

MBA(F)I/12.13. 1218

MBA (FT) DEGREE I SEMESTER EXAMINATION DECEMBER 2013

SMS 2105 FINANCIAL ACCOUNTING
(Regular & Supplementary)

Time: 3 Hours

Maximum Marks: 50

PART A
(Answer *ALL* questions)

(5 × 2 = 10)

- I. What is conservatism in accounting?
- II. How does a trial balance differ from a balance sheet?
- III. What is meant by marshalling of assets and liabilities?
- IV. Define abridged balance sheet
- V. What do you mean by financial statement analysis?

PART B
(Answer *ANY FIVE* questions)

(5 × 4 = 20)

- VI. Which are the accounting principles?
- VII. What do you mean by sub division of journal?
- VIII. In case of disagreement of the trial balance, what steps would you take to locate the errors?
- IX. Enter the following into sales book and show the ledger postings:

25.06.2011 Sold to Ladies Corner, 5 bales of laxmi saris @₹200/- per sari less trade discount of 20%. Each bale contained 100 pieces of sari measuring 6 metres each. Excise duty of 10%, sales tax 5%, octroi 15 paise per metre.

30.06.2011 Sold to Mahila Mahal, 3000 pieces of blouse @₹36/- per dozen. Blouse were sent in packets, each containing 10 units. Extra charge was levied for packing 50 paise per packet.

02.07.2011 Sold to Lahana Dress Co. 50 ladies' coats @₹150/- each less trade discount of 15%. Other charges levied ₹200/-.
- X. From the following particulars, prepare a bank reconciliation statement showing the balance as per cash book as on 31st December 2011.

(i)	Out of cheques of ₹9000 paid on 29 th December, ₹4,000/- appear to have been credited in the pass bok on 2 nd January, 2012.
(ii)	I had issued cheques in December, 2011 amounting in all to ₹16,000/- out of which I find that cheques for ₹7,000/- have been cashed in the same month; a cheque of ₹5000/- cashed on January 3, 2012 and the rest have not been presented at all.
(iii)	My bankers have given me a wrong credit in my joint account with my wife, in respect of a cheque of ₹2000/- paid into my personal account.
(iv)	₹1000/- for interest on overdraft charged in the pass book on 31 st December has been entered in my cash book on 4 th January 2012.
(v)	My pass book shows a credit of ₹1200/- to my account being interest on securities collected by my bankers.

The bank balance as per my pass book showed an overdraft of ₹19,000/-.

- XI. From the following trial balance, prepare trading and profit and loss account for the year ended 31.12.2011 and a balance sheet on that date:

	Dr. ₹	Cr. ₹
Capital	-	4250
Drawings	710	-
Plant & machinery	950	-
Stock on 1 st January	1460	-
Purchases and sales	210	291
General expenses	440	-
Rent and rates	320	-
Bank OD	-	320
Bad debts	172	-
Debtors and creditors	4200	2000
Cash in hand	48	-
Bad debts reserve	-	105
	18872	18872

Adjustments:

- Rent accrued is ₹40/-
 - Depreciate plant & machinery at 10%.
 - Stock on hand as on 31.12.2011 is ₹1700/-
- XII. Discuss the need and importance of final accounts.

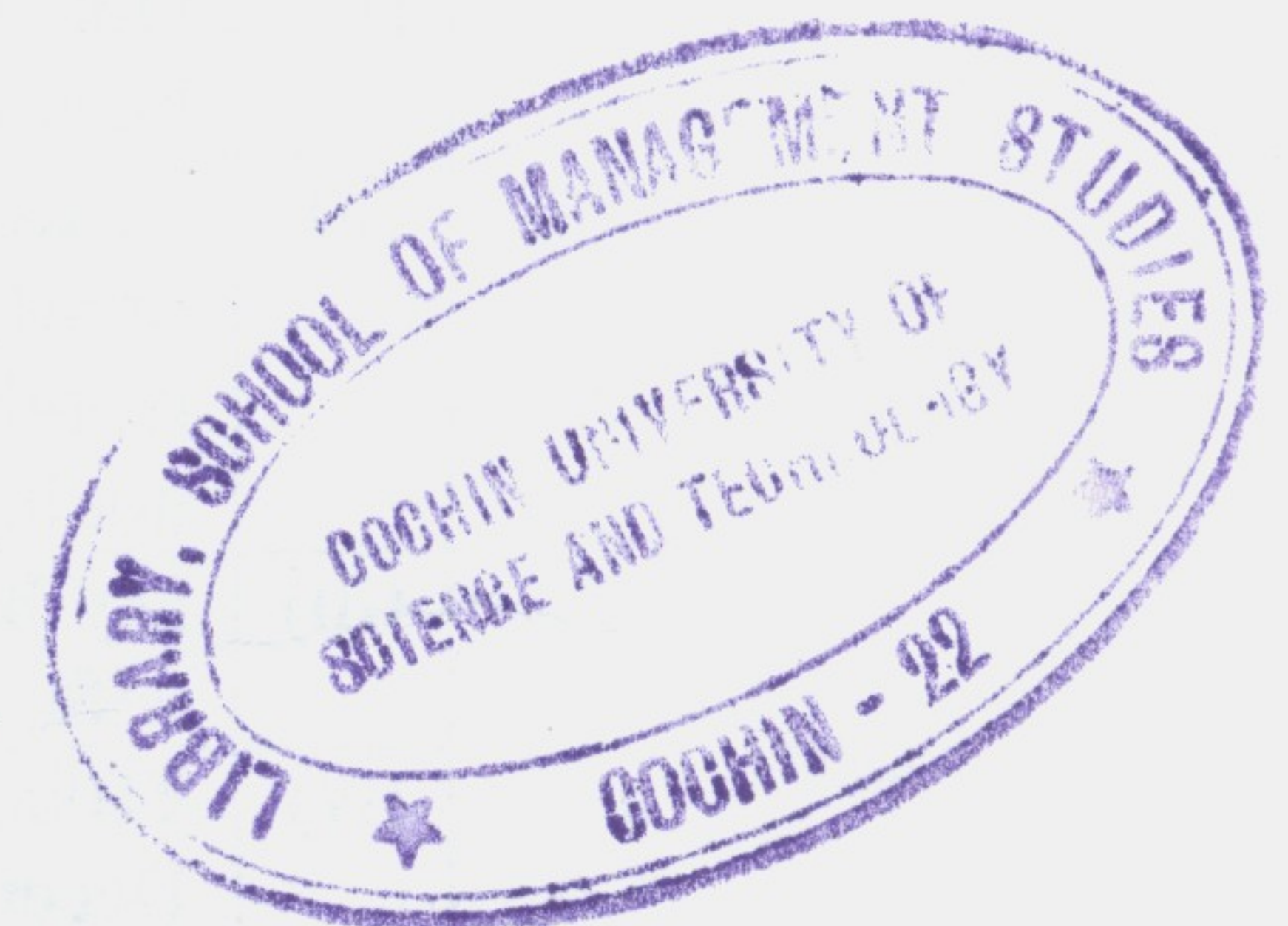
PART C
(Answer *ANY TWO* questions)

(2 x 10 = 20)

- XIII. The Auto Parts Manufacturing Company Limited was registered with an authorized capital of ₹10,00,000/- divided into shares of ₹10/- each of which 40,000/- shares had been issued and fully paid.

The following is the trial balance extracted on 31st March 2011.

Particulars	Debit ₹	Credit ₹
Stock as on 1.4.2010	1,86,420	-
Purchase and sales	7,18,210	11,69,900
Returns	12,680	9,850/-
Manufacturing wages	1,09,740	-
Sundry manufacturing expenses	19,240	-
Carriage inwards	4,910	-
18% bank loan (secured)1	-	50,000
Interest on bank loan	4500	-
Office salaries and expenses	17,870	-
Auditors' fees	8,600	-
Director's remuneration	26,250	-
Preliminary expenses	6,000	-
Freehold premises	1,64,210	-
Plant and machinery	1,28,400	-
Furniture	5,000	-
Loose tools	12,500	-
Debtors and creditors	1,05,400	62,220
Cash in hand	19,530	-
Cash at bank	96,860	-
Advance payment of tax	84,290	-
Profit and loss account on 1.4.2010	-	38,640
Share capital	-	4,00,000
	17,30,610	17,30,610



You are required to prepare trading and profit & loss account for the year ended 31st March 2011 and a balance sheet as at that date after taking into consideration the following adjustments:

- (i) On 31.3.2011, outstanding manufacturing wages and outstanding office salaries stood at ₹1,890/- and ₹1,200/- respectively. On the same date, stock was valued at ₹1,24,840/- and loose tools at ₹10,000/-.
- (ii) Provide for accrued interest on bank loan for six months.
- (iii) Depreciation on plant and machinery is to be provided @15% while on office furniture it is to be @10%.
- (iv) Write off one-third of balance of preliminary expenses.
- (v) Make a provision for income tax @50%.
- (vi) The directors recommended a maiden dividend @15% for the year ended 31.3.2011 after statutory transfer to general reserve. Assume 10% dividend tax.

XIV. From the following data make out a balance sheet with as much details as possible:

- (i) Stock velocity = 6
- (ii) Capital turnover ratio = 2
- (iii) Fixed asset turnover = 4
- (iv) Gross profit turnover ratio = 20%
- (v) Debtors velocity = 2 months
- (vi) Creditors velocity = 73 days

The gross profit was ₹60,000/- and reserves and surplus amount to ₹20,000/-.
Closing stock was ₹5,000/- in excess of opening stock.

XV. Elucidate the issues related to international accounting standards, US GAAP and Indian accounting standards.

