

# END-TERM EXAMINATION

DECEMBER 2006

<b>Exam Series code: 100415DEC06200459</b>	
<b>Paper Code : MCA-109</b>	<b>Subject: Financial Accounting</b>
<b>Time: 3 Hours</b>	<b>Maximum Marks: 60</b>
<b>Note: Attempt any five questions in all including Q. No. 1 which is compulsory.</b>	

## SECTION-A

- Q. 1. Answer any six of the following :- (2 x 6=12)
- (a) What are the branches of Accounting?
  - (b) What is meant by accounting standards and why are they needed?
  - (c) What do you mean by convention of conservatism?
  - (d) What is the difference between Capital and Revenue?
  - (e) What do you mean by 'Perpetual System' of inventory?
  - (f) Explain the treatment of 'Legacies' at the time of preparing accounts for non-profit making entities.
  - (g) What is the difference between 'Ledger' and 'Journal'?
  - (h) Mention the types of errors while preparing 'Trial Balance'.

- Q. 2. (a) Explain briefly the limitations of 'accounting ratios'. (4 + 8=12)
- (b) On the basis of the following information of ABC Ltd. Find out :-
- (a) Sales
  - (b) Sundry Debtors
  - (c) Closing Stock
  - (d) Sundry Creditor

Debtor's Velocity	3 months
Stock Velocity	8 months
Creditor velocity	2 months
Gross Profit Ratio	25%

Gross Profit for the year ended 31<sup>st</sup> March 2006 amount to Rs. 4, 00,000. Closing stock of the year is Rs. 10,000 above the opening stock. Bills receivable amount to Rs. 25,000 and bills payable to Rs. 10,000.

- Q. 3. How will you show the following items under relevant main headings, which will be disclosed in the Balance sheet as per provisions of section 211, Schedule VI, part I of the companies Act 1956. State the name of the main heads. (1 x12=12)
- (a) Bills Receivable
  - (b) Loose Tools
  - (c) Capital Reserve
  - (d) Secured Debentures
  - (e) Preliminary Expenses
  - (f) Unclaimed Dividend
  - (g) Share Forfeited Account
  - (h) Share Premium

(i) Debenture

(j) Employees Provident Fund.

(k) Interest Accrued Loan

(l) Provision for Taxation

Q. 4. The following were the balances extracted from the books of X & Co. on 31<sup>st</sup> March 2006 :- (12)

	Rs.		Rs.
X's Drawings	12,000	Sales	7,00,000
Direct Wages	42,500	Sales Return	3,000
Factory Expenses	14,000	Carriage Inward	2,000
Office Salaries	35,000	Carriage Outward	3,750
Insurance	5,000	Discount (Cr.)	1,800
Rent & Rates	20,000	Creditors	43,700
		Debtors	68,000
Electric Charges:			
Factory	3,500	Traveller's Expenses	42,000
Office	1,450	Bank Overdraft	8,000
Advertising	18,000	Cash in Hand	1,300
Purchases	3,90,000	Plant	87,000
Purchases Returns	7,000	Motor Van	30,000
Trade Expenses	15,000	Provision for bad debts 1-4-2005	4,000
Stock 1-4-2005	1,71,000		

Prepare Trading and Profit and Loss account and Balance sheet after making the following adjustments:-

- Provide depreciation on Plant @ 10%
- Provision for bad debt to be raised to Rs. 6,000
- Stock in trade on 31-03-2006 was valued at Rs. 1, 75, 000.
- Salaries outstanding Rs. 2,500.

Q. 5. A Limited, which depreciates its machinery at 10% p.a. on Diminishing Balance Method, had on 1<sup>st</sup> April 2005 Rs. 9,72,000 on the debit side of Machinery Account. During the year machinery purchased on 1<sup>st</sup> April 2003 for Rs. 80,000 was sold for Rs. 45,000 on 1<sup>st</sup> October 2005 and a new machinery at a cost of Rs. 1,50,000 was purchased and installed on the same date, installation charge being Rs. 8,000. The company wanted to change the method of depreciation from Diminishing Balance Method to Straight Line Method with effect from 1<sup>st</sup> April 2003. The rate of depreciation remains the same. Show the machinery account. (12)

Q. 6. (a) What steps are taken to prepare Income and Expenditure A/C from a Receipt and Payment Account? Explain with the help of imaginary example. (6)

(b) What is the difference between Financial Accounting and Management Accounting? (6)

Q. 7. The following are details of spare parts of XYZ Ltd. (12)

1-1-2006 Opening Stock NIL  
1-1-2006 Purchase 100 units @ Rs. 30 each  
15-1-2006 Issued for consumption 50 units.  
1-2-2006 Purchases 200 units @ Rs. 40 each  
15-2-2006 Issued for consumption 100 units  
20-2-2006 Issued for consumption 100 units  
1-3-2006 Purchases 150 units @ Rs. 50 each  
15-3-2006 Issued for consumption 100 units.

Find the value of stock as on 31-3-2006 if the company follows :-

- (a) First in First out basis.
- (b) Last in First out basis
- (c) Weighted average basis.

Q. 8. The annual accounts of MN Ltd. prepared on 31-3-2006 disclosed a net profit of Rs. 48, 576 and the balance sheet total of Rs. 1, 35, 427. The following matters were, however ignored before arriving at these figures:- (2 x 6=12)

- (a) Goods valued at Rs. 750 were purchase, received and taken into stock, but were not recorded in the books.
- (b) Expenses outstanding: wages Rs. 650; salaries Rs. 450; advertisement Rs. 250; law charges Rs. 100; electricity charges Rs. 175.
- (c) Interest accrued on Investments: Rs. 375.
- (d) Goods costing Rs. 250 were taken away by the trader for his personal use.
- (e) Depreciation to be written off: building Rs. 2,500; machinery Rs. 12,500; motor vehicle Rs. 3,500; furniture Rs. 300.
- (f) A reserve of Rs. 800 is to be created for bad and doubtful debts.

Give journal entries to record these matters.

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(Please Write your Exam Roll No. immediately)

Roll No. ....

# END-TERM EXAMINATION

FIRST SEMESTER [MCA] - DECEMBER 2005

Paper Code: MCA-109 Subject: Financial Accounting

Time: 3 Hours (Batch – 2004 & 2005) Maximum Marks: 60

Note: Attempt five questions in all, including Q. 1 which is compulsory.

- Q. 1. (a) Distinguish between the following:-  
(i) Cash Discount and Trade Discount  
(ii) Joint Venture and Partnership
- (b) Explain the following:-  
(i) Contingent Liabilities  
(ii) Finance Lease  
(iii) Account Current  
(iv) Self Balancing Ledger  
(v) Objectives of providing Ledger  
(vi) Matching of cost and revenue.
- Q. 2. What do you mean by 'normal loss' and 'abnormal loss' in consignment? How are they treated in the books of account for consignor?
- Q. 3. What do you understand by 'bank reconciliation statement'? Explain its utility as a control tool.
- Q. 4. Elucidate (clarify) the following statement:-  
(a) "Agreement of trial balance is not a conclusive proof of accuracy of accounting records".  
(b) "Accounting equation holds good under all circumstances".  
(c) "Single entry system of book-keeping is an unscientific incomplete and defective system".  
(d) "Revenue earned and cost of earning revenue should be properly identified for a period.
- Q. 5. What is diminishing balance method of depreciation? Describe its advantages and disadvantages.
- Q. 6. (a) What do you understand by the following:-  
(i) Profitability Ratio  
(ii) Turnover Ratio  
(iii) Financial Ratio
- (b) What are the advantages and limitations of Ratio Analysis?

Q. 7. Under which major head will you classify the following item while preparing the balance sheet of the company?

- (b) Debenture
- (c) Capital Reserve Account
- (d) Public Deposits
- (e) Forfeited Shares Account
- (f) Sundry Creditors
- (g) Advances received from customer
- (h) Bills receivables
- (i) Preliminary Expenses
- (j) Goodwill
- (k) Share Premium

Q. 8. Suman Company has the following Inventory, Purchase and sales data for August :-

Inventory	August 1	100 Units @ Rs. 5
Purchase	August 5	600Units @ Rs. 6
	August 11	300 Units @ Rs. 8
	August 23	400 Units @ Rs. 9
Sales	August 9	400 Units
	August 18	500 Units
	August 28	200 Units

The physical inventory count on August 31 shows 300 units in hand. Compute the cost of inventory on hand on 31 August and cost of goods sold for August under each of the following methods:-

First In First Out

Last In First Out

- Q. 9. (a) What characteristics should an asset possess to be classified as inventory?  
(b) Under what circumstances will you treat interest charges as product cost?  
(c) Why the Inventory costing method is needed?

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# END-TERM EXAMINATION

## FIRST SEMESTER [MCA] - DECEMBER 2004

**Paper Code: MCA-109** **Subject: Financial Accounting**

**Time: 3 Hours** **(Batch – 2004 & 2005)** **Maximum Marks: 60**

**Note: Attempt five questions in all, including Q. 1 which is compulsory.**

- Q. 1. Whether the following statements are true or false. Give reasons very briefly.
- (a) Accounting period assumption show that the business has indefinite life.
  - (b) Heavy advertisement expenditure at the time of introducing a new product is a capital expenditure.
  - (c) Separate entity concept is not applicable to company.
  - (d) Profit and loss account shows the financial position of the concern.
  - (e) Rs. 2,000 paid for erecting a machine should be debited to wages account.
  - (f) Depreciation and depletion are the same thing.
  - (g) Receipts and payment account is the summary of income and expenditure.
  - (h) Buying goods for cash would increase the current ratio.
  - (i) It is generally accepted that the current liabilities should be two times the current assets.
  - (j) FIFO method of valuation of inventories is preferred rising prices.
- Q. 2. “Agreement is a trial balance is conclusive proof of accuracy of books of account”.  
Comment.
- Q. 3. Rectify the following error:
- (a) Rs. 3,000 paid for purchase of furniture was posted to purchase account.
  - (b) Rs. 1,000 spend on repair of the building was debited to building account.
  - (c) Good sold to zed for Rs. 405 have been entered in the sales book as Rs. 504.
  - (d) Purchaser of goods from Pee has been wrongly passed through sales book. The amount of purchaser was Rs. 2,000.
  - (e) A sale of Rs. 2,000 made to Mr. Ram was correctly entered in the sales day book was wrongly posted to the debit of Mr. Shyam’s account.
- Q. 4. What do you mean by the term ‘Depreciation’? What are the basic features of depreciation? Discuss the causes of depreciation. Also describe any two method of providing depreciation.
- Q. 5. (a) The following items are found in the trial balance of Mr. Short on 31<sup>st</sup> December 2003.

	Rs.
Debtor	20,000
Bad Debt	500
Provision for bad & doubtful debts on 1.1.2003	800

You are to provide for additional bad debt Rs. 400; bad and doubtful debt 5% shows the treatment of above transaction in the profit and loss account and the Balance Sheet.

(b) Differentiate between outstanding expenses and prepaid expenses. How will you treat them while preparing profit and loss account and the balance sheet?

Q. 6. The following are the details of a spare part of S. R. Mills Ltd.

1.11.04	Opening Stock	50 units @ Rs. 25 per Unit
2.11.04	Purchase	100 units @ Rs. 30 per Unit
5.11.04	Issued	60 units
11.11.04	Purchase	200 units @ Rs. 40 per Unit
20.11.04	Issued	100 Units
22.11.04	Issued	100 Units
27.11.04	Purchase	150 units @ Rs. 50 per Unit
29.11.04	Issued	100 Units

Find out the value of stock on 30.11.04 using

- (a) LIFO Method
- (b) FIFO Method

Q. 7. What is meant by financial statements? What are the limitations of financial statement? Enumerate various parties interested in financial statements.

Q. 8. Under which major head will you classify the following items while preparing the Balance sheet of a company:

- (a) Debenture
- (b) Capital Reserve Account
- (c) Public Deposits
- (d) Forfeited Shares Account
- (e) Sundry Creditors
- (f) Advances received from customer
- (g) Bills receivables
- (h) Preliminary Expenses
- (i) Goodwill
- (j) Share Premium

Q. 9. (a) Distinguish between receipts and payments account and income and expenditure account.

(b) Income and expenditure account of Delhi Sports club show the amount of subscription for 2003 as Rs. 11,000. You are further given:

- Subscription unpaid on 1.1.2003 Rs. 1,000 of which Rs. 900 was received in 2003.
- Subscription paid in advance on 1.1.2003

- Subscription paid in advance at 31.12.2003	300
- Subscription for 2003 unpaid at 31.12.2003	350

Ascertain the amount of subscription of subscription received during the year 2003 to be shown in receipts and payments account.

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(Please Write your Exam Roll No. immediately)

Roll No. ....

# END-TERM EXAMINATION

FIRST SEMESTER [MCA] - DECEMBER 2002

Paper Code: MCA-109

Subject: Financial Accounting

Time: 3 Hours

Maximum Marks: 60

Note: Attempt five questions in all, including Q. 1 which is compulsory.  
All Question carry equal marks.

- Q. 1. All parts carry equal marks (one). State True/False with one reason
- Generally business transactions are described in money terms.
  - Financial Accounting facilitates management control.
  - Financial management is same as financial accounting.
  - Accounting starts from the point where book keeping ends.
  - Money does not have constant value.
  - The annual report is a document that incorporates the balance sheet and income statement.
  - Business has an indefinite life.
  - The accounting equation is a statement of equality between debit and credit.
  - Depreciation is a charge against profit.
  - The cash book functions both as a Journal and a ledger.
  - The filling of voucher in petty cash book should be in order.
  - Bank reconciliation statement shows any undue delay in the clearance of cheques.
- Q. 2. What is financial accounting? What are its objectives and limitations?
- Q. 3. Mr. A shopkeeper has prepared the following trial balance from his ledger as on 31<sup>st</sup> March, 2002.

Particular	Debit (Rs.)	Credit (Rs.)
Purchase	6,20,000	
Sales		8,30,000
Cash in hand	4,200	
Cash at Bank	24,000	
Stock of goods as on 1/4/2001	1,00,000	
Mr. A's Capital		5,77,000
Drawings	8,000	
Salaries	64,000	
Postage & Telephone	23,000	
Salesman Commission	70,000	
Insurance	18,000	
Advertising	34,000	
Furniture	44,000	

Printing & Stationary	6,000	
Motor Car	96,000	
Bad debts	4,000	
Cash Discounts	8,000	
General Expenses	60,000	
Carriage Inward	20,000	
Carriage Outwards	44,000	
Wages	40,000	
Creditor		80,000
Debtor	2,00,000	
<b>Total</b>	<b>14,87,000</b>	<b>14,87,000</b>

You are requested to prepare Trading and profit and loss account for the year ending 31<sup>st</sup> March, 2002 and balance sheet as on that date. You are given the following further information:-

- Cost of good in stock as on 31<sup>st</sup> March 2002 is Rs. 1,45,000.
- Mr. A has withdrawn goods worth Rs. 5,000 during the year.
- Purchases include purchase of furniture worth Rs. 10,000.
- Debtors include Rs. 5,000 bad debts.
- Creditors include a balance of Rs. 4,000 to the credit of Mr. B in respect of which it has been decided and settled with the party to pay only Rs. 1000.
- Sales include goods worth Rs. 15000 sent to Ram & Co. on approval and remaining unsold as on 31<sup>st</sup> March 1999. The cost of goods was Rs. 10,000.
- Provision for bad debts is to be created at 5% on sundry debtors.
- Depreciated furniture by 15% an motor car by 20%.
- The salesmen are entitled to a commission of 10% on total sales.

Q. 4. Write short notes on any two of the following:-

- The advantages and limitations of accounting ratio.
- Measurement of fair income.
- Income and expenditure account.
- Inventory valuation and depreciation.

Q. 5. Rathi Alloys Ltd. has drawn up the following profit and loss account for the year ended 31<sup>st</sup> March 2003 :

Debit Particulars	Rs.	Particulars	Credit Rs.
To Opening Stock	13,000	By Sales	80,000
To Purchases	40,000	By Closing Stock	19,000
To Wages	12,000		
To Unmanufacturing Expenses	8,000		
To Gross Profit	26,000		
	99,000		99,000

To Selling & Dist. Expenses	2,000	By Gross Profit	26,000
To Admn. Expenses	11,400	By Compensation for Acquisition of land	2,400
To General Expenses	600		
To Loss by fire (Furniture)	400		
To Net Profit	14,000		
	28,400		28,400

Find out the

- Gross Profit Ratio
- Operating Ratio
- Ratio of operating net profit to net sales

Q. 6. What is receipt and payment account? How will you deal with donations and legacies in final accounts of a non profit organization?

Q. 7. The following balances are extracted from the books of the branch:

Stock on 1.1.1999	39,000	Wages	8,000
Head Office (Credit)	42,000	Salaries	2,500
Sundry Debtors	15,000	Carriage and Freight	1,200
Purchases	34,500	Rent, Rates etc.	1,200
Goods received from H.O.	42,500	Office Expenses	300
Returns to H. O.	2,000	Cash in hand	350
Sales	96,000	Cash at bank	1,450
Sundry Creditor	6,000	Stock on 31.12.1999	42,600

The head office sent goods worth Rs. 7,500 to branch office on 30<sup>th</sup> December 1999, but the branch received the same on 7<sup>th</sup> January 2000. The branch remitted to head office Rs. 4,500 on 27<sup>th</sup> December 1999 but the money was received by head office on 2<sup>nd</sup> January 2002. The branch account in the head office books showed a debit balance of Rs. 54,000 on 31<sup>st</sup> December 1999. Branch plant & Machinery account appeared in the head office books at Rs. 24,000 on 31<sup>st</sup> December 1999 which was to be depreciated by 5%. Make necessary journal entries in the book of head office and the branch for reconciling their accounts. Give also journal entries to incorporate in the head office books.

Q. 8. What do you understand by depreciation? Explain sinking fund method of depreciation with example.

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# END-TERM EXAMINATION

**FIRST SEMESTER [MCA] - DECEMBER 2001**

<b>Paper Code: MCA-109</b>	<b>Subject: Financial Accounting</b>
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**Time: 3 Hours**

**Maximum Marks: 60**

<b>Note: Attempt any five questions including Q. 1 which is compulsory. All Question carry equal marks.</b>
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- Q. 1. State whether the following statements are true or false. Give Reasons
- Going Concern Concept up the time frame for which the performance is to be measured and financial position is to be appraised.
  - Profit / Loss = Closing Capital + Additional Capital – Drawing – Opening Capital
  - Goods were sold to Ram Rs. 1,000 on 1.1.2011, Ram paid Rs. 950 on account. Ram's account should be credited with Rs. 1000.
  - Purchase of a fixed assets on credit is recorded in the Journal Paper.
  - Current ratio represents the profitability position of a company.
  - Adjustment entries always affect profit and loss A/c and the balance sheet simultaneously.

- Q. 2. The following is the Trial Balance of M/s Nitin Computers as on 31<sup>st</sup> March 2001.

	Rs		Rs.
Plant & Machinery	5,40,000	Telephone	13,500
Office Furniture	66,000	Insurance	33,000
Opening Stock	5,20,000	Advertisement	1,16,500
Motor Wares	1,60,000	General Expenses	70,000
Debtors	5,17,000	Bad debts	85,000
Cash in hand	64,000	Discount Allowed	1,25,000
Cash at bank	1,25,000	Capital	16,60,000
Wages : Factory	56,000	Sales	48,96,000
Office	20,000	Bills Payable	1,16,000
Purchase	38,60,000	Creditors	3,80,000
Closing Stock	5,75,000	12% Bank Loan	2,00,000
Bills Receivable	1,32,000	Provisions for	85,000
		doubtful debt	
Return Inwards	1,53,000	Return Outwards	1,15,000
Drawing	1,30,000	Discount Received	97,000
Rent	1,20,000		
Factory Lighting	60,000		

The following adjustment are to be made:

- Stock as on March 31, 2001 has an estimated market value of Rs. 60,000.
- Stock lost by fire during the year amount to Rs. 45,000 against which insurers paid Rs. 34,000. The receipt was credited to Sales account.
- Rent due, but not paid as on March 31, 2001 amounted to Rs. 20,000.

- (iv) Three monthly factory lighting and heating due but not paid worked out to be Rs. 3,000.
- (v) Insurance paid in advance amounted to Rs. 1000.
- (vi) Depreciation @ 10% is required to be written off on plant and machinery, 55 on furniture and 255 on motor van.
- (vii) Written off further bad debts is to be increased to Rs. 30,000.
- (viii) The bank loan was contracted on July 1, 2000 you are required to prepare the profit and loss A/c for the year ended March 31, 2001 and also the balance sheet as on March 31, 2001. Show the working notes wherever required.

Q. 3. On July 1, 1991 Gopal purchases the second hand machinery Rs. 20,000 and spent Rs. 3000 on re-conditioning and installing it. On January 1, 1992 the firm purchased new machinery worth Rs. 12,000. On June 30, 1993, the machinery purchased on January 1, 1992 was sold for Rs. 8,000. On July 1, 1993 fresh machinery was purchased for this machinery to be made as follow :

July 1, 1993	Rs. 5,000
June 30, 1994	Rs. 6,000
June 30, 1995	Rs. 5,500

Payments in 1994 and 1995 include interest Rs. 1,000 and Rs. 500 respectively. The company writes off the depreciation @ 10% pa on the original cost. The account is closed every year on 31<sup>st</sup> March. Show the machinery account for three year ending 31, March 1994.

Q. 4. (a) Calculate by FIFO method of inventory valuation, the cost of goods sold and value of ending inventory from the following data.

		Units	Price
Jan 1	Opening Stock	1500	20
Feb 2	Purchased	750	25
March 15	Purchased	600	22
March 15	Sold	1800	-
April 10	Sold	750	-
May 15	Purchased	600	25
June 10	Sold	750	-

(b) Compare the FIFO and LIFO method of stock valuation with the reference to their effect on pricing of issues of goods, valuation of closing stock and profits during a period of rising prices.

Q. 5. XYZ Ltd. had a branch at Calcutta. Goods are invoiced to the branch at cost plus 25%. Branch has been instructed to send all cash daily to the head office. All expenses are paid by the head office except petty expenses which are met by the branch manager.

From the following particulars, Prepare the Branch Account in te books of the head office.

	Rs.
Opening Stock	2,500
Closing Stock	3,500
Opening Sundry Debtor	1,400
Closing Sundry Debtor	1,800
Cash sales for the year	10,800
Credit sales for the year	7000
Goods invoiced from the head office	18,200
Expenses paid by the head office	1,640
Expenses paid by the branch	120
Cash submitted to the head office	15,000
Furniture purchased by the branch manager.	1,200

Q. 6. Prepare Receipt and payment accounts and income and expenditure A/c of City Club for the year ended 31<sup>st</sup> March 2000 from the following particulars -

Subscriptions collected (including Rs. 4,000 for 1998)	30,000
Donation Received (not to capitalized)	2,000
Subscription outstanding at the end of the year	6,000
Rent paid	1,800
Purchase of furniture at the beginning of the year	1,000
Purchased of sports equipment	2,500
Purchases of magazine and newspaper	1,200
Sale of old furniture at the beginning of the year	500
Opening cash balances and bank balance	6,800
Instrument purchased	4,000
Interest on Investment received	1,000
Bank Charges	20
Postage, telegrams and telephones	1,800
Printing and stationary	1,000
Printers bill	500
Entrance fees	1,400
Legacies received	2,000
Honorary secretary allowances ( including Rs. 2000 for last year)	1,800
Outstanding allowances (Honorary Secretary)	300

Q. 7. Differentiate between (any four)

- (a) Capital expenditure and Revenue expenditure
- (b) Trial Balance and Balance sheet
- (c) Periodic and perceptual method of inventory.
- (d) Fund flow statement and Balance sheet
- (e) Liquidity and solvency ratios.

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**FIRST SEMESTER [MCA] - DECEMBER 2001**

<b>Paper Code: MCA-109</b>	<b>Subject: Financial Accounting</b>
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**Time: 3 Hours**

**Maximum Marks: 60**

<p><b>Note: Attempt any five questions including Q. 1 which is compulsory. All Question carry equal marks.</b></p>
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- Q. 1. Give the right answer giving atleast one reason in support for you choice. (True/False)
- (a) Depreciation is a charge against profit.
  - (b) All possible expenses and losses should be provided for but expected income and gains should be ignored.
  - (c) Balance sheet shows the financial position at a point of time.
  - (d) Which of the following accounting equation is correct?  
 A-Capital = Total Assets – (Debenture + Loans)  
 B-Capital = Total Assets – (All Internal and external liabilities)
  - (e) Acid test measures the correct economic position of an undertaking.
  - (f) Window dressing of Balance sheet serves the interest of investors.
  - (g) Timely publication of Annual Accounts is highly important.
  - (h) Miscellaneous Expenditure (to the extent not written off) is an item of assets.
  - (i) Double entry system is the only scientific system of book-keeping.
  - (j) Companies should charge depreciation irrespective of use of machines.
  - (k) Goodwill is an intangible asset.
  - (l) Expenditure incurred on installation of an asset is a capital expenditure.

- Q. 2. Prepare a Trading and Profit and Loss account for the year ended on 31<sup>st</sup> March 2001 and Balance sheet on that date from the ledger balances and other information as below:-

	Rs		Rs.
Stock (1-4-1999)	1, 05,000	Sales	6,75,000
Purchases	1, 75,000	Purchase Returns	15,000
Sales Returns	15,500	Interest on Investments	1,500
Carriage Inwards	7,500	Creditors	60,500
Manufacturing Exp. including wages	1,45,000	Bills Payable	22,000
Salaries	35,000	Capital	2,50,000
Rent of Building	30,000	Loans	50,000
Insurance Premium	750		
Advertising Expenses	2,500		
General Expenses	1,500		
Bad Debts	2,500		
Stationary & Printing	5,500		
Commission to Salesman	3,750		
Interest on loan	4,500		
Land & Buildings	1, 96,000		

Plant & Machinery	2, 25,000	
Furniture & Fixtures	25,000	
Debtors	28,000	
Stock in trade	35,000	
Bills Receivable	15,000	
Cash Balances	15,000	
	-----	-----
	10, 74,000	10, 74,000
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Other information:-

- (i) Unsold stock , Rs. 60,500
- (ii) Provide 5% for Bad & Doubtful Debts.
- (iii) Charge depreciation on Plant & Machinery @ 10% and on furniture @ 20%
- (iv) Outstanding rent Rs. 6,000.
- (v) Accrued Interest Rs. 1,500
- (vi) Tax payable Rs. 15,000.

Q. 3. What do you mean by Financial Statement Analysis? Explain the techniques which are used for analysis of the annual accounts of any company.

Q. 4. ABC Ltd. has drawn its balance sheet for the year ended on 31.03.2001.

<b>Capital &amp; Liabilities</b>	<b>Amount</b>	<b>Property &amp; Assets</b>	<b>Amount</b>
Share Capital	1,75,000	Land & Building	1,00,000
Reserve & Surplus	25,000	Plant & Machinery	75,000
Loans	90,000	Furniture & Fixtures	18,000
Creditors	45,000	Stock	95,000
Bills Payable	15,000	Debtors	35,000
Outstanding Rent	6,000	Bills Receivable	10,000
Tax Payable	15,000	Accrued Interest	2,000
		Cash balances	15,000
		Miscellaneous	21,000
		expenditure	
		( to the extent not written off)	
	-----		-----
	3,71,000		3,71,000
	-----		-----

You are required to calculate the following accounting ratios and comment on the Liquidity, current period and long-period solvency of the company.

- (a) Liquid Ratio
- (b) Current Ratio
- (c) Debt-Equity Ratio.



- Q. 5. (a) Mention the different method of inventory valuation.  
 (b) Prepare the statement of inventory using FIFO and LIFO methods of inventory valuation from the following information obtained from cost records of a firm.

1999

January 1	Balance 100 Units @ Rs. 15
January 10	Purchases 55 Units @ Rs. 20
January 12	Issued 200 Units
January 20	Purchases 55 Units @ Rs. 25
January 31	Issued 400 Units

- Q. 6. On 1<sup>st</sup> January 1998, X Ltd. purchased a machine for Rs. 3,60,000 and spent Rs. 15,000 on its installation. On 1<sup>st</sup> July the same year another machine costing Rs. 1, 50, 000 was added. On 1<sup>st</sup> July, 2000 the machinery which was purchased on 1<sup>st</sup> January, 1998 was discarded for Rs.1,60,000 and on the same date, a new machine was purchased for Rs. 3,00,000

Show the Machinery Account as would appear in the book of the company for the first four years if depreciation is charged at 10% per annum by straight line method.

- Q. 7. Following is the summary of cash transaction of Youngmans club, Delhi for the year ended on 31<sup>st</sup> March 2000. Prepare an Income and Expenditure Account for the year ended on 31<sup>st</sup> March 2000 and also the Balance sheet on the date.

<b>Receipts</b>	<b>Amount</b>	<b>Payment</b>	<b>Amount</b>
Cash in hand	21,500	Rent & Taxes	12,750
Entrance Fee	6,250	Salaries	14,250
Subscriptions	23,000	Electric Charges	750
Donations	16000	General Expenses	1,800
Interest	950	Books	5,150
Profit from Variety show	11,000	Office Expenses	6,000
		Investments	23,000
		Cash at Bank	9,000
		Cash in Hand	6,000
	-----		-----
	78,700		78, 700
	-----		-----

At the beginning of the year, the club had books worth Rs. 45,000 and furniture worth Rs. 8,700. Subscription in arrears on 1<sup>st</sup> April, 1999 were Rs. 900 and Rs. 1,050 on 31<sup>st</sup> March 2000 Rs. 2700 was due by way of rent in the beginning as well as at the end of the year.

Depreciate furniture by Rs. 750 and books by Rs. 4,500. On 31<sup>st</sup> March 2000, Salaries Rs. 2,500 and electric charges Rs. 500 were outstanding.

- Q. 8. Write short notes on any two of the following:-

- (a) Measurement of fair income
- (b) Debtors system of Branch Accounting
- (c) Distinction between Capital and Revenue items of expenditure and income
- (d) Payroll Accounting.

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# END-TERM EXAMINATION

FIRST SEMESTER [MCA] - DECEMBER 2001

**Paper Code: MCA-109** **Subject: Financial Accounting**

**Time: 3 Hours** **Maximum Marks: 60**

**Note: Attempt any five questions including Q. 1 which is compulsory.**

- Q. 1. M/s Superior Product Ltd. manufactures and sells cosmetics in Delhi region. In order to increase its level of operations, the company wants to borrow from banks for financing the purchase of new machinery and also for working capital requirements. On 31<sup>st</sup> March 2000, the following balances appeared in the books of the company.

Share Capital Account	2,00,000	Purchases	1,25,000
Carriage Inward	5,000	Sales	4,31,000
Duty	10,000	Furniture	10,200
Cash in hand	1280	Bank Charges	230
Salaries	22,000	Investment	41,900
Power	30,000	Gas & Water	5,000
Carriage Outward	2,000	Factory Rent	12,000
Insurance of Plant	2,000	Wages	75,000
Goodwill	20,000	Debtors	24,500
Rent from subletting	1,500	Bills Payable	5,000
Plant & Machinery	2,00,000	Taxes	5,000
Cash at bank	950	Opening Stock	96,000
Sundry Creditors	50,340		

Additional information:-

1. Closing Stock 70,000
2. Provide for depreciation on plant and machinery @ 20%; Furniture @ 10% and doubtful debts @ 2.5%.

Required:

1. Draw the income statement and balance sheet for the year ended 31<sup>st</sup> March 2000.
2. Calculate the following ratios:
  - (a) Current Ratio
  - (b) Acid-Test Ratio
  - (c) Inventory Turnover Ratio
  - (d) Return on Investment
  - (e) Debt equity Ratio
3. Comment on the above ratios and indicate the ratio, which would be relevant for short-term loan and long-term loan.

Q. 2. C Ltd. is charging depreciation in its plant on the straight line basis @ 10%. On 01/01/2000, it was decided that depreciation be charged at 10% on diminishing balance method with effect from 01/01/97. Following particulars relate to Plant & Machinery A/c.

01/01/2000	Balance of Plant A/c	Rs. 76,000
01/01/1997	Total Depreciation charged as on date	Rs. 8,000
	Total Depreciation charged for 1997	Rs. 7,000
	Total Depreciation charged for 1998	Rs. 7,000

Other Transactions were as under:-

01/04/97	Sale of machinery bought on 01/07/94 for Rs. 18,000 at book value
01/06/97	Acquired a new machine costing Rs. 21,000
10/02/98	Sale of machinery scrap Rs. 600 (bought on 01/01/98 for Rs. 27,600)
31/12/99	Depreciation written off for 3 months on new machinery acquired for Rs. 500

Prepare the new plant and machinery account upto 31/12/2000 according to diminishing balance method and find out how much differential depreciation is to be provided and how will you account for in the books of accounts.

Q. 3. A company started on 1<sup>st</sup> January 2000, purchased the following raw materials during 2000 as stated below:-

January	2	800 Kg.	@ Rs. 62 per Kg.
February	26	1,200 Kg.	@ Rs. 57 per Kg.
April	13	2,500 Kg.	@ Rs. 59 per Kg.
July	10	3,000 Kg.	@ Rs. 56 per Kg.
September	18	1,500 Kg.	@ Rs. 60 per Kg.
November	29	1,000 Kg.	@ Rs. 65 per Kg.

While preparing the final account on 31<sup>st</sup> December, the company had 1,300 Kg. of raw materials in its godown. Calculate the value of closing stock of raw materials and the cost of sales according to :-

- (i) FIFO basis
- (ii) LIFO basis
- (iii) Weighted average basis.

Q. 4. The following is the summary of receipts and payments of Prabhu Nursing Home for the year Dec. 31<sup>st</sup> 2000.

<b>Receipt</b>	<b>Amount</b>	<b>Payments</b>	<b>Amount</b>
To Balance on 1.1.2000		By Salaries	7,150
Deposits on building fund		By Medicines	2,100
Account	19,000	By Rent, Rates & Taxes	900
Current Account	1,260	By electricity	600
To member's subscription	12,900	By telephone	400
To fees from non-members	1,200	By general expenses	1,700
To grand from local authority	2,500	By car expenses	350
To donations	5,000	By cost of second hand car	3,860
To interest on deposits	1,140	By balance on 31.12.2000	
		Deposit on the building	
		fund account	25,140
		Current account	800
	-----		-----
	43,000		43,000
	-----		-----

Taking the following into account, prepare the Income & Expenditure Account of the Nursing Home for the year 31<sup>st</sup> Dec. 2000 and the Balance sheet as at that date.

- (i) In 1997 the society purchased a plot costing Rs. 8000
- (ii) Fees from non-members include Rs. 50 for the year 2000
- (iii) Rent Rs. 50 for January 2000 was paid on 15.12.99
- (iv) Salaries of Rs. 650 for December 1999 are yet to be paid
- (v) Members subscription includes Rs. 200 as subscription due in 1998.

Q. 5. (a) Briefly explain how you will account for stock in transit in the books of head office and branch.

(b) From the following information prepare the Bangalore Branch A/c for the year ended 31.12.2000 in the books of head office at Hyderabad.

	<b>Rs.</b>
Stock at branch on 01.01.2000	36,200
Stock at branch on 31.12.2000	33,140
Branch debtors on 01.01.2000	11,300
Branch debtors on 31.12.2000	6,040
Petty cash at the branch on 01.01.2000	220
Petty cash on 31.12.2000	140
Goods sent to branch by H.O. during 2000	1,56,680
Branch expenses met by head office to the branch for meeting petty expenses	7,000
Cash sent by head office to the branch for meeting petty expenses	1040

Cash sales at the branch during 2000	1,68,200
Cash received from branch debtors during 2000	27,700

- Q. 6. (a) Indicate True or False for the following statements, giving reasons briefly:
- (i) The convention of full disclosure has usually the effect of overstating losses and understating of income.
  - (ii) 'Capital Work-in-process' is not subject to depreciation.
  - (iii) Generally Accepted Accounting Principles (GAAP) are universal in nature.
  - (iv) The financial statements based on 'Historical Cost Concept' are of no use to the potential investor.
  - (v) High current ratio ensures high liquidity.
- (b) Write short notes on any two of the following:
- (i) Return on net worth
  - (ii) Payroll accounting
  - (iii) Measurement & Recognition of business income.

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