

VPM's
DR VN BRIMS, Thane
Programme: MMS (2018-20)
First Semester Examination December 2018

Subject	Financial Accounting		
Roll No.		Marks	60 Marks
Total No. of Questions	7	Duration	3 Hours
Total No. of printed pages	4	Date	12.12.2018

Instructions:-

- **Q. No 1** is compulsory.
- Attempt **Any Four** from the Remaining Six Questions.
- Figures in the centre which is given in bracket indicate marks in full.

Q. 1 (20 Marks)-Compulsory

- a) The following trial balance has been extracted from the books of LKH Ltd. As on 31st March 20XX: **15 Marks**

Particulars	Dr. Rs.	Cr. Rs.
Share capital	-	20,00,000
Opening stock:		
Raw Materials	40,000	-
Finished goods	36,000	-
Purchases of raw materials	4,20,000	-
Power and fuel	31,000	-
Wages	1,50,000	-
Salaries	2,20,000	-
Bonus to employees	59,200	-
Rent and taxes paid	16,400	-
Advertising	39,400	-
Interest received	-	5,000
Sales	-	1,24,27,200
Buildings	1,00,00,000	-
Plant and machinery	70,00,000	-
Accounts payable	-	59,000
Long term bank loan	-	3,00,000
Cash and bank balance	22,600	-
Goodwill	1,00,000	-
Accounts receivable	52,400	-
Bad debts	4,200	-
Provision for depreciation:		
Buildings	-	20,00,000
Plant for machinery	-	14,00,000
Total	1,81,91,200	1,81,91,200

After considering the following additional information prepare vertical profit and loss statement and balance sheet of the company:

- The authorised share capital of the company is Rs. 40,00,000 divided into 4,00,000 equity shares of Rs. 10 each. 2,00,000 shares have been issued and fully paid.
- The closing stock on 31st March has been evaluated as under:
 - Raw Materials Rs. 36,000
 - Finished goods Rs. 34,000
- The company has a policy of charging depreciable on its assets @10% following straight line method.

- D. Rs. 4,000 is to be provided for doubtful debts.
- E. Outstanding wages Rs. 16,000 and salaries Rs. 20,000.

- b) Explain in brief the following: **5 Marks**
- i. What is Accounting Cycle? What is the last stage of Accounting Cycle?
 - ii. Explain, What is GAAP?

Q.2 Answer Any two from the following. (10 Marks)

- a) Calculate cash flow from operating activities from the following information

Particulars	2008 (Rs.)	2009 (Rs.)
Debtors	1,68,000	1,84,000
Prepaid Expenses	8,000	10,800
Accrued Income	6,000	4,800
Income received in advance	3,200	4,000
Creditors	1,04,000	1,16,000
Bills Payable	52,000	44,000
Outstanding Expenses	32,000	24,000

Profit made during 2009 amounted to Rs. 4,00,000 after taking into account the following adjustments

- i. Profit on sale of investment Rs. 8,000
 - ii. Loss on sale of machine Rs.3,600
 - iii. Goodwill Amortised Rs.12,000
 - iv. Depreciation charged Rs. 11,600
- b) State with reasons whether the following items will be treated as capital expenditure or revenue expenditure-
- i. Embezzlement of cash by Cashier Rs. 1,000.
 - ii. Expenditure on research Rs. 10,000.
 - iii. Purchase of old machine Rs. 15,000.
 - iv Depreciation on fixed asset Rs. 20,000.
 - v. Cost of Trade Mark Rs. 5,000.
- c) Explain the following:
- i. Deferred Revenue Expenditure
 - ii. Cash Flow Statement

Q.3 Answer Any two from the following. (10 Marks)

On July 1, 2016, S. Sengupta established Access Marketing Ltd to provide research services. The following transactions were concluded:

- July
- 1 S.Sengupta invested cash in the company's share capital Rs 1,00,000
 - 2 Bought office equipment on credit, Rs 32,000
 - 3 Bought office supplies for Rs 6,000 on part payment of Rs 4,000
 - 4 Took office premises on rent at a monthly rent of Rs 7,000 payable on the 5th of each month
 - 5 Paid office rent for the month
 - 7 Provided services for cash Rs 24,000
 - 10 Billed customers for services provided Rs 11,800
 - 13 Paid on account for the equipment bought on Aug 2, Rs 16,000
 - 17 Paid insurance premium for the next month Rs 1,500
 - 19 Received but not paid electricity bill for the month Rs 1,100
 - 22 Paid telephone expense Rs 1,600
 - 24 Bought office supplies for cash Rs 2000
 - 27 Received cash for services to be provided in the next month Rs 13,400
 - 29 Paid salaries expense Rs 8,000
 - 31 Paid a dividend Rs 10,000

Required (**Any Two**):

- Prepare journal entries to record the transactions in the general journal
- Post the journal entries to the ledger
- Prepare a trial balance on July 31, 2014

Q.4 Answer Any two from the following. (10 Marks)

From the following Trial Balance of Jindal Traders, **prepare (Any Two)**

- Trading Account,
- Profit & Loss Account for the year ending December 31, 2016
- Balance sheet as on that date:

Particulars	Debit (RS)	Credit (RS)
Land & Building	60,000	
Capital		96,000
Plant and Machinery	33,000	
Sundry Creditors		15,000
Stock	12,000	
Sales		60,000
Investment	5,000	
Provision for B/d Doubtful Debts		1100
Purchases	45000	
Loan		20,000
Wages	2000	
Rent Received in advance		1,000
Carriage	2000	
Commission Received		3,000
Salary	5000	
Bills payable		15,000
Rent	2,000	
Cash at Bank	3000	
Sundry Debtors	30,000	
Discount	300	
Bad Debt	500	
Sales Returns	1300	
	2,11,100	2,11,100

Additional Information valued

- Closing stock valued at Rs. 12,000.
- Bad Debt 500 and Provision for Bad & Doubtful Debts at 5%.
- Salary outstanding Rs. 1000.
- Commission Received in advance 1,000.
- Depreciate Machinery @ 3% & land and Builders @ 2%.

Q.5 Answer Any two from the following. (10 Marks)

a) The following are the receipts and issue transaction of Item "X" during January 2012 in a firm:2012

Jan 2	Receipt of 50 units @ Rs. 10 per unit.
Jan 4	Receipt of 100 units @10.50 per unit
Jan 6	Issue of 40 units
Jan 8	Receipt of 100 units @Rs 11 per unit
Jan 10	Issue of 70 units
Jan14	Issue of 80 units.
Jan 18	Receipt of 75 units @ 10.75 per unit
Jan 21	Receipt of 200 units @ Rs. 11 per unit
Jan 25	Issue of 100 units
Jan 30	Issue of 75 notes

Find out the value of closing stock using FIFO method of pricing the issues.

- b) Healthcare Pharmaceutical Limited has three plants located at Delhi, Mumbai and Pune. The company has decided to shut down the Pune plant and sell its assets either as a running unit or in a piecemeal manner. What is the implication of such a decision in the books of accounts of the company?
- c) In the profit and loss statement of Tee Ltd. About 60% of the expense have been clubbed under the heading 'miscellaneous expenses', whereas Cee Limited has reported all heads of expenses separately including about 100 different types of expenses which together constitute only 10% of the total expenses in rupee terms. What are your views?

Q.6 Answer Any two from the following. (10 Marks)

On 1st January 2008, the opening balance of the Plant & Machinery account of a business was Rs. 80,000 referring to machinery bought on 1st January 2008. On the same date (1st January 2008), a new plant was purchased for Rs. 10,000. On 1st July, 2008 additional plant was purchased for Rs. 10,000. On 31st December 2008, part of the plant purchased for Rs. 2,000 on 1st January 2008, was sold for Rs. 1,900. On 31st December 2009 again, a part of the plant purchased for Rs. 6,000 on 1st January, 2008 was sold for Rs. 4,000.

- a) Plant and Machinery Account for 2008 and 2009 providing depreciation at 10% per annum on the Original Cost Method.
- b) Why do we calculate depreciation? Explain
- c) Explain the process of computing depreciation.

Q.7 Answer Any two from the following. (10 Marks)

- a) Explain the important economic decision made by using accounting information by the following users:
 - i Financial Institutions
 - ii Security Analyst
 - iii Production Manager
 - iv RBI
 - v Public
- b) Explain Need for Distinction Between Capital and Revenue Items
- c) Explain Cash Flow Activities