

MMS - I
FA 01

07.12.2008

Roll No.
Total No. of Questions: 10
Duration (hrs): 3 hrs

Total No of printed Pages: 4
Maximum Marks: 60

Notes

- a) **All questions are compulsory.**
- b) Figures to the right indicate marks allotted to the question.
- c) Working notes should form part of your answer (where ever applicable)

Question 1

(2)

Suresh had an opening credit balance of Rs. 11,600 in his capital account. At the close of the year his drawings a/c had a debit balance of Rs. 3500. If the net profit for the year was Rs. 6,700, what would be his capital balance at the year end. (show calculations)

Question 2

(4)

Match the concepts or conventions given in (A) with accounting practices given in (B) below:

- (A) Concepts and conventions
 - a) Business entity concept
 - b) Cost concept
 - c) Conservatism
 - d) Money measurement
- (B) Accounting practises.
 - a) Exchange price is recorded in books.
 - b) An accounting alternative is selected that is least likely to overstate assets or income.
 - c) Accounting records are maintained in Rupees.
 - d) The business rather than its owner is the reporting unit

Question 3

(6)

Pass rectification entries for the following errors (with suspense account, if necessary):

- (a) Ritesh sells goods for Rs. 3,000 to Vinay. It is recorded through the purchase return book of Ritesh.
- (b) Payment of wages of Rs. 1750 though correctly recorded through the cashbook is posted twice to the wages account.
- (c) Sunil returned goods worth Rs. 495. The same is recorded through his sales return book as Rs. 459.

OR

Question 3

(6)

State giving reasons whether you would consider the following items as capital, revenue or deferred revenue expenditure:

- a) Heavy legal expenses incurred by a publisher in a defamation suit against him.
- b) Amount paid for acquiring licence to set up a factory. Subsequently the licence is to be renewed every year for carrying out work in the factory.

- c) Cost of raincoats and umbrellas for employees who are given the same every two years.

Question 4

(12)

The following is the trial balance of M/s Meenakshi Traders for the year ended 31st March 2008. You are required to **prepare a Trading and Profit and loss account and Balance sheet**, after taking into account the adjustments given below:

Debit	Rs.	Credit	Rs.
Cash in hand	50,000	Sales	12,40,000
Cash at bank	1,50,000	Return outward	40,000
Land	2,50,000	Sundry creditors	75,000
Sundry debtors	1,98,000	Discount received	15,000
Printing and stationery	20,000	Capital	11,64,000
Return inward	20,000		
Plant and machinery	1,75,000		
Carriage inwards	6,000		
Carriage outwards	14,000		
Rent rates and taxes	20,000		
Building	5,00,000		
Wages	1,00,000		
Salaries	31,000		
Opening inventory	2,70,000		
Purchases	6,90,000		
General expenses	40,000		
Total	25,34,000	Total	25,34,000

Adjustments:

- Closing inventory as on 31.3.2008 is Rs. 4,60,000.
- Depreciate plant and machinery @10% p.a. and building @ 5% p.a.
- Salaries outstanding are Rs. 12,000.
- Plant purchased on 1st April 2007 worth Rs. 1,00,000 was wrongly included in purchases.
- Rent paid in advance Rs 5,000.
- Additional bad debts are Rs 8,000. Create provision for bad debts at 5%.

Question 5

(4)

Choose the right answer

- Outstanding salaries represents:
 - Personal account
 - Real account
 - Nominal account
- Implication of matching concept is :
 - Matching sources of funds to uses of funds
 - Income should be equal to expenses
 - the expenses should be related to the incomes earned during a period
- Which of the following is not a current asset
 - Inventory
 - Incomes received in advance
 - prepaid expenses
- Purchase of furniture for cash

- a) Leaves total assets unchanged b) Increases total assets c) Decreases total assets

Question 6

(6)

Write short notes on any two:

- a) Cash flow statement
- b) Contents of Corporate Governance Report
- c) Subsidiary books /Journals
- d) Importance of financial accounting

Question 7

(8)

State with reasons, whether the following statements are true or false:

- a) Sales book records transactions relating to cash sales.
- b) Trial balance reveals all types of errors.
- c) Cash column of the cashbook can never have a credit balance.
- d) A credit note is issued to the supplier when we return the goods.

Question 8

(6)

Following information is available in respect of raw material 'Zing'

Date	Particulars
1 st April	Opening balance in hand 150 units @ Rs 20 per unit
4 th April	Received 200 units @ Rs. 20.50 per unit
10 th April	Issued 100 units to production
17 th April	Issued 150 units to production
7 th May	Issued 50 units to production
12 th May	Received 200 units @ Rs. 21.50 per unit
17 th May	Received 150 units @ Rs. 23 per unit
23 rd May	Issued 100 units to production
9 th June	issued 150 units to production
16 th June	issued 50 units to production

Compute the cost of raw material issued and the value of closing inventory using FIFO method OR Weighted average cost method.

Question 9

(6)

Following is the Balance Sheet of Sun Shine Ltd. as on 31st March 2008:

Liabilities	31.3.08	Assets	31.3.08
Equity Share capital	25,00,000	Patents	2,20,000
Share premium	2,50,000	Stock	4,33,500
Outstanding expenses	58,000	Land and building	9,25,000
12% debentures	1,20,000	Preliminary exps	8,700
Bank overdraft	3,00,000	Prepaid exps	72,300
General reserve	4,25,000	Plant and machinery	21,80,000
Proposed dividend	3,00,000	Deposit with MSEB	50,000
Profit and loss a/c	8,45,000	Furniture & fixtures	3,10,000
Loan from IDBI	5,00,000	Long term investments	2,30,000
Bills payable	38,500	Marketable securities	35,000
Provision for tax	2,95,000	Sundry debtors	10,60,000

Creditors	6,44,000	Bills receivable	2,85,000
		Cash and bank balance	4,66,000
Total	62,75,500	Total	62,75,500

Re-arrange the above Balance Sheet as per Schedule VI Part I.

Question 10 (a)

(6)

Given below is the Balance Sheet of M/s Stockwell Ltd for the year ended 31st March 2008:

Balance sheet as on 31st March 2008

<i>Liabilities</i>	<i>31.3.08</i>	<i>Assets</i>	<i>31.3.08</i>
Equity share capital (Rs. 10)	15,00,000	Land ✓	10,00,000
12% Debentures ✓	10,00,000	Building ✓	15,00,000
Profit and loss a/c ✓	7,50,000	Machinery ✓	6,50,000
General Reserve ✓	4,00,000	Marketable securities ✓	1,50,000
Provision for tax	2,50,000	Debtors ✓	7,00,000
Creditors ✓	3,50,000	Stock ✓	5,00,000
Proposed dividend	1,50,000	Cash and Bank balance ✓	1,50,000
Bank overdraft	2,50,000		
Total	46,50,000	Total	46,50,000

Other information for the year ending 31st March 2008:

Sales	Rs. 1,20,00,000
Gross profit	20% on sales
Net profit before interest and tax	Rs. 11,00,000
Interest	Rs. 1,20,000
Provision for tax	Rs. 2,50,000

Calculate:

- Current Ratio
- liquidity ratio
- Stock turnover ratio (stock on 1st April 2008 was Rs. 10,00,000)
- Debtors turnover ratio (debtors on 1st April 2008 was Rs. 9,00,000)
- Proprietary ratio
- Return on capital employed

Q. 10 B) Briefly explain the steps involved in the accounting cycle

(6)