

**M.B.A DEGREE I SEMESTER EXAMINATION DECEMBER 2012****SMS 2105 FINANCIAL ACCOUNTING**  
(2012 Admissions)

Time: 3 Hours

Maximum Marks : 50

**PART A**  
(Answer *ALL* questions)

(5 x 2 = 10)

1. What are the different branches of accounting?
2. List the different forms of business organizations.
3. What transactions are recorded in journal proper?
4. What are contingent liabilities?
5. What is meant by window dressing?

**PART B**  
(Answer *ANY FIVE* questions)

(5 x 4 = 20)

6. What are accounting ratios? Describe the different basis of classifying accounting ratios.
7. Prepare a Bank Reconciliation Statement on December 31, 2011 from the following particulars:
  - (i) A's overdraft as per pass book is ₹1,20,000 as on December 31.
  - (ii) On December 31, cheques had been issued for ₹7,00,000 out of which only cheques worth ₹30,000 had been encashed upto December 31.
  - (iii) Cheques amounting to ₹35,000 had been paid into the bank for collection but out of these only ₹5,000 had been credited in the pass book.
  - (iv) The bank had charged ₹5,000 as interest on overdraft, the intimation of which had been received only on January 2, 2012.
  - (v) The bank pass book shows a credit for ₹10,000 representing ₹4,000 paid by a debtor of A directly into the bank and ₹6,000 collected by the bank in respect of A's investments. A had no knowledge of these collections.
  - (vi) A cheque for ₹2,000 had been debited in the bank column of the cash book by A, but it was not sent to the bank at all.
8. What is trial balance? How is it prepared? What purpose does it serve?
9. Following are the extracts from the Trial Balance of a firm:

Trial Balance as on December 31, 2011

Particulars	Debit (₹)	Credit (₹)
Sundry debtors	50,000	
Provision for bad debts		5,000
Provision for discount		2,000
Bad debts	3,000	
Discount	1,000	

## Additional information

- (i) Additional bad debts ₹1,000
- (ii) Additional discount ₹500
- (iii) Create a provision for bad debts @10% on debtors
- (iv) Create a provision for discounts @5% on debtors

Pass the necessary journal entries, prepare provision of bad debts account and provision for discount on debtors account and show how the different items will appear in the firm's final accounts.

(P.T.O.)

10. What is meant by 'sacrificing ratio'? How is the new profit sharing ratio determined at the time of admission of a new partner? Illustrate your answer with suitable examples.
11. X, Y and Z commenced business on January 1, 2010 with capitals of ₹1,00,000, ₹80,000 and ₹60,000 respectively. Profits and losses were shared in the ratio of 4:3:3. Capital carried interest at 5% per annum. During 2010 and 2011, they made profits of ₹40,000 and ₹50,000 (before allowing interest on capitals). Drawings of each partner were ₹10,000 per year.
- On December 31, 2011 the firm was dissolved. Creditors on that date were ₹24,000. The assets realized ₹60,000 net. Give the necessary accounts to close the books of the firm.
12. Define accounting. Discuss the need for accounting and describe its evolution as a separate branch of study.

### PART C

(Answer *ANY TWO* questions)

(2 x 10 = 20)

13. From the following particulars prepare the balance sheet of XYZ Ltd.

Current ratio	2
Working capital	₹4,00,000
Capital block to current assets	3.2
Fixed assets to turnover	1.3
Sales cash /credit	1.2
Stock velocity	2 months
Creditors velocity	2 months
Debtors velocity	3 months
Capital block	
Net profit 10% of turnover	
Reserve 2.5% of turnover	
Debentures/share capital	1:2
Gross profit ratio 25% (to sales)	

14. ABC Ltd. issued 60,000 equity shares of ₹10 each at a premium of ₹2.50 per share payable on application. The amount payable on allotment was fixed at ₹4 per share and an equivalent sum was due on a call to be made. Total applications received were for 1,10,000 shares and after consulting the stock exchange, the following scheme of allotment was decided upon:

Category	A	B	C
Grouping of share	1 – 100	101 – 500	Above 500
Number of applications received	1,200	175	5
Number of shares applied for	70,000	35,000	5,000
Number of shares allotted	42,000	14,000	4,000

It was decided that the excess amount received on applications would be utilized in payment of allotment money and surplus, if any, would be refunded to the applicants. Anwar, who was one of the applicants belonging to category A and had applied for 100 shares, defaulted in payment of allotment money. Manoj, who belonged to category C, and who had been allotted 800 shares failed to pay the call money. Their shares were forfeited, after the respective calls were made and reissued as fully paid up for ₹8 and ₹6 per share respectively. Pass the necessary journal entries.

15. Explain the provisions of the Companies Act pertaining to the maintenance of proper books of accounts by a joint stock company.