

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

Financial & Management Accounting
ET_IB_FMA_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	

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- 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 Rs.960 and in bank Rs.6,000
2	Discounted a bill for Rs.3,000 at 1% through bank
5	Bought goods by cheque Rs.4,800
8	Bought goods for cash Rs.120
10	Paid Rs.3,600 by cheque for a bill drawn upon us
12	Paid trade expenses Rs.60
17	Paid into bank Rs.600
18	Jones, who owed us Rs. 120 became bankrupt, and paid Rs.50 paise in a rupee
20	Received Rs. 600 from Govind and allowed him discount Re.25
21	Paid Rs. 150 to Madan and he allowed us discount Rs.10
22	Withdrew from bank Rs.120
24	Received Rs. 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 Rs.600
27	Received a cheque for goods sold Rs.5,400
28	Received repayment of a loan Rs. 1,800 and deposited out it Rs.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 Rs. 350 has been credited to his account.
 - ii) Goods purchased from Y amounting to Rs. 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 Rs.750 was debited to P.Sen’s Account.
 - v) General Expenses Rs.18 were posted as Rs.80.
 - vi) Sales Day book was overcast by Rs.1000.
 - vii) Rs. 5,740 paid for repairs to vehicles was debited to the vehicles account as 574.
 - viii) Rs.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 1st January 2013 Rs.9,72,000 on debit side of Machinery A/c. During the year 2013, Machinery purchased on 1st January 2011 for Rs. 80,000 was sold for Rs.45,000 on 1st July 2013 and

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

The company wanted to change the method of depreciation from Diminishing Balance Method to Straight Line Method with effect from 1st January 2011. Difference of depreciation upto 31st 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.

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b)

Discuss the utility of preparing Bank Reconciliation Statement.

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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 Rs.)	Credit (amount in thousands Rs.)
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	-
	34,000	34,000

Adjustments:

- i) Stock in hand on 31st March 2017 Rs.3,250.
- ii) Depreciate Buildings @5% p.a.; furniture @10% p.a.; Motor Vehicles @20% p.a.
- iii) Rs. 85 is due for interest on bank overdraft.
- iv) Salaries Rs.300 and Taxes Rs.200 are outstanding.
- v) Insurance Premium amounting Rs. 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 Rs.100 as bad debts from Debtors and create provision for Doubtful Debts @5% on Debtors.

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