



Name :

Roll No. :

Invigilator's Signature :

**CS/MBA(OLD)/SEM-1(FT & PT)/MB-107/2009-10
2009**

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 ∞ 1 = 10

- i) In a Fund Flow Statement, Fund from Operations includes
- a) Net profit but not depreciation
 - b) Depreciation but not net profit
 - c) both of these
 - d) none of these.



- ii) The promoters of a company are most interested in its
- a) Current Ratio b) Stock Turnover Ratio
- c) EPS d) Quick Ratio.
- iii) For creating provision for doubtful debts, the contra account is
- a) Sundry Debtors A/c
- b) Trading A/c
- c) Profit & Loss A/c
- d) none of these.
- iv) For a Mangement Institute, the Maruti van owned by it is its
- a) Current asset b) Fixed asset
- c) Intangible asset d) none of these.
- v) Cash flow statement is prepared in Indian Companies as per
- a) AS – 9 b) AS – 3
- c) AS – 14 d) AS – 26.



- vi) The dependence on equity can be understood from
- a) Capital Greaing Ratio
 - b) Defensive Interval Ratio
 - c) Current Ratio
 - d) Cash Ratio.
- vii) Which of the following is a journalized ledger ?
- a) Journal Proper
 - b) Trial Balance
 - c) Cash Book
 - d) Bill of Exchange.
- viii) Trial Balance cannot detect
- a) casting errors
 - b) posting errors
 - c) errors of omission
 - d) all of these.
- ix) M/s. Solaris Ltd. has opened on account with Bank of India. In the books of M/s. Solaris, Bank of India A/c is
- a
- a) Personal account
 - b) Nominal account
 - c) Real account
 - d) Service account.



- x) If actual bad debts are more than the provision for bad debts then there will be a
- a) debit balance of provision for bad debts account
 - b) credit balance of provision for bad debts account
 - c) debt balance of bad debt account
 - d) credit balance of bad debt account.
- xi) The minimum subscription amount that should be received on a public issue is
- a) 80% of the issued capital
 - b) 90% of the issued capital
 - c) 75% of the issued capital
 - d) 60% of the issued capital.
- xii) The balances of which of the following accounts do not disappear, once they are debited/credited to Trading Account ?
- a) Purchase
 - b) Sales
 - c) Inward returns
 - d) Closing stock.



GROUP – B

(Short Answer Type Questions)

Answer any *three* of the following.

3 × 5 = 15

2. If the Current Ratio = 2·8, Acid Test Ratio = 1·5 and Working Capital = Rs. 1,62,000 of ABC Ltd.,
find out :
 - a) Current liabilities
 - b) Current assets
 - c) Liquid assets.
3. Why is stock not considered as a liquid asset ?
4. Differentiate between provision and reserve.
5. Why is Capital Account considered both as Personal and Nominal A/c.s ?
6. From the following particulars find out the value of closing stock when materials are issued under FIFO method :

2009

Nov. 1	Balance	100 units	Rs. 70,000
“ 3	Receipt	300 units	@ Rs. 76.00 per unit
“ 4	Issues	350 units	
“ 6	Issues	50 units	
“ 10	Receipt	200 units	@ Rs. 86.50 per unit
“ 15	Issues	150 units.	

**GROUP – C****(Long Answer Type Questions)**Answer any *three* of the following. $3 \times 15 = 45$

7. From the following Balance Sheet of X Ltd. on 31st December, 2008 and 2009, you are required to prepare :
- A Schedule of Change in Working Capital.
 - A Funds Flow Statement.

Liabilities	2008 (Rs.)	2009 (Rs.)	Assets	2008 (Rs.)	2009 (Rs.)
Share Capital	1,00,000	1,00,000	Goodwill	12,000	12,000
General Reserve	14,000	18,000	Building	40,000	36,000
Profit & Loss A/c.	16,000	13,000	Plant	37,000	36,000
Sundry Creditors	8,000	5,400	Investment	10,000	11,000
Bills Payable	1,200	800	Stock	30,000	23,400
Provision for Taxation	16,000	18,000	Bills Receivable	2,000	3,200
Provision for Doubtful debts	400	600	Debtors	18,000	19,000
			Cash/Bank	6,600	15,200
	1,55,600	1,55,800		1,55,600	1,55,800

The following additional information have also been given :

- Depreciation charged on Plant was Rs. 4,000 and on Building Rs. 4,000.
- Provision for Taxation of Rs. 19,000 was made during the year 2009.
- Interim Dividend of Rs. 8,000 was paid during the year 2009.

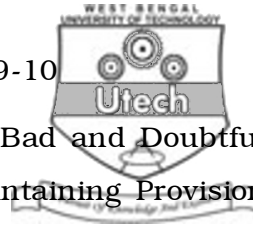


8. From the ratios and other data provided for the Auto Accessories Lld. indicate your interpretation of the company's financial condition :

Particulars	Year 3	Year 2	Year 1
Current ratio	302%	278%	265%
Acid test ratio	99%	110%	155%
Working capital turnover (times)	3.25	3.00	2.75
Receivables turnover	7.2	8.41	9.83
Collection period (days)	50	43	37
Inventory to Working Capital	110%	100%	95%
Inventory to Turnover (times)	5.41	6.01	6.11
Income per equity share	Rs. 2.50	Rs. 4.05	Rs. 5.10
Net income to Net worth	7%	8.5%	11.07%
Operating expenses to net sales	25%	23%	22%
Increase in sales during the year	23%	16%	10%
Cost of goods sold to Net sales	73%	71%	70%
Dividend per share	Rs. 3	Rs. 3	Rs. 3
Fixed assets to net worth	22.7%	18.0%	16.4%
Net profit on Net sales	2%	5.09%	7.03%

9. a) What do you mean by depreciation ? What are the causes of Depreciation ? 2 + 5
- b) On 1st January, 2006, X Ltd. purchased a machine for Rs. 58,000 and spent Rs. 2,000 on its erection. On 1st July, 2006, additional machinery costing Rs. 20,000 was purchased. 1st July, 2008 the first machine was sold for Rs. 28,600 and on the same date a new machine was purchased at a cost of Rs. 40,000. Show the Machinery Account for the FOUR calendar years according to
- Straight Line Method
 - Written Down Value Method,
- taking the rate of depreciation at 10% p.a. The accounting year closed on 31st December each year.

4 + 4



10. a) What do you mean by Provision for Bad and Doubtful Debts ? What are the needs for maintaining Provision for Bad and Doubtful Debts ? 2 + 5

b) It is practice of a firm to have a Provision for Bad Debts @ 5% on Debtors and a Provision @ 2% for Discount on Debtors at the end of each year. On 1st January, 2009 the Provision for bad Debt accounts showed a balance of Rs. 1,600. During the year the actual bad debt amounted to Rs. 1,100 and Rs. 460 was allowed as discount. Sundry debtors on 31st December, 2009 was Rs. 15,000.

Show the Provision for Bad Debt Accounts and Provision for Discount on Debtors Accounts for the year 2009 and the position in Profit & Loss Account and the Balance Sheet as on 31st December, 2009. 8

11. Distinguish between any *three* of the following : 5 + 5 + 5

- a) Cash Discount and Trade Discount
- b) Capital Reserve and Revenue Reserve
- c) Current Ratio and Liquidity Ratio
- d) LIFO and FIFO
- e) Direct material and Overhead.

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