

# **Rajarshi Janak University**

**Faculty of Management**

**Office of the Dean**



**Master of Business Administration (MBA)**

## **Model Questions**

**First Year – First Semester**

**Effective from the Academic Batch of 2025 AD**

**Note:** *Students should not limit themselves to the chapters mentioned in Model Questions as questions can be asked from any chapter (within the syllabus) in the examination.*



# Rajarshi Janak University

Faculty of Management

Model Question -2025

## Master of Business Administration

Course: Managerial Communication & Critical Thinking

Course Code: MBA 511

Year/Semester: First/I

Full Marks: 100

Pass Marks: 50

Time: 3 hours

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*Candidates are required to give their answers in their own words as far as practicable. The figures in the margin indicate full marks.*

### Group A: Short Answer Questions

Attempt any six questions

[6 × 5 = 30 marks]

1. Define Managerial Communication and explain its importance in a business organization.
2. Write the advantages and disadvantages of group decision making.
3. Discuss the barriers to communication and suggest ways to overcome them.
4. Differentiate between verbal and non-verbal communication with suitable examples.
5. Explain the difference between rational and intuitive decision-making approaches.
6. What are the key components of critical thinking? Explain their significance in decision-making.
7. Identify the strategies for conflict resolution in the business communication.

### Group B: Long Answer questions

Attempt any five questions

[5 × 10 = 50 marks]

8. Describe the process of communication with the help of a suitable diagram.
9. Suppose, you are the director of MBA program at University Campus, Janakpurdham. The campus is going to organize orientation program for the students in January 10, 2025 at 10:00 AM. Prof. Dr. Vibek Shah is well known motivational speaker and he has just released the book "Motivation for Graduates". Write an email to Mr. Shah inviting him as a keynote speaker for the orientation program.
10. Recently, you have started your business related to catering service. Although your public relation is quite good, you have not got much time to interact with them about your business and services. You have also good relationship with the high profiled people from business and academic fields. So far, you have discussed about your business with the people from business fields but you have not managed time to discuss with the people from academic fields about your business and services. Now, write a proposal to one of the high profiled persons from academic field that you know well, highlighting the specialties of your business and its services.
11. Discuss the concept of active listening and outline key guidelines for effective listening.
12. Discuss the role of cognitive biases in decision-making and suggest strategies to minimize their impact.
13. Describe the SCAMPER technique and how it helps in problem-solving.

**Group C: Comprehensive question /Case analysis /Situation analysis question**

**14.** Read the following case and answer the questions given below: [4 × 5 = 20 marks]

XYZ Corporation, a leading manufacturing company, recently faced a major conflict between its sales and production teams. The sales department promised clients faster delivery times to boost sales, but the production team struggled to meet the unrealistic deadlines due to labor shortages and supply chain disruptions.

Tensions escalated when the sales manager, Mr. Ravi, openly criticized the production team in a company-wide email, blaming them for declining customer satisfaction. In response, the production manager, Ms. Anjali, accused the sales team of making commitments without consulting them. Heated arguments followed in meetings, leading to decreased cooperation and lower team morale.

The company's HR department decided to intervene. They conducted a mediation session where both teams presented their concerns. The HR manager facilitated the discussion using active listening techniques and guided the teams toward a collaborative negotiation. After multiple discussions, they agreed to implement a new communication protocol ensuring that all sales commitments were pre-approved by the production team.

**Questions:**

- a. Identify the key sources of workplace conflict in this case. How did they impact team performance?
- b. Discuss the role of mediation in resolving the conflict at XYZ Corporation.
- c. What communication techniques should the HR manager use to manage such difficult conversations effectively?
- d. Compare the negotiation and collaboration strategies used in the case. Which approach was more effective and why?

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# Rajarshi Janak University

Faculty of Management

Model Question -2025

## Master of Business Administration

Course: Statistics for Business Decisions

Course Code: MBA 512

Year/Semester: First/I

Full Marks: 100

Pass Marks: 50

Time: 4 hours

*Candidates are required to give their answers in their own words as far as practicable. The figures in the margin indicate full marks.*

### Group A: Short Answer Questions

Attempt any six questions

[6 × 5 = 30 marks]

1. What is measurement scale? Describe different types of measurement scale. [ 1 + 4 ]
2. Calculate the median from the following data:

Wages(more than)	0	20	40	60	80	100
No. of workers	50	40	25	15	7	2

3. What is Poisson distribution? The road accident at Ramanand Chowk in a year is attributed to bus drivers. The accident from the past records was observed to follow Poisson distribution with average of 10 accidents a year. There are 1000 bus drivers in that route, what is the number of bus drivers with (i) no accidents in a year (ii) less than 3 accidents in a year. [ 2 + 3 ]
4. In a study to determine the average height of students in a school, the researcher selects only students from the basketball team. What type of error is likely to occur, and how can it be minimized?
5. A company claims that at least 60% of its customers are satisfied with its services. To test this claim, a random sample of 200 customers is surveyed, and 110 of them report being satisfied. Conduct a hypothesis test at a 5% significance level to determine whether there is sufficient evidence to reject the company's claim.
6. A MBA thesis student of RJU wants to know whether the investor or broker is more influential for the fluctuation of share price in Nepal Stock Exchange (NEPSE) for which he has collected related information with the following results:

Influential Factor	Price of share		Total
	Increase	Decrease	
Due to Broker	15	5	20
Due to Investor	25	55	80
Total	40	60	100

Is there any relationship between price of share and influential factor?

7. Discuss coefficient of multiple determination and standard error estimate. Also discuss their use on management.

### Group B: Long Answer questions

Attempt any five questions

[5 × 10 = 50 marks]

8. The number of runs scored by two players in a Nepal Premier League are as follows:

Milantha	75	24	45	24	7	16	1	12	87
Airee	57	43	39	1	0	20	38	20	9

Which player is more consistent?

9. A banking executive is studying the role of trust in creating customer advocates, and how valuable trust is to the overall banking relationship. Based on study results, the executive has determined that 44% of banking customers have complete trust in their primary financial institution, 49% of banking customers have moderate trust in their primary financial institution, and 7% of banking customers have minimal or no trust in their primary financial institution. Of the banking customers that have complete trust in their primary financial institution, 68% are very likely to recommend their primary financial institution; of the banking customers that have moderate trust in their primary financial institution, 20% are very likely to recommend their primary financial institution; and of the banking customers that have minimal or no trust in their primary financial institution, 3% are very likely to recommend their primary financial institution.
- Compute the probability that the banking customer is very likely to recommend his or her primary financial institution. [ 5 ]
  - Compute the probability that if the banking customer indicates he or she is very likely to recommend his or her primary financial institution, the banking customer also has complete trust in his or her primary financial institution. [ 5 ]
10. Differentiate between stratified random sampling and cluster sampling with suitable examples.
11. In a certain region, the daily temperature follows a normal distribution with a mean of 30°C and a standard deviation of 5°C.
- What is the probability that the temperature on a given day will be less than 25°C?
  - What is the probability that the temperature on a given day will be more than 40°C?
  - What is the range of temperatures in which 95% of the daily temperatures lie?
12. A manager consulting company presents a 3-day seminar on project management to various clients. The seminar is basically the same each time it is given. However, sometimes it is presented to high-level managers, sometimes to mid-level managers, and sometimes to low-level managers. The seminar facilitators believe evaluations of the seminar may vary with the audience. Suppose the following data are some randomly selected evaluation scores from different levels of managers after they have attended the seminar. The ratings are on a scale from 1 to 100, with 100 being the highest score. Use a one-way ANOVA to determine whether there is a significant difference in the evaluation according to manager level. The following table gives the scores to the various clients due to different manager levels.

High-level	Mid-level	Low-level
80	90	55
75	100	75
85	95	80
60	85	
	90	

13. The following are the scores which random samples of students from 2 groups obtained on a random coding test.

Group I	73	82	39	68	91	75	89	67	50	86	57	65	70
Group II	51	42	36	53	88	59	49	66	25	64	18	76	74

Use Mann Whitney U test at the 0.05 level of significance to test whether or not students from the two groups can be expected to score equally well on the test.

**Group C: Comprehensive question /Case analysis /Situation analysis question**

**14.** Read the following case and answer the questions given below: **[20 marks]**

A company wants to analyze the relationship between its monthly advertising expenditure (in thousands of dollars) and sales revenue (in thousands of dollars). The data for the past 6 months is provided below:

Month	Advertising Expenditure	Sales Revenue
January	20	100
February	30	120
March	40	150
April	50	170
May	60	200
June	70	220

**Questions:**

- Calculate the correlation coefficient between advertising expenditure and sales revenue and interpret the result.
- Fit a simple linear regression model to predict sales revenue based on advertising expenditure.
- Interpret the regression coefficient.
- Predict the sales revenue for an advertising expenditure of 80 (in thousands of dollars).
- Calculate the coefficient of determination and interpret its meaning.
- Compute standard error of estimate and interpret its meaning. (5 + 5 + 2 + 2 + 3 + 3)



# Rajarshi Janak University

Faculty of Management

Model Question -2025

## Master of Business Administration

Course: Economics for managers

Course Code: MBA 513

Year/Semester: First/I

Full Marks: 100

Pass Marks: 50

Time: 3 hours

*Candidates are required to give their answers in their own words as far as practicable. The figures in the margin indicate full marks.*

### Group A: Short Answer Questions

Attempt any six questions

[6 × 5 = 30 marks]

1. Define managerial economics and explain its scope in business decision-making.
2. Discuss the role of elasticity of demand in managerial decision-making.
3. How do changes in demand and supply affect market equilibrium? Explain with an example.
4. Differentiate between economies of scale and diseconomies of scale with suitable illustrations.
5. Imagine two major cold drinks; Coke and Pepsi are trying for greater market share in Janakpurdhm Sub-Metropolitan City. They have roped in two celebrities as their brand ambassadors and are planning to advertise products with these celebrities. The concern that is holding them back is the reaction of each other. The following table gives their payoffs in terms of market share:

		Pepsi	
		Advertise	Do not advertise
Coke	Advertise	(40, 30)	(50, 10)
	Do not advertise	(20, 50)	(30, 20)

- a) Determine the dominant Strategy for each company.
  - b) What would be Nash equilibrium?
6. The management of Ridhi Art Company is interested in knowing its likely sales next year. Following sales data are available:

Year (A.D.)	2019	2020	2021	2022	2023	2024
Sales (In Million)	20	30	25	20	40	35

Forecast the sales for the year 2025.

7. What are the major sources of market failure? Explain briefly.

### Group B: Long Answer questions

Attempt any five questions

[5 × 10 = 50 marks]

8. Explain the principal-agent problem and how it leads to asymmetric information in managerial decision-making.
9. Discuss the Williamson's model of managerial discretion and its implications on firm behavior.
10. How do government interventions like price controls, taxes, and subsidies affect market efficiency? Explain with real-world examples.

11. Suppose that demand functions for price increases and price units facing on oligopolist firms are respectively

$$Q_1 = 280 - 40P_1, \text{ or } P_1 = 7 - 0.025Q_1$$

$$Q_2 = 100 - 10 P_2, \text{ or } P_2 = 10 - 0.1Q_2$$

Where Q is output and P is price in rupees.

Also suppose that total cost function is  $TC = 2Q + 0.025 Q^2$

- a. Determine total revenues, marginal revenues and marginal cost functions.
  - b. Find out the kink or point of intersection of demand curves.
  - c. Determine upper and lower limits of the MR gap. Prove.
  - d. Find total profit of the oligopolist.
12. Explain the different demand forecasting methods and their relevance in business strategy.
13. Discuss the role of antitrust policies and patent rights in addressing market failure.

**Group C: Comprehensive question /Case analysis /Situation analysis question**

15. Read the following case and answer the questions given below: [4 × 5 = 20 marks]

ABC Electronics Ltd. operates in a competitive market where price wars are common. Recently, a new competitor, XYZ Tech, entered the market and introduced aggressive pricing strategies, leading to a decline in ABC Electronics' market share. In response, ABC Electronics is considering various pricing strategies, including cost-plus pricing, price leadership, and game theory-based approaches.

At the same time, the government has imposed a subsidy on local electronic products, which has affected production costs and pricing decisions. The company's management is now faced with key strategic decisions to maintain profitability while remaining competitive.

**Questions:**

- g. Identify the key pricing challenges faced by ABC Electronics Ltd. and their implications on market competition.
- h. Discuss the role of cost-plus pricing and price leadership in maintaining ABC Electronics' market position.
- i. How does the government subsidy impact the market equilibrium and pricing strategy of ABC Electronics?
- j. Suggest a comprehensive pricing strategy that balances competitiveness and profitability for ABC Electronics.

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# Rajarshi Janak University

Faculty of Management

Model Question -2025

## Master of Business Administration

Course: Marketing for Managers

Course Code: MBA 514

Year/Semester: First/I

Full Marks: 100

Pass Marks: 50

Time: 3 hours

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*Candidates are required to give their answers in their own words as far as practicable. The figures in the margin indicate full marks.*

### Group A: Short Answer Questions

Attempt any six questions

[6 × 5 = 30 marks]

1. How does the societal marketing concept differ from the traditional selling concept?
2. Explain the role of a marketing manager in the current competitive business environment.
3. Differentiate between B2C and B2B marketing with suitable examples.
4. What are the major bases for segmenting consumer markets? Briefly explain.
5. Explain the concept of brand equity and its significance in marketing.
6. Discuss the objectives of pricing objectives.
7. Describe the concept of green marketing.

### Group B: Long Answer questions

Attempt any five questions

[5 × 10 = 50 marks]

8. What is relationship marketing? Explain the key steps involved in building customer relationships.
9. Explain the marketing process with suitable examples.
10. Describe the stages of the product life cycle and explain the marketing strategies applicable at each stage.
11. Define supply chain management and explain its key components.
12. Discuss the process of integrated marketing communications.
13. Write short notes on any two:
  - a. Omnichannel marketing
  - b. Channel dynamics
  - c. Chatbot marketing

### Group C: Comprehensive question /Case analysis /Situation analysis question

14. Read the following case and answer the questions given below: [4 × 5 = 20 marks]  
XYZ Electronics is a growing company specializing in consumer electronics, such as smartphones, laptops, and home appliances. To expand its market share, the company has been utilizing various promotional strategies, including advertising, personal selling, sales promotion, and public relations.

The company's marketing team carefully selects advertising media to reach its target customers. They consider factors such as budget, target audience, and media reach before making a decision. While digital advertising has been a primary focus, traditional media like television and newspapers are also used to attract customers.

In addition to advertising, XYZ Electronics relies on personal selling. The company employs both indoor and outdoor sales personnel. Indoor sales representatives handle customer inquiries and provide assistance in stores, while outdoor salespersons visit potential clients and corporate offices to promote bulk sales.

To boost short-term sales, the company frequently launches sales promotions, such as discounts, free samples, and loyalty rewards. These methods have proven effective in attracting customers and increasing revenue.

Furthermore, XYZ Electronics invests in public relations to maintain a positive brand image. The company engages in community development activities, sponsors events, and ensures transparent communication with customers to build trust.

**Questions:**

- a. What factors should XYZ Electronics consider when selecting advertising media for its products?
- b. Compare and contrast the roles of indoor and outdoor salespersons in the personal selling process.
- c. Identify and explain three effective methods of sales promotion used by XYZ Electronics.
- d. In your opinion, which promotional strategy is the most effective for XYZ Electronics? Justify your answer with reasons.

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# Rajarshi Janak University

Faculty of Management

Model Question -2025

## Master of Business Administration

Course: Managing Human Resources

Course Code: MBA 515

Year/Semester: First/I

Full Marks: 100

Pass Marks: 50

Time: 3 hours

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*Candidates are required to give their answers in their own words as far as practicable. The figures in the margin indicate full marks.*

### Group A: Short Answer Questions

Attempt any six questions

[6 × 5 = 30 marks]

1. Define human resource management. Explain its scope.
2. Describe the legal and ethical issues in hiring.
3. What are the key components of job analysis? How does it support human resource planning?
4. Explain any two methods of recruitment and selection with examples.
5. Discuss the changing role of human resource managers.
6. What are the key principles of employee compensation?
7. Explain the concept of HR analytics.

### Group B: Long Answer questions

Attempt any five questions

[5 × 10 = 50 marks]

8. Discuss HRM issues and challenges in the Nepalese context.
9. What do you mean by career planning? Write the objectives of career planning.
10. Discuss the different methods of management development.
11. What do you mean by trade unions? Describe the functions of trade unions.
12. Discuss the factors affecting performance appraisal.
13. Write short notes on any two:
  - a. Succession planning
  - b. Emotional intelligence
  - c. Future Trends in HRM

### Group C: Comprehensive question /Case analysis /Situation analysis question

14. Read the following case and answer the questions given below: [4 × 5 = 20 marks]  
ABC Bank Ltd., a leading commercial bank in Nepal, has been facing challenges in maintaining service quality due to rapid technological advancements and evolving customer expectations. The bank recently introduced digital banking services, but many employees lack the necessary technical skills to operate new software efficiently. As a result, customers have reported delays in transactions and frequent system errors.

Recognizing this issue, the HR department conducted a Training Needs Assessment to identify skill gaps. Based on the findings, the bank designed a training and development program that

included on-the-job training, workshops, and e-learning modules focused on digital banking operations, cybersecurity, and customer service.

However, after six months, management observed that despite the training, some employees were still struggling to adapt. The HR team is now evaluating the effectiveness of the training program and considering additional management development initiatives to enhance employee performance and career growth.

Questions:

- a. What methods of training were used by ABC Bank Ltd.? How do these methods contribute to employee skill development?
- b. Explain the Training Needs Assessment. Why is it important before designing a training program?
- c. Discuss how training evaluation methods can be used to assess the effectiveness of the bank's training program.
- d. What recommendations would you make to improve training and HRD practices in Nepalese organizations?

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# Rajarshi Janak University

Faculty of Management

Model Question -2025

## Master of Business Administration

Course: Financial Accounting and Reporting

Course Code: MBA 516

Year/Semester: First/I

Full Marks: 100

Pass Marks: 50

Time: 3 hours

*Candidates are required to give their answers in their own words as far as practicable. The figures in the margin indicate full marks.*

### Group A: Short Answer Questions

Attempt any six questions

[6 × 5 = 30 marks]

- Discuss the qualitative features of accounting information.
- What are Generally Accepted Accounting Principles (GAAPs)? Mention any three basic accounting principles.
- Monalisha had the following transactions. Use Accounting Equation to show their effect on her Assets, Liabilities and Capital.
 

1 <sup>st</sup> April, 2025	: Invested Rs. 200,000 cash.
7 <sup>th</sup> April, 2025	: Purchased goods for Rs. 40,000.
9 <sup>th</sup> April, 2025	: Purchased furniture from supplier on credit Rs. 20,000.
10 <sup>th</sup> April, 2025	: Sold goods costing Rs. 20,000 for Rs. 25,000.
20 <sup>th</sup> April, 2025	: Received commission of Rs. 10,000.
22 <sup>th</sup> April, 2025	: Paid rent of Rs. 9,000 to landlord.
29 <sup>th</sup> April, 2025	: Paid to supplier Rs. 19,000 and discount received Rs. 1,000.
- On December 31, 2024, the following data were accumulated to assist the accountant in preparing the adjustment entries for Amrit Corporation.
  - The supplies account balance on December 31 is Rs. 10,000. The supplies on hand on December 31 are Rs. 3,000.
  - The unearned rent account on December 31 is Rs. 4,800, representing the receipts of an advance payment on July 1 for 12 months' rent from tenants.
  - Wages accrued but not yet paid on December 31 are Rs. 3,000.
  - Fees accrued but unbilled on December 31 are Rs. 4,000.
  - Depreciation of office equipment is Rs. 5,000

**Required:** Adjustment entries on December 31, 2024.

- Hamro Corporation began operations on January 1, 2024. The following information is available for the year ended 31<sup>st</sup> December 2024:

Details	Amount (Rs.)
Service Revenue	10,600
Supplies expenses	1,500
Rent expenses	900
Insurance expenses	50
Depreciation expenses	40

Miscellaneous expenses	360
Salaries expenses	5,200
Interest expenses	50
Interest income	300
Corporate tax rate	40%

**Required:** Income statement for the year ended 31<sup>st</sup> December 2024.

6. Income statement data for Bezos Company for the years ended December 31, 2024 and 2023 are as follows:

Items	2024	2023
Net sales revenue	Rs. 8,40,000	Rs. 6,00,000
Less: Cost of goods sold	7,24,500	5,25,000
<b>Gross profit</b>	<b>Rs. 1,15,500</b>	<b>Rs. 75,000</b>
Less: Operation expenses		
Selling expenses	Rs. 52,500	Rs. 37,500
Administrative expenses	41,400	30,000
Total operating expenses	<b>Rs. 93,900</b>	<b>Rs. 67,500</b>
<b>Income before income tax</b>	Rs. 21,600	RS. 7,500
Less: Income tax expenses	10,800	2,700
<b>Net income</b>	<b>Rs. 10,800</b>	<b>Rs. 4,800</b>

**Required:** Comparative income statement using horizontal analysis indicating the increase (decrease) for 2024 comparing with 2023. Round off up to one decimal place.

7. In 2024, Mithi Inc. initiated a sales promotion campaign that included the expenditure of an additional Rs. 40,000 for advertising. At the end of the year, Mr. Prakash, the president, has presented the following condensed comparative income statement:

**Mithi Inc.**

**Comparative income statement for the year ended December 31, 2024 and 2023**

Items	2024	2023
Sales revenue	13,25,000	12,00,000
Less : Sales returns and allowances	25,000	20,000
Net sales revenue	13,00,000	11,80,000
Less : Cost of goods sold	6,82,5000	6,13,600
Gross profit	6,17,500	5,66,400
Less : Operating expenses:		
Selling expenses	2,60,000	1,88,800
Administrative expenses	1,69,000	1,77,000
<b>Total operating expenses</b>	<b>4,29,000</b>	<b>3,65,800</b>
Income from operations	1,88,500	2,00,600
Add : Other income	78,000	70,800
Income before income tax	2,66,500	2,71,400
Less : Income tax expenses	1,17,000	1,06,200
<b>Net income</b>	<b>1,49,500</b>	<b>1,65,200</b>

**Required:** Prepare a comparative income statement for the two-year period off presenting an analysis of each item in relationship to net sales for each of the years. Round off up to one decimal place.

**Group B: Long Answer questions:**

**Attempt any five questions**

**[5 × 10 = 50 marks]**

8. Clear-vision Service Incorporation was established on May 1, 2023 by two founding directors. The corporation will provide consultancy services to small business. The following transactions took place during the month of May.

May 1	Received contribution Rs. 100,000 from each of the two directors in exchange of shares.
May 6	Purchased office supplies on account for Rs. 10,000 payment due in 30 days.
May 10	Billed a client Rs. 30,000 for consultancy services. According to an agreement between two companies, the client to pay 50% of the bill upon its receipt and the remaining balance within 30 days.
May 15	Paid Rs. 5,000 bill to the local newspaper for advertising for the month of May.
May 24	Received cash of Rs. 10,000 for rendering services to the clients.
May 26	Purchased furniture for Rs. 25,000 in cash.
May 29	Paid Rs. 6,000 in salaries and wages for May.
May 31	Paid Rs. 1,000 for electric and water bills.

**Required:**

- Journalize the above transactions.
  - Show the recording of transactions in T accounts.
  - Prepare trial balance. (4 + 3 + 3 marks)
9. The following unadjusted trial balance is available for Ace consulting Inc. on March 31, 2024.

Ace Consulting Inc.

Unadjusted Trial Balance on March 31, 2024

Details	Debit (Rs.)	Credit (Rs.)
Cash	6,320	
Accounts Receivable	14,600	
Supplies on Hand	800	
Prepaid Rent	4,800	
Furniture and fixtures	18,000	
Accumulated Depreciation		5,625
Accounts Payable		5,200
Capital Stock		10,000
Retained Earnings		17,955
Consulting Revenue		12,340
Utilities Expenses	4,100	
Wage and Salary Expenses	2,500	
Totals	51,120	51,120

**Additional Information:**

- i. Wages and salaries earned by employees at the end of June but not yet paid amount to Rs. 2,380.
- ii. Supplies on hand at the end of June amount to Rs. 550.
- iii. Depreciation on furniture and fixtures for June is Rs. 375.
- iv. Ace prepays the rent on its office space on June 1 of each year. The rent amounts to Rs. 400 per month.

**Required:** Prepare adjusted trial balance

10. South Corporation began operations on January 1, 2024. The following information is available for South Corporation on Dec. 31, 2024:

Particulars	Amount (Rs.)
Service Revenue	3,40,000
Account Receivable	36,000
Account payable	40,000
Rent expenses	1,80,000
Notes payable	1,00,000
Common stock	2,00,000
Equipment	3,20,000
Insurance expenses	20,000
Supplies expenses	4,000
Supplies	80,000
Cash	28,000
Dividend	12,000

Additional information to be considered:

- i. Rent expenses due for year Rs. 20,000
- ii. Depreciation on equipment @ 10% p.a.

**Required:**

- a. Income statement
- b. Statement of retained earnings
- c. Balance sheet (4 + 2 + 4 marks)

11. You have been supplied data for Royal Plastic Ltd. and industry averages.

**Balance sheet, March 31, current year**

Liabilities	Amount Rs.	Assets	Amount Rs.
Equity share capital	140,000	Plant and equipment	160,000
Retained earnings	20,000	Cash	10,000
Long term debt	40,000	Debtors	30,000
Sundry creditors	30,000	Stock	50,000
Accruals	20,000		
	250,000		250,000

**Income Statement, year ended March 31, current year**



	Detail Rs.	Amount Rs.
Sales		200,000
Less: Cost of goods sold	120,000	
Other operating expenses	50,000	
Interest	5,000	175,000
Earnings before taxes		25,000
Less: income taxes		10,000
Net income		15,000

**Industry average ratio**

Quick Ratio	1 times
Current ratio	2 times
Stock turnover	6 times
Days Sales Outstanding (DSO)	40 days
Total debt / Shareholders' equity	45 %
Interest coverage ratio	10 times
Return on Equity	15 %

**Required:**

- a. Calculate the indicated ratios for the Royal Plastic Ltd.
  - b. Indicate the company's strengths and weakness in terms of liquidity, solvency and profitability as revealed by your analysis. (7 + 3 marks)
12. Explain the different users of financial information and their specific needs.
13. What do you mean by accounting standards? Why does the accounting profession require accounting standards?

**Group C: Comprehensive question /Case analysis /Situation analysis question**

14. Given below the Opening & Closing Balance Sheet of Sunrise Trading Ltd. for the year 2009

Liabilities	01.01.2009	31.12.2009	Assets	01.01.2009	31.12.2009
Share Capital	800,000	1,000,000	Land & Building	500,000	700,000
10% Debentures	200,000	100,000	Plant & Machinery	650,000	800,000
Bank loan	100,000	300,000	Accumulated Dep.	(100,000)	(140,000)
Accounts Payable	100,000	100,000	Inventories	100,000	150,000
Wages accrued	50,000	20,000	Account receivables	150,000	200,000
Tax provision	50,000	60,000	Prepaid Insurance	10,000	20,000
Dividend provision	100,000	60,000	Cash at bank	80,000	25,000
Retained earnings	-	120,000	Cash at hand	10,000	5,000
	<b>1,400,000</b>	<b>1,760,000</b>		<b>1,400,000</b>	<b>1,760,000</b>

**Additional Information**

- Sales revenues was Rs. 1,200,000
- Wages expenses was Rs. 200,000
- Purchase of raw materials of Rs. 450,000 (excluding carriage inwards of Rs.50,000)
- Cash manufacturing expenses of Rs. 100,000.
- Operating expenses (including depreciation on plant and machinery of Rs.80,000)

and interest of Rs.25,000) was Rs.2,00,000.

- Debentures were redeemed with 10% premium.
- Loss on sales of plant (costing Rs. 80,000 and accumulated depreciation of Rs.40,000) was Rs. 10,000.
- Out of current year's profit, provisions were made for tax and dividend of Rs.60,000 and Rs. 50,000 respectively.

**Required:**

- a. A cash flow statement showing cash from operating, investing and financing activities
- b. State the objectives of financial statement analysis. (8 + 5 + 4 + 3 )

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