L2	CO4
	b.	Prepare the Statement of Profit and Loss (Vertical Format under Schedule III of Companies Act 2013) for Trinity Chemicals Ltd for the year ended 31st March 2026 from the given trial balance particulars: Revenue from Operations (Gross Sales): Rs 28,00,000; Sales Returns: Rs 50,000 Cost of Materials Consumed: Rs 11,00,000; Purchases of Stock-in-Trade: Rs 3,00,000 Employee Benefits Expense (Salaries & PF): Rs 2,50,000 Finance Costs (Debenture Interest): Rs 45,000 Depreciation and Amortization Expense: Rs 85,000 Other Expenses (Rent, Rates, Bad Debts, Audit Fee): Rs 1,20,000 Other Income (Dividend & Interest received): Rs 60,000 Corporate Income Tax Rate: 30%.	07	L3	CO3
	c.	From the following details of Orion Electronics Ltd as on 31st March 2026, prepare the Balance Sheet in Vertical Format as per Schedule III of Companies Act 2013, and compute Basic Earnings Per Share (EPS): i. Equity Share Capital (80,000 shares of Rs 10 each) Rs 8,00,000 ii. 10% Preference Share Capital (2,000 shares of Rs 100 each) Rs 2,00,000 iii. General Reserve: Rs 2,50,000; Surplus Balance (P&L) Rs 1,80,000	10	L3	CO3

iv. 12% Secured Debentures: Rs 3,00,000; Bank Overdraft Rs 80,000
v. Sundry Creditors / Trade Payables: Rs 1,40,000; Provision for Tax Rs 70,000
vi. Property, Plant & Equipment (Net Block) Rs 11,50,000
vii. Goodwill (Intangible Asset): Rs 1,20,000; Inventories (Closing Stock) Rs 2,80,000
viii. Sundry Debtors / Trade Receivables: Rs 2,10,000; Cash and Bank Balances Rs 1,60,000
ix. Profit After Tax for the current year is Rs 2,20,000 after meeting preference dividend requirements

Q5

a. Explain the concepts of Sustainability and Integrated Reporting. — 03 | L2 | CO5

b. A Ltd wants to know the arithmetical accuracy of books of accounts. Verify the following Trail Balance and confirm the arithmetical accuracy of books of accounts. — 07 | L3 | CO2

Particulars	**Debit (₹)**	**Credit (₹)**
Capital	1,50,000	-
Drawings	-	10,000
Purchases	-	80,000
Sales	1,20,000	-
Purchase Returns	-	5,000
Sales Returns	4,000	-
Furniture	-	30,000
Machinery	50,000	-
Debtors	-	40,000
Creditors	35,000	-
Cash in Hand	15,000	-
Rent	-	8,000
Salaries	12,000	-
Discount Received	3,000	-
Bank Loan	-	20,000
Closing stock	50,000	-
Suspense Account	-	34,000

c. From the comparative Balance Sheets of Prime Infra Ltd as at 31st March 2025 and 31st March 2026, analyze the data and prepare a Cash Flow Statement (Indirect Method under Ind AS 7 / AS 3): — 10 | L4 | CO4

Balance Sheet Data (in Rs):	**2025 (In Rs)**	**2026 (In Rs)**
Equity Share Capital	6,00,000	8,00,000
General Reserve	1,80,000	2,40,000
Profit & Loss Account Balance	1,00,000	1,60,000
10% Debentures	3,00,000	2,00,000
Trade Payables	1,40,000	1,90,000
Provision for Taxation	60,000	80,000
Property, Plant & Equipment (Net)	7,20,000	9,50,000
Investments (Long-term)	1,50,000	1,00,000
Inventories	2,80,000	3,40,000
Trade Receivables	1,90,000	2,30,000
Cash and Cash Equivalents	40,000	50,000

Additional Information:

<table>
<tr><td></td><td></td><td>i. Depreciation charged on machinery during FY 2025-26 was Rs 70,000.
ii. Machinery costing Rs 80,000 (accumulated dep. Rs 30,000) was sold for Rs 42,000.
iii. Income tax paid during the year amounted to Rs 65,000.
iv Dividend paid during the year was Rs 50,000.</td><td></td><td></td><td></td></tr>
<tr><td rowspan="3">Q6</td><td>a.</td><td>Eco Vision Corporation is publishing its integrated ESG) disclosure alongside its audited financial statements as per GRI Standards. Explain how non-financial ESG metrics improve investor decision-making beyond conventional balance sheet indicators.</td><td>03</td><td>L2</td><td>CO5</td></tr>
<tr><td>b.</td><td>Prepare a Comparative Income Statement for Royal Foods Ltd for the financial years ended 31st March 2026 and comment on operational performance efficiency:
i. Revenue from Operations: FY25 = Rs 20,00,000; FY26 = Rs 26,00,000
ii. Cost of Goods Sold: FY25 = Rs 12,00,000; FY26 = Rs 14,80,000
iii. Operating Expenses: FY25 = Rs 2,50,000; FY26 = Rs 3,20,000
iv. Non-Operating Income: FY25 = Rs 40,000; FY26 = Rs 60,000
v. Interest Expense: FY25 = Rs 50,000; FY26 = Rs 40,000
vi. Tax Rate: 30% in both years.</td><td>07</td><td>L3</td><td>CO4</td></tr>
<tr><td>c.</td><td>Apply financial ratio analysis to reconstruct the Balance Sheet of Global Tech Ltd as on 31st March 2026 using the following operational metrics:
i. Net Working Capital = Rs 1,80,000
ii. Current Ratio = 2.5:1 | Liquid Ratio (Quick Ratio) = 1.5:1
iii. Gross Profit Ratio = 20% on Sales
iv. Stock Turnover Ratio (Cost of Sales / Closing Stock) = 6 times
v. Fixed Assets to Capital Ratio = 0.8:1
vi. Debtors Velocity (Average Collection Period, 360 days/yr) = 36 days
vii. Long-term Debt to Equity Share Capital = 0.5:1.</td><td>10</td><td>L3</td><td>CO4</td></tr>
<tr><td rowspan="3">Q7</td><td>a.</td><td>XYZ Ltd. uses artificial intelligence and digital platforms to prepare and communicate its annual reports. Explain how this reflects the changing trends in corporate reporting.</td><td>03</td><td>L2</td><td>CO5</td></tr>
<tr><td>b.</td><td>ABC Ltd. is planning to raise additional capital from international investors. To present a favourable financial position, the Finance Manager instructs the company's accountant to record fictitious sales transactions amounting to ₹15 lakh, even though no actual sales have taken place. The Finance Manager argues that showing higher revenue will improve the company's profitability and attract more investors. The accountant is aware that recording such transactions would misrepresent the company's actual financial performance. Explain the ethical issues involved and the ethical principles to be followed in this situation.</td><td>07</td><td>L2</td><td>CO5</td></tr>
<tr><td>c.</td><td>Radha Enterprises is a large scale manufacturing concern. The management maintains proper books of accounts to record daily transactions and prepares financial statements. Explain the accounting principles that the company has to follow while preparing the financial statements.</td><td>10</td><td>L2</td><td>CO1</td></tr>
<tr><td>Q8</td><td></td><td><u>CASE STUDY (Compulsory)</u>
The Trial Balance of Vardhaman Enterprises Limited (a public listed manufacturing entity) as on 31st March 2026 is presented below:

Trial Balance as on 31st March 2026:
<table>
<tr><td>Particulars</td><td>Debit (Rs)</td><td>Credit (Rs)</td></tr>
<tr><td>Revenue from Operations (Sales)</td><td></td><td>16,50,000</td></tr>
<tr><td>Purchases of Raw Materials</td><td>7,20,000</td><td></td></tr>
<tr><td>Opening Inventory</td><td>1,40,000</td><td></td></tr>
<tr><td>Equity Share Capital (60,000 shares of Rs 10</td><td></td><td>6,00,000</td></tr>
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		each)					
		10% Preference Share Capital		2,00,000			
		Debentures		3,00,000			
		General Reserve		80,000			
		Profit & Loss Account Balance (Opening)		45,000			
		Factory Plant &Machinery	7,00,000				
		Office Buildings	4,50,000				
		Furniture & Fixtures	3,20,000				
		Sundry Debtors (Trade Receivables)	2,80,000				
		Sundry Creditors (Trade Payables)		1,90,000			
		Salaries & Wages	1,80,000				
		Rent, Rates & Insurance	65,000				
		Debenture Interest Paid	18,000				
		Cash in Hand and at Bank	1,68,000				
		Carriage Inwards	25,000				
		Selling & Distribution Expenses	85,000				
		Bank Overdraft		50,000			
		Total	31,51,000	3151000			
		Additional Adjustments as on 31st March 2026: i. Closing Inventory on 31st March 2026 is valued at Rs 1,85,000. ii. Provide depreciation on Plant & Machinery @ 10% p.a., Office Buildings @ 5% p.a., and Furniture @ 10% p.a. iii. Outstanding salaries as on 31st March 2026 amounted to Rs 20,000. iv. Transfer Rs 25,000 to General Reserve.					
	a.	Questions: Prepare the Statement of Profit and Loss (Vertical Format Schedule III) for the year ended 31st March 2026.			10	L3	CO3
	b.	Prepare the Balance Sheet (Vertical Format Schedule III) as at 31st March 2026.			10	L3	CO3

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