**Financial Accounting**

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

**Internal Assignment Applicable for June 2025 Examination**

**Q1. XYZ Ltd. started its business on 1st March 2025 with the following transactions.**

**Pass the necessary journal entries and post them into the ledger accounts.**

**1. Business started with cash Rs.5,00,000 and bank balance Rs.3,00,000.**

**2. Purchased goods worth Rs.2,00,000 on credit from ABC Traders.**

**3. Sold goods worth Rs.1,50,000 for cash (Cost of goods sold: Rs.1,00,000).**

**4. Paid Rs.50,000 to ABC Traders in full settlement of their dues.**

**5. Purchased office furniture for Rs.80,000, paying 50% in cash and the rest on credit.**

**Answer:**

**Introduction:**

In the world of accounting, maintaining accurate and systematic records of financial transactions is essential for any business to operate efficiently. The double-entry system is a widely accepted method for recording business transactions, where each transaction affects at least two accounts – one is debited, and the other is credited. Journal entries are the first step in this process and serve as the foundation for creating other financial reports like the ledger, trial balance, and final accounts. Every business begins with recording initial transactions such as capital investment, purchase of goods, sales, and other operating activities.

XYZ Ltd., a newly established business, started its operations on 1st March 2025. The company recorded a few initial transactions in its books. These transactions include bringing capital into the business, purchasing goods on credit, making sales for cash, settling payments to suppliers, and acquiring office furniture. Each of these transactions affects multiple accounts like Cash, Bank, Purchases, Sales, Creditors, Furniture, and Capital accounts. To understand the financial health and performance of the business, it's important to record these correctly. This write-up will explain the concept of journal entries and ledger posting using XYZ Ltd.’s transactions, ensuring a clear understanding of their practical application.

**Concepts and Application:**

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**Q2A. XYZ Ltd., planning to expand its operations globally. The company has been using Indian GAAP for financial reporting, but it faces difficulties in attracting foreign investors and securing international loans due to differences in accounting standards. Potential global investors are hesitant because they struggle to compare XYZ Ltd.'s financial statements with those of international competitors who follow IFRS.**

**To enhance transparency and gain global credibility, XYZ Ltd. decides to adopt International Financial Reporting Standards (IFRS). However, the transition comes with challenges such as retraining financial staff, adjusting accounting systems, and re-evaluating financial statements based on fair value principles.**

**Answer:**

**Introduction:**

XYZ Ltd., an Indian company, plans to expand globally and reach international markets. Currently, it prepares its financial reports using Indian GAAP (Generally Accepted Accounting Principles). However, Indian GAAP differs from the accounting systems followed by international companies, such as IFRS (International Financial Reporting Standards). This difference creates confusion for global investors who find it hard to compare XYZ Ltd.'s financials with those of other international businesses. As a result, XYZ Ltd. struggles to attract foreign investment and secure international loans. To overcome these challenges, the company decides to adopt IFRS to improve transparency and boost its global credibility.

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**Q2B. Bright Industries, a leading automobile parts manufacturer, recently invested significantly in non-current assets, including state-of-the-art machinery, a new production facility, and advanced software systems. The management expects this investment to improve efficiency and profitability in the long run. However, a large portion of the funding was secured through long-term debt.**

**As a financial consultant, analyze how these non-current assets could impact the long-term financial health of Bright Industries, considering both the potential benefits and risks involved.**

**Answer:**

**Introduction:**

Bright Industries, a prominent player in the automobile parts manufacturing sector, has recently made a strategic decision to invest heavily in non-current assets such as advanced machinery, a new production facility, and modern software systems. This move reflects the company’s vision to enhance production efficiency, boost profitability, and stay competitive in the long term. However, these capital investments have been primarily financed through long-term debt. While such investments often lead to improved operational performance, they also carry financial risks. Evaluating both the benefits and the challenges is essential to understand their long-term impact on Bright Industries’ financial health.

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