

QP CODE: 25047464



Reg No :

Name :

M.Sc DEGREE (CSS) EXAMINATION, NOVEMBER 2025

Third Semester

M Sc ACTUARIAL SCIENCE

Core Course - AS010304 - FINANCIAL ACCOUNTING

2019 ADMISSION ONWARDS

304A61DF

Time: 3 Hours

Weightage: 30

Part A (Short Answer Questions)

*Answer any **eight** questions.*

Weight 1 each.

1. Write the contents of an annual report .
2. Write the equations for cash generated from operating activities.
3. Write the statement of changes in equity .
4. Define the reducing balance method .
5. Define equity.
6. Write the formula for calculating profit margin.
7. Define quick ratio.
8. Write a short note on the limitations of interpretation of accounts.
9. What is Scrip dividend?
10. Define dividend policy.

(8×1=8 weightage)

Part B (Short Essay/Problems)

*Answer any **six** questions.*

Weight 2 each.

11. Explain any six main accounting concepts with examples.
12. Write the format of statement of financial position.
13. Explain the role of trial balance in construction of accounts.
14. The following information has been extracted from the bookkeeping records of ABC plc:
Trial balance as at 31 December 20T4





	£000	£000
Bank	12	
Trade payables		187
Trade receivables	245	
Land and buildings – cost	1,300	
Land and buildings – depreciation		195
Interest	65	
Loan		450
Plant and machinery – cost	800	
Plant and machinery – depreciation		140
Retained earnings at 31 December 20T3		215
Raw materials purchased	502	
Advertising	30	
Directors' remuneration	45	
Sales		1,175
Share capital		700
Other reserves		180
Inventories at 31 December 20T3	6	
Salaries – factory staff	112	
Salaries – administration	<u>125</u>	
	<u>3,242</u>	<u>3,242</u> Notes

(1) Depreciation is to be charged on the following bases:

Buildings on a straight line basis assuming a residual value of £100,000 on 31 December 20T8.

The book value on 31 December 20T3 was £555,000.

Plant and machinery at 20% of reducing balance.

(2) No dividend was paid in relation to the 20T3 accounting year. There was no change in the issued share capital during 20T4.

(3) The corporation tax charge has been estimated at £12,000 for the year. No tax was payable in respect of the 20T3 accounting year.

(4) Inventories at 31 December 20T4 were £8,000.

(5) In the statement of financial position at 31 December 20T3, trade payables were £131,000, trade receivables were £199,000, cash at bank was £6,000 and loans were £750,000.

(i) Prepare ABC plc's statement of profit or loss for the year ended 31 December 20T4 and its statement of financial position as at that date.

These should be in a form suitable for publication insofar as this is possible from the information provided.

15. Statements of financial position (in £s) for Company A and Company B are shown below. Shares in Company A have a par value of 50p, and those in Company B a par value of 25p.

	A	B
Non-current assets	300	100
Current assets	600	440
Share capital	400	160
Reserves	400	80
Current liabilities	100	300

Calculate the goodwill assuming that Company A's shares are priced at par, and that Company B's





shareholders are offered 1 share in Company A for every 1 share in Company B when Company A acquires:

- (i) 100% of Company B
- (ii) 75% of Company B.

16. What are the additional asset and liability factors that are included in the balance sheet of insurance company accounts ?
17. Describe sustainability reporting and traditional financial reporting.
18. What are the factors affecting the gearing decision in practice?

(6×2=12 weightage)

Part C (Essay Type Questions)

Answer any **two** questions.

Weight 5 each.

19. The following data relates to Zip plc for the trading year ending 31 December Year 20XX.

	£000s
Advertising expenses	50
Revenue	1,135
Inventories at 31 December (20XX – 1)	25
Interest paid	14
Interest received	5
Depreciation of machinery	25
Inventories at 31 December 20XX	38
Wages and salaries of production staff	161
Wages and salaries of distribution staff	278
Wages and salaries of administration staff	40
Purchases	300
Directors' remuneration	135
Dividends paid in respect of year ending 31 December (20XX – 1)	30

Prepare the company's statement of comprehensive income for the year, assuming:

- Corporation tax is 20%
- The company proposes a payout ratio of a third, ie to distribute a third of this year's earnings to shareholders
- The number of ordinary shares in the company is 200,000
- At the end of the year, the company's property was revalued at £525,000, an increase of £22,000 from its previous value.

20. Write the format of
 - (i) statement of profit or loss
 - (ii) statement of financial position
21. Explain accounting ratios used in project appraisal.
22. Describe in detail the key factors in the dividend decision.

(2×5=10 weightage)

