**Financial Accounting**

**NMIMS Centre for Distance and Online Education (NCDOE)**

**Internal Assignment Applicable for June 2025 Examination**

**Q1. Financial Analysis of AlphaEx Ltd.**

**You are given the following partial financial information for AlphaEx Ltd. for the year ended March 31, 2024:**

**Required:**

**1. Compute the Cost of Goods Sold (COGS) and Gross Profit for the year ended March 31, 2024. (2 Marks)**

**2. Prepare the Income Statement (from Net Sales down to Net Income) for the year ended March 31, 2024. Clearly show each line item, including your calculations for Cost of Goods Sold, Gross Profit, Operating Income, and Net Income after tax. (3 Marks)**

**3. Calculate the ending Retained Earnings on March 31, 2024, after the company closes its Net Income into Retained Earnings. Show your computation step by step. (2 Marks)**

**4. Using the year-end balances, compute and interpret two financial ratios—for example, the Current Ratio and the Debt-to-Equity Ratio. In a brief paragraph, discuss what these ratios indicate about AlphaEx Ltd.’s liquidity and long-term solvency. (3 Marks)**

**Total Marks: 10**

**1. Income Statement (Partially Reported)**

|  |  |
| --- | --- |
| **Item** | **Amount (₹)** |
| **Net Sales** | **9,00,000** |
| **Beginning Inventory (April 1, 2023)** | **60,000** |
| **Net Purchases** | **3,20,000** |
| **Ending Inventory (March 31, 2024)** | **50,000** |
| **Operating Expenses (excluding depreciation)** | **1,40,000** |
| **Depreciation Expense** | **30,000** |
| **Interest Expense** | **20,000** |
| **Income Tax Rate** | **25%** |

**2. Balance Sheet (Selected Items as at March 31, 2024)**

|  |  |
| --- | --- |
| **Item** | **Amount (₹)** |
| **Cash & Cash Equivalents** | **1,00,000** |
| **Accounts Receivable** | **80,000** |
| **Inventory** | **50,000** |
| **Property, Plant & Equipment (net)** | **4,00,000** |
| **Accounts Payable** | **40,000** |
| **Long-Term Debt** | **2,00,000** |
| **Common Stock** | **1,50,000** |
| **Retained Earnings (at the beginning)** | **80,000** |

**Answer:**

**Introduction:**

Financial analysis is crucial for assessing a company's performance, profitability, and financial stability. It provides insights into how effectively a company manages its costs, revenues, and expenses, ultimately influencing decision-making for stakeholders. One of the key components of financial analysis is the Income Statement, which outlines a company's financial results over a given period. The Cost of Goods Sold (COGS) and Gross Profit are essential in understanding the efficiency of a company's production and sales process. COGS represents the direct costs incurred in manufacturing or acquiring goods, while Gross Profit indicates the remaining revenue after deducting these costs.

**This is partially solved sample answer**

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**Q2A. A mid-sized manufacturing company has suffered significant losses over the past two years, casting doubt on its ability to continue as a going concern. Critically examine how the concept of going concern influences the accounting process in such a situation. In your analysis, discuss the ethical and professional judgments an accountant must make when deciding whether the business should continue applying going concern assumptions in its financial statements. (5 Marks)**

**Answer:**

**Introduction:**

The concept of going concern is fundamental in accounting, assuming that a business will continue its operations for the foreseeable future. However, when a mid-sized manufacturing company experiences continuous financial losses, doubts arise about its ability to sustain operations. In such cases, accountants must critically assess whether the company can continue using the going concern assumption in its financial statements. This decision has significant implications, affecting financial reporting, investor confidence, and regulatory compliance. Ethical and professional judgments become crucial as accountants must ensure transparency while balancing the interests of stakeholders, regulatory requirements, and the company's financial position.

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**Q2B. Financial accounting is based on fundamental principles and assumptions that guide the preparation of financial statements. However, with the rapid advancement of technology and the increasing complexity of modern business transactions, some argue that traditional accounting frameworks may no longer be sufficient. Critically evaluate the relevance of traditional financial accounting principles (such as the historical cost principle, accrual basis, and consistency) in today’s business environment. In your response, analyze potential modifications or alternative approaches that could enhance financial reporting accuracy and decision-making for stakeholders. (5 Marks)**

**Answer:**

**Introduction:**

Financial accounting relies on fundamental principles and assumptions that provide consistency, comparability, and transparency in financial reporting. These principles, such as the historical cost principle, accrual basis, and consistency, have long been the foundation of financial statements. However, with rapid technological advancements and the growing complexity of business transactions, traditional accounting methods face increasing challenges. Businesses operate in dynamic environments where intangible assets, digital currencies, and real-time transactions play a significant role. This raises concerns about whether traditional accounting principles remain relevant or if modifications and alternative approaches are needed to improve financial reporting accuracy and decision-making for stakeholders.

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