



MBA (PT) I/12.14.1079

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MBA (PT) DEGREE I SEMESTER EXAMINATION DECEMBER 2014

SMP 2105 FINANCIAL ACCOUNTING
(Prior to 2012 Admissions)

Time: 3 Hours

Maximum Marks: 50

(All questions carry *EQUAL* marks)

(5 x 10 = 50)

- I. Distinguish between 'accounting concepts' and 'accounting conventions'. What are the basic accounting concepts, which guide the formulation of GAAP in relation to balance sheets?

OR

- II. Define accounting. What are its functions? Distinguish between 'book-keeping' and 'accounting'.

- III. Explain the different types of errors with suitable examples and state how they affect the trial balance.

OR

- IV. From the following trial balance of M/s Karun Brothers, prepare manufacturing account, trading and profit and loss account, and a balance sheet:

Trial Balance as on December 31, 2010

	Debit ₹	Credit ₹
Sales		1,74,000
Profit and Loss balance 1.1.2010		12,000
Capital		1,30,000
Wages	20,000	
Stock (Raw materials) 1.1.2010	5,710	
Purchases	88,274	
Carriage in ward	3,686	
Repairs	6,000	
Salaries (factory)	2,100	
Salaries (general)	1,000	
Rates and taxes	2,240	
Travelling expenses	3,550	
Insurance (factory)	700	
Insurance (general)	80	
Bad debts	410	
General expenses	2,942	
Carriage outward	9,424	
Sundry assets	1,13,884	
Stock 1.1.2010 (finished goods)	56,000	
	3,16,000	3,16,000

Closing stock: Raw materials ₹5,272; Finished goods ₹34,324.

(P.T.O.)



- V. What are the items peculiar to non-trading concerns? Explain their accounting treatment and presentation in the final accounts.

OR

- VI. Given below is the Receipts and Payments Account of a club for the year ending December 31, 2010.

Receipts and Payments Account for 2010

Receipts in (₹)		Payments in (₹)	
To Balance	1,025	By Salaries	600
To Subscriptions		By Expenses	75
2009	40	By Drama expenses	450
2010	2,050	By Newspapers	150
2011	60	By Municipal taxes	40
To Donations	540	By Charity	350
To Sale of drama tickets	950	By Investments	2,000
		By Lighting	145
		By Balance c/d	900
	4,710		4,710

Prepare the club's Income and Expenditure Account for the year ended December 31, 2010 and its Balance Sheet as on that date, after taking the following information into consideration:

- There are 500 members each paying an annual subscription of ₹5, ₹50 being in arrears for 2009.
 - Municipal taxes amount to ₹40 per annum have been paid upto March 31, 2010 and ₹50 for salaries is outstanding.
 - Buildings stand in the books at ₹5,000.
 - Six per cent interest has accrued on investments for five months.
- VII. What are the conditions to be satisfied by a company before issue of bonus shares? Explain the accounting treatment for bonus shares.

OR

- VIII. X Company Ltd. invited applications for 2,00,000 equity shares of ₹10 each on the following terms:

- Payable on application on January 31, 2008 - ₹5 per share
- Payable on allotment on February 28, 2008 - ₹3 per share (including ₹1 per share as premium)
- Payable on final call on June 30, 2008 - ₹3 per share

Application for ₹2,50,000 were received. It was decided:

- to refuse allotment to the applicants for 10,000 shares
- to allot in full to applicants for 40,000 shares
- to allot balance of the available shares pro rata among other applicants
- to utilize excess application money in part payment of allotment money

One shareholder to whom shares had been allotted on pro rata basis failed to pay the amount due on allotment and on call and his 200 shares were forfeited. One hundred and fifty of these shares were reissued on October 31, 2008 at ₹9 per share. Give the necessary journal entries and prepare the cash book to record the above transactions.

(contd..3..)



- IX. Which ratios are used to study the long-term solvency of a concern? What are the limitations of financial ratios?

OR

- X. From the following information relating to ABC Ltd., you are required to prepare a summarized Balance Sheet.

Current ratio	2.5
Acid test ratio	1.5
Gross profit/sales ratio	0.2
Net working capital/Net worth ratio	0.3
Sales/Net fixed assets ratio	2.0
Sales/Net worth ratio	1.5
Sales/Debtors ratio	6.0
Reserves/Capital ratio	1.0
Net worth/Long-term ratio	20.0
Stock velocity	2 months
Paid up share capital	₹10 lakhs
