

NMIMS Centre for Distance and Online Education (NCDOE)

Course: Financial Accounting & Analysis

Internal Assignment Applicable for Jun 2026 Examination

Assignment Marks: 30

Instructions

- *All Questions carry equal marks*
- *All Questions are compulsory*
- *All answers to be explained in not more than 1000 words for question 1 and 2 and for question 3 in not more than 500 words for each subsection. Use relevant examples, illustrations as far as possible*
- *All answers to be written individually. Discussion and group work is not advisable.*
- *Students are free to refer to any books/reference material/website/internet for attempting their assignments, but are not allowed to copy the matter as it is from the source of reference.*
- *Students should write the assignment in their own words. Copying of assignments from other students is not allowed*
- *Students should follow the following parameter for answering the assignment questions*

For Theoretical Answer	
Assessment Parameter	Weightage
Introduction	20%
Concepts and Application related to the question	60%
Conclusion	20%

For Numerical Answer	
Assessment Parameter	Weightage
Understanding and usage of the formula	20%
Procedure / Steps	60%
Correct Answer & Interpretation	20%

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

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Q1 A firm has the following financial ratios and partial data for the year ended 31st March 2024: (i) Current Ratio: 2.5; (ii) Quick Ratio: 1.5; (iii) Working Capital: Rs.3,00,000; (iv) Inventory Turnover Ratio: 8 times; (v) Gross Profit Ratio: 25%; (vi) Credit Sales constitute 80% of total sales; (vii) Average Collection Period: 1.5 months; (viii) Closing stock is Rs.40,000 more than opening stock. Using only these ratios and data, reconstruct the following: (a) Total Current Assets and Current Liabilities; (b) Value of Inventory; (c) Total Sales and Gross Profit; (d) Debtors at year-end; (e) Opening and Closing Stock. Show all calculations and logical steps used to derive each figure.

(10 Marks)

Q2 A company is considering two mutually exclusive projects, A and B, each requiring an initial investment of Rs.10,00,000. The projects have the following expected cash flows over their 5-year lives:

Year	Project A (Rs.)	Project B (Rs.)
1	2,00,000	3,00,000
2	2,50,000	2,50,000
3	3,00,000	2,00,000
4	3,50,000	2,00,000
5	4,00,000	2,00,000

The company uses a discount rate of 10% for capital budgeting. However, Project B is expected to have a salvage value of Rs.1,00,000 at the end of year 5, while Project A has no salvage value. Additionally, Project A is subject to a one-time maintenance cost of Rs.50,000 at the end of year 3. (a) Calculate the Net Present Value (NPV) of both projects, incorporating all cash flows, salvage value, and maintenance cost. (b) If the company has a policy to accept only projects with an Internal Rate of Return (IRR) of at least 12%, determine which project(s), if any, should be accepted. (c) Critically evaluate the sensitivity of your recommendation to changes in the discount rate and the timing of the maintenance cost.

(10 Marks)

Q3 (A) Given the following cash flow data for a company for the year ended 31st March 2024:

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Particulars	Rs.
Net Profit before Tax	6,00,000
Depreciation	1,20,000
Increase in Trade Receivables	80,000
Decrease in Inventory	50,000
Increase in Trade Payables	40,000
Income Tax Paid	1,50,000
Purchase of Fixed Assets	2,00,000
Proceeds from Sale of Investments	1,00,000
Dividend Paid	80,000
Proceeds from Issue of Shares	2,50,000

Prepare the Cash Flow Statement using the indirect method, clearly showing cash flows from operating, investing, and financing activities. Also, interpret whether the company is generating sufficient cash from operations to fund its investments and dividends.

(5 Marks)

- Q3 (B)** A small café, Modern Coffee House, started with basic cash and daybook records. As business expanded, they hired more staff, took bank loans, and diversified services. The owners now realize the need for accurate financial statements to assess performance and secure further funding. They have hired an accountant to implement a robust accounting system. Design a comprehensive accounting framework for a rapidly growing small business that initially maintained only a cash register and daybook, but now needs to prepare accurate financial statements and measure performance. How would you structure the transition to a full double-entry system, including the introduction of subsidiary books, ledgers, and the accrual basis of accounting?

(5 Marks)
