

**Jagan Institute of Management Studies**  
**End-Term Examination, September-October, 2017**  
**Trimester I – PGDM (IB) 2017-19**

***Financial Accounting***  
***ET\_IB\_FA\_2509***

Time: 3 Hrs.

M. Marks: 70

**INSTRUCTIONS: Attempt any FIVE questions including Q1 & Q7 which are compulsory.**

- Q 1** Comment on any **FOUR** of the following:
- a) Accounting can be viewed as an information system which has its inputs processing methods and output.
  - b) An increase in assets is not necessary due to profits.
  - c) Trial Balance only checks the arithmetical accuracy of the books of accounts.
  - d) Fixed assets are stated in the Balance Sheet at their market value.
  - e) The Discount columns of the cash book are not balanced.
  - f) Valuation of inventory only affects the Income Statement. **16**
- Q 2** Distinguish between any **FOUR** of the following:
- a) Straight Line Method and Written Down Value Method.
  - b) Matching Concept and Realization Concept.
  - c) Errors of Principle and Compensating Errors.
  - d) Financial Accounting, Cost Accounting and Management Accounting.
  - e) Trade Discount and Cash Discount.
  - f) Posting and Balancing. **12**
- Q 3**
- a) How a contra entry distinguished from other entries? **3**
  - b) Calculate the value of inventory using Perpetual and Periodic Systems with
    - i) Weighted Average Pricing Method and
    - ii) LIFO Method of Pricing in connection with the following transactions:

April		Units	Value
1	Balance in hand b/f	300	600
2	Purchases	200	440
4	Issued	150	
6	Purchases	200	460
11	Issued	150	
19	Issued	200	
22	Purchased	200	480
27	Issued	250	

**9**

- Q 4 a)** Discuss the concept of Subsidiary Books. Also discuss in brief the objectives of preparing different subsidiary books. 3
- b)** Prepare three column cash book from the following particulars:

2017	
Jan 1	Cash in hand ₹ 960 and in bank ₹ 6,000
2	Discounted a bill for ₹ 3,000 at 1% through bank
5	Bought goods by cheque ₹ 4,800
8	Bought goods for cash ₹120
10	Paid ₹3,600 by cheque for a bill drawn upon us
12	Paid trade expenses ₹60
17	Paid into bank ₹600
18	Jones, who owed us ₹ 120 became bankrupt, and paid ₹50 paise in a rupee
20	Received ₹ 600 from Govind and allowed him discount Re.25
21	Paid ₹ 150 to Madan and he allowed us discount Rs.10
22	Withdrew from bank ₹120
24	Received ₹ 1,200 for B/E from Ram Chandra and deposited the same into bank
25	Withdrew from bank for private expenses
26	Sold goods for cash ₹600
27	Received a cheque for goods sold ₹5,400
28	Received repayment of a loan ₹ 1,800 and deposited out it ₹1,500 in the bank

- Q 5 a)** What is meant by ‘Basic Assumptions of Accounting’? Enumerate the four basic assumptions that underline the financial accounting structure. 5
- b)** Pass journal entries to rectify the following errors:
- i) A sale of goods to X for ₹350 has been credited to his account.
  - ii) Goods purchased from Y amounting to ₹ 750 were entered in the iii) Purchase Day Book but were omitted from Y’s account in the creditor’s ledger.
  - iv) Goods returned to S. Sen valued ₹750 was debited to P. Sen’s Account.
  - v) General Expenses ₹18 were posted as ₹ 80.
  - vi) Sales Day book was overcast by ₹1000.
  - vii) ₹ 5,740 paid for repairs to vehicles were debited to the vehicles account as 574.
  - viii) ₹10,000 being purchases returns was posted to the debit of Purchases Account. 7

- Q 6 a)** Discuss the significance of IFRS. Throw some light on the convergence of Indian Accounting Standards with IFRS. 2
- b)** Ram Ltd. which depreciates its machinery at 10% p.a. on Diminishing Balance Method, had on 1<sup>st</sup> January 2013 ₹ 9,72,000 on debit side of Machinery A/c. During the year 2013, Machinery purchased on 1<sup>st</sup> January 2011 for Rs. 80,000 was sold for ₹ 45,000 on 1<sup>st</sup> July 2013 and

a new machinery at a cost of ₹ 1,50,000 was purchased and installed on the same date, installation charges being ₹ 8000.

The company wanted to change the method of depreciation from Diminishing Balance Method to Straight Line Method with effect from 1<sup>st</sup> January 2011. Difference of depreciation up to 31<sup>st</sup> December 2013 to be adjusted. The rate of depreciation remains the same as before. Show Machinery Account.

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Q 7

a)

Discuss the limitations of Financial Statements.

3

b)

Discuss the utility of preparing Bank Reconciliation Statement.

3

c)

From the following Trial Balance of Mr. Nageswara Rao, as on 31st March 2017, prepare the Trading and Profit & Loss A/c and Balance Sheet.

Particulars	Debit (amount in thousands ₹)	Credit (amount in thousands ₹)
Furniture	640	-
Motor Vehicles	6,250	-
Buildings	7,500	-
Capital	-	12,500
Bad Debts	125	-
Provision for Doubtful Debts	-	200
Sundry Debtors and Creditors	3,800	2,500
Stock as on 1.4.2016	3,460	-
Purchases and Sales	5,475	15,450
Bank Overdraft	-	2,850
Sales and Purchases Returns	200	125
Advertising	450	-
Interest on bank overdraft	118	-
Commission	-	375
Cash	650	-
Taxes and Insurance premium	782	-
General Expenses	1,250	-
Salaries	3,300	-
	<b>34,000</b>	<b>34,000</b>

**Adjustments:**

- i) Stock in hand on 31<sup>st</sup> March 2017 ₹3,250.
- ii) Depreciate Buildings @5% p.a.; furniture @10% p.a.; Motor Vehicles @20% p.a.
- iii) ₹ 85 is due for interest on bank overdraft.
- iv) Salaries ₹ 300 and Taxes ₹ 200 are outstanding.
- v) Insurance Premium amounting ₹ 100 prepaid.
- vi) One third of the commission received is in respect of work to be done next year.
- vii) Write off a further sum of ₹ 100 as bad debts from Debtors and create provision for Doubtful Debts @5% on Debtors.

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