**Financial Accounting & Analysis**

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

**Internal Assignment Applicable for June 2025 Examination**

**Q1. A small manufacturing company, Horizon Industries, has experienced rapid growth and needs to organize its accounting records. The company currently tracks transactions informally using spreadsheets. The owner has hired you as a consultant to implement proper accounting procedures. Describe the sequential steps Horizon Industries should follow to establish a formal accounting system. Explain the purpose and role in generating financial statements. Additionally, identify which source documents should be maintained for different types of transactions.**

**Answer:**

**Introduction:**

Horizon Industries is a small but fast-growing manufacturing company that is now facing the challenges that come with expansion. Up until now, they have been using informal spreadsheets to track financial transactions. While this method might have worked initially, it is not suitable for a company that is growing. Without a proper accounting system, it is difficult to track money accurately, maintain compliance with tax laws, and make informed business decisions. Therefore, Horizon Industries needs to shift towards a formal accounting system. A structured system will not only organize all financial activities but also help in generating reliable financial statements like the balance sheet, income statement, and cash flow statement. These statements are crucial because they give a clear picture of the company’s financial health to the owner, investors, banks, and other stakeholders. Setting up an accounting system involves several steps, including selecting the right accounting method, creating a chart of accounts, recording transactions systematically, and maintaining important documents for future reference. Each step is important and builds the foundation for a strong and transparent financial management process. In the following sections, we will explore in detail how Horizon Industries can set up an accounting system and how each part supports financial reporting.

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**Q2. Meera Sharma recently decided to pursue her passion for landscaping by starting Green Valley Landscaping Services in Pune, Maharashtra. After years of working for a large landscaping company, she’s using her expertise and savings to establish her own business in a growing residential area. The company offers residential and commercial landscaping services including lawn maintenance, garden design, irrigation system installation, and seasonal clean-up. Meera has rented a small office space with an attached storage area for equipment and supplies near Koregaon Park. As she begins operations, she needs to properly track all business transactions to understand her financial position and plan for future growth. Explain the accounting equation and its fundamental importance in financial accounting. Analyze the following six transactions for Green Valley Landscaping Services and show how each affects the accounting equation:**

**1. Meera invested Rs.15,00,000 cash to start the business**

**2. Purchased equipment worth Rs.5,00,000, paying Rs.2,00,000 in cash and financing the remainder**

**3. Provided landscaping services for Rs.2,75,000, receiving cash immediately**

**4. Paid Rs.75,000 for monthly rent**

**5. Purchased supplies for Rs.45,000 on account from Ganesh Garden Supplies**

**6. Paid Rs.30,000 toward the equipment loan to State Bank of India.**

**Answer:**

**Introduction:**

Green Valley Landscaping Services, recently launched by Meera Sharma in Pune, is a promising venture capitalizing on her rich experience in the landscaping industry. As she transitions from an employee to an entrepreneur, managing finances becomes one of the most crucial aspects of her new business journey. Every financial decision she makes—whether investing capital, purchasing equipment, or earning income through services—has a direct impact on her business’s financial health. To effectively monitor and evaluate this, understanding the fundamentals of accounting becomes essential.

At the core of financial accounting lies the accounting equation, which serves as the foundation for all accounting systems and financial statements. It provides a structured way to view and record all transactions in a business. This equation ensures that a company’s financial position is always balanced, reflecting the relationship between its assets, liabilities, and owner’s equity. As Meera begins to conduct daily transactions, applying the accounting equation will help her see how her actions affect the business’s resources and obligations. By analyzing these impacts, she can plan for growth, assess risks, and ensure compliance. In this context, let’s explore the accounting equation and apply it to the six initial transactions of Green Valley Landscaping Services to better understand its significance.

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**Q3 (A) Vindhya Technologies Ltd, a mid-sized software development company based in Bangalore, specializes in enterprise solutions and mobile applications. Below are selected items from the company’s financial statements for the years ended March 31, 2024 and 2023 (all figures in Rs. lakhs): Balance Sheet Items: – Current Assets (2024): Rs.480; (2023): Rs.360 – Cash and Cash Equivalents (2024): Rs.180; (2023): Rs.140 – Current Liabilities (2024): Rs.220; (2023): Rs.190 – Total Assets (2024): Rs.1,200; (2023): Rs.950 – Total Liabilities (2024): Rs.500; (2023): Rs.400 – Inventory (2024): Rs.60; (2023): Rs.45 Income Statement Items: – Net Sales (2024): Rs.1,500; (2023): Rs.1,250 – Net Profit After Tax (2024): Rs.225; (2023): Rs.170 – Cost of Goods Sold (2024): Rs.900; (2023): Rs.780 Additional Information: – Average Total Assets for 2024: Rs.1,075**

**– Average Inventory for 2024: Rs.52.5 – Shareholders’ Equity (2024): Rs.700; (2023): Rs.550 Analyze Vindhya Technologies Ltd’s financial performance by calculating and interpreting the Profitability and Liquidity categories of financial ratios. Calculate and interpret two ratios for each category.**

**Answer:**

**Introduction:**

Vindhya Technologies Ltd., a mid-sized software development firm in Bangalore, is showing consistent growth in both revenue and profitability over the years. As financial analysts or stakeholders, understanding the company’s financial health through ratio analysis is essential for decision-making. Two key dimensions of financial analysis are Profitability and Liquidity, which offer insight into how efficiently the company is generating profits and whether it has sufficient resources to meet short-term obligations. By calculating and interpreting two ratios under each category using figures from the financial statements for the years ended March 31, 2024 and 2023, we can assess Vindhya Technologies' operational performance.

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**Q3 (B) Analyze Vindhya Technologies Ltd’s financial performance by calculating and interpreting the Solvency and Efficiency categories of financial ratios. Calculate and interpret two ratios for each category.**

**Answer:**

**Introduction:**

Vindhya Technologies Ltd., a growing software company based in Bangalore, has shown notable financial performance over the years. While profitability and liquidity are critical, two other important aspects to evaluate its long-term financial strength are Solvency and Efficiency. Solvency ratios help assess the company’s ability to meet long-term obligations, while efficiency ratios evaluate how well the company uses its resources. By analyzing selected balance sheet and income statement figures for the years ending March 31, 2024 and 2023, we can calculate and interpret two key ratios from each category to understand Vindhya Technologies’ operational and financial sustainability.

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