

CS/BBA(H)/BSCM/BIRM/ODD SEM/SEM-3/BBA-306/2016-17



**MAULANA ABUL KALAM AZAD UNIVERSITY OF
TECHNOLOGY, WEST BENGAL**

Paper Code : BBA-306

FINANCIAL ACCOUNTING

Time Allotted : 3 Hours

Full Marks : 70

The figures in the margin indicate full marks.

*Candidates are required to give their answers in their own
words as far as practicable.*

GROUP - A

(Multiple Choice Type Questions)

1. Choose the correct alternatives for any *ten* of the following : $10 \times 1 = 10$

- i) Which of the following is *true* when a debtor pays his dues ?
- a) The asset side of the balance sheet will decrease
 - b) The asset side of the balance sheet will increase
 - c) The liability side of the balance sheet will increase
 - d) There is no change in total assets or total liabilities.

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- ii) Withdrawal of goods from stock by the owner of the business for personal use should be recorded by debiting
- a) Drawings account and crediting cash account
 - b) Drawings account and crediting purchases account
 - c) Capital account and crediting drawings account
 - d) Purchases account and crediting drawings account.
- iii) The cost price of a machine is Rs. 1,20,000 and the depreciated value of the machine after 3 years will be Rs. 66,000. If the company charges depreciation under straight-line method, the rate of depreciation will be
- a) 25%
 - b) 20%
 - c) 18%
 - d) 15%.
- iv) Which one is *not* an example of asset ?
- a) Godrej and Boyce Hydrandia Company Limited A/c
 - b) Investment A/c
 - c) Goodwill A/c
 - d) Cash A/c.
- v) Which of the following ratios indicate short term liquidity of a business ?
- a) Inventory turnover ratio
 - b) Debt equity ratio
 - c) Acid test ratio
 - d) Proprietary ratio.

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- vi) Anticipate no profits but provide for all possible losses is stated under
- Money measurement
 - Consistency concept
 - Accrual concept
 - Conservatism concept.
- vii) Identify financial transaction in the following list :
- Formulating bonus policy
 - Discussion on discontinuation of a product
 - Receiving royalty for mineral extracted
 - Quarrel between the managers.
- viii) Once a method of accounting is adopted, should not be changed is stated in
- Conservatism concept
 - Materiality concept
 - Consistency concept
 - None of these.
- ix) Identify which transaction involves contra-entry :
- Cheques issued to customers
 - Cheques received from customers
 - Cash deposited into bank
 - Cash withdrawn from bank for personal use.
- x) If any transaction is recorded twice in the books of prime entry, it is
- Error of Commission
 - Error of Duplication
 - Error of omission
 - None of these.

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- xi) A purchase return of Rs. 800 to *P* if entered in the sales book would affect
- a) *P*'s account
 - b) Purchase Return Account
 - c) Purchase Return and Sales Account
 - d) Sales account and Purchase Account.
- xii) In which of the following methods does the cost of the asset spread over in equal proportion during its useful economic life ?
- a) Written Down Value Method
 - b) Machine Hour Rate Method
 - c) Sum of the Years Digit Method
 - d) Straight Line Method.

GROUP - B

(Short Answer Type Questions)

Answer any *three* of the following. $3 \times 5 = 15$

2. "All events are transaction but all transactions are not events." – Discuss.
3. Differentiate between Reserve and Provision. On 1st January, 2015, Provision for Doubtful debts amounted to Rs. 1,600 at the end of the year and the total of the Debtors account stood at Rs. 40,550. Bad debts during the year yet to be adjusted amounted to Rs. 850 as on 31st December, 2015. Next Year Debtors Balance amounting to Rs. 60,000 and Bad debts were Rs. 1,200 to be written off. Provision of 5% is always maintained on the balance of Debtors. Prepare Ledger Accounts.

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4. Explain the term "Doctrine of Conservatism" with an example.
5. Calculate Surplus/Deficit under Cash basis and accrual basis of accounting :

Expenses paid	Rs. 80,000
Pre-paid Expenses	Rs. 20,000
Outstanding Expenses	Rs. 10,000
Income received in Cash	Rs. 1,20,000
Pre-received Income	Rs. 15,000
Accrued Income	Rs. 12,000

6. Explain with reasons whether the items appearing in the books of a concern are "Capital" or "Revenue".
- Carriage paid of goods purchased
 - Repairs of a truck and its erection charges
 - Expenditure on advertising campaign
 - Profit realized on the sale of investment
 - Subsidy received from State Government.

GROUP - C

(Long Answer Type Questions)

Answer any *three* of the following. $3 \times 15 = 45$

7. A company, which follows calendar year as the accounting year, purchased on 1st April, 2014 a machinery costing Rs. 30,000. It purchased another machinery on 1st October, 2014 costing Rs. 20,000 and on 1st July, 2015 costing Rs. 10,000. On 1st January 2016, one-third of the machinery installed on 1st April, 2014 became obsolete and was sold for Rs. 3,000. Show how Machinery Account would appear in the books of the company XYZ Ltd., the depreciation being charged by Fixed Installment Method at 10% per annum. What would be the balance of Machinery Account on 1st January 2017 ?

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8. From the following Trial Balance of Mr. Chandrasekhar Traders, prepare a Trading A/C, Profit and Loss A/c for the year ended 31st December, 2006 and also Balance Sheet as on that date :

Account Title	Amount Rs.	Account Title	Amount Rs.
Purchases	20,000	Capital	24,000
Drawings	4,500	Rent	350
Sales Return	1,500	Sales	30,500
Wages	1,200	Creditors	10,000
Salaries	4,200	Commission received	1,900
Furniture	2,000	Bills Payable	2,500
Insurance	400	Cash at bank	5,940
Opening Stock	8,000	Machinery	5,000
Cash	260	Bad Debts	400
Debtors	14,000	Printing	150
Discount paid	700	Trade expenses	300

Adjustments :

- Closing Stock Rs. 7,000
- Provide depreciation @ 10% on furniture and 5% on machinery
- Make provision for doubtful debts at 5% on debtors
- Salaries and wages yet to be paid Rs. 200 each
- Insurance prepaid Rs. 60
- Calculate interest on capital at 5%
- Reserve for discount on creditors at 1%.

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9. While preparing the trial balance credit side showed an excess of Rs. 481. Which was transferred to a suspense account. Pass necessary journal entries with proper narration to rectify the errors and show the suspense account :

- i) A credit item of Rs. 83 has been debited to personal account as Rs. 38.
- ii) A sum of Rs. 62 written off as depreciation of furniture has not been posted in the depreciation account.
- iii) Purchase of furniture Rs. 1,000 has been recorded in purchase book.
- iv) A discount of Rs. 51 allowed to a customer has been credited to his account as Rs. 15.
- v) Return inward is under cast by Rs. 8.
- vi) A sale of Rs. 68 posted as Rs. 86 in the sales account
- vii) Sales day book was overcast by Rs. 600.
- viii) Rs. 50 received from Mr. B has been debited in the cash book but not recorded in his book.

10. From the following particulars, pass the proper adjustment entries. The business closed its accounts on 31st December, 2016 :

- i) Plant valued at Rs. 70,000 is to be depreciated by 20%.
- ii) Insurance premium has been paid up to 31st March, 2017 @ Rs. 12,600 p.a.

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- iii) Outstanding wages for the year amounted to Rs. 2,00,000.
- iv) Balance due from M/s Kingfisher Airlines is irrecoverable Rs. 5,000.
- v) Interest on Investment (face value being Rs. 20,000) @ 10% p.a. becomes due for 6 months.
- vi) Closing Stock : Cost Price of which is Rs. 5,000 whereas market value at present is Rs. 3,000.
- vii) Rent received in advance for three months (Annual rent being Rs. 1,20,000)
- viii) Goods valued Rs. 72,000 were distributed by way of advertisement.
- ix) Paid Life Insurance premium Rs. 29,800.
- x) Stock worth of Rs. 15,000 was lost by fire, a claim of Rs. 12,000 received from insurance company.

11. Write short notes on any *three* of the following :

- a) Adjustment entries
 - b) Trade Discount and Cash Discount
 - c) Generally Accepted Accounting Principles
 - d) Accounting as an Information System
 - e) Methods of Charging Depreciation.
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