



MBA.F.I/11.994

MBA (FT) DEGREE I SEMESTER EXAMINATION NOVEMBER 2011

SMS 2106 FINANCIAL ACCOUNTING

Time : 3 Hours

Maximum Marks : 50

(5 x 10 = 50)

- I. A. Define accounting and state its functions.
OR
B. What are Accounting Standards? How standards are formulated?

- II. A. Explain the objectives of preparing a trial balance. Distinguish it from a balance sheet.

OR

- B. From the following trial balance of Mr. Muralidharan prepare a Trading and Profit and Loss Account for the year ended on 31 March 2010 and a Balance Sheet as on that date:

	₹		₹
Materials consumed	15,000	Mr. Muralidharan's Capital	18,000
Carriage	820	Sales	24,000
Wages	3,610	Loan @ 12% (taken on 1-7-09)	1,000
Power and fuel	540	Bank	820
Trade	1,450	Outstanding wages	340
Bad debts	180	Trade expenses accrued but not paid	200
Returns	500	Discount	60
Fire insurance	300	Creditors	1,240
Rates and taxes	520	Apprentice premium	450
Cash in hand	160	Bills payable	370
Stock on 31.03.2010	4,650	Provision for doubtful debts	760
Plant and Machinery	8,000		
Interest on loan	60		
Debtors	5,400		
Salaries	2,000		
Bank charges	30		
Coal, gas and water	220		
Bills receivable	400		

Adjustments:

- i) Carry forward the following unexpired amounts:
 - a) Fire insurance ₹ 50
 - b) Rates and taxes ₹ 120
 - c) Apprentice premium ₹ 150
 - ii) Wages include ₹ 500 spent on installation of a new machine on 01.01.2010
 - iii) Depreciation is to be charged on Plant and Machinery at 10% and Furniture at 20%. Loose Tools are re-valued at ₹ 1200.
 - iv) Make a provision of ₹ 400 for doubtful on debtors.
 - v) Accrued income is ₹ 230.
- III. A. State the difference between Receipts and Payments Account and Income and Expenditure Account.

OR

(P.T.O)

- B. Given below is the Receipts and Payments Accounts of a club for the ended 31st December 2009.

Receipts	₹	Payments	₹
To Balance	1025	By Salaries	600
Subscriptions		Expenses	75
2008	40	Drama Expenses	450
2009	2050	Newspapers	150
2010	60	Municipal Taxes	40
Donations	540	Charity	350
Sale of drama tickets	950	Investments	2000
Sale of waste paper	45	Electricity charges	145
		Balance	900
	4710		4710

Prepare the club's Income and Expenditure Account for the year ended 31st December 2009 and its Balance Sheet as on that date after taking the following information into account:

- There are 500 members each paying an annual subscription of ₹ 5, ₹ 50 being in arrears for 2008.
 - Municipal taxes amounting ₹ 40 per annum have been paid up to 31st March 2010 and ₹ 50 for salaries is outstanding.
 - Buildings stand in the books at ₹ 5000.
 - 6% interest has accrued on investments for five months.
- IV. A. Give the format of balance sheet of a joint stock company according to Schedule VI Part I of the Companies Act, 1956.

OR

- B. The Alta Ltd. was registered with a nominal capital of ₹ 60,00,000 in equity shares of ₹ 10 each. The following is the list of balances extracted from its books on 31st March 2010.

	₹
Calls in arrears	75,000
Premises	30,00,000
Plant and Machinery	33,00,000
Interim Dividend paid on 1.11.2009	3,92,500
Corporate Dividend Tax	39,250
Stock on 1.4.2009	7,50,000
Fixtures	72,000
Sundry Debtors	8,70,000
Goodwill	2,50,000
Cash in hand	7,500
Cash at bank	3,99,000
Purchases	18,50,000
Preliminary expenses	50,000
Wages	8,48,650
General expenses	68,350
Freight and carriage	1,31,150
Salaries	1,45,000
Directors' fees	57,250
Bad debts	21,100
Debenture interest paid	1,80,000
Share Capital	40,00,000
12% Debentures	30,00,000
Profit and Loss Account (Credit Balance)	3,01,750
Bills Payable	3,70,000
Sundry Creditors	4,00,000
Sales	41,50,000
General Reserve	2,50,000
Bad debts provision 1-4-2009	35,000

V. A. What are the objectives associated with horizontal and trend analysis of a company's financial statements?

OR

B. Following is the balance sheet of M/s. C. Ltd. as on 31st December 2009:

Liabilities	₹	Assets	₹
Profit and Loss Account		Bank	6,000
Profit 2009 after tax and interest		Investments	2,000
on fixed deposit 12,000		Debtors	6,000
Less: Transfer to reserve 4,000		Fixed assets	28,000
Dividend <u>2,000</u>	6,000	Goodwill	12,000
Taxation		Stocks	6,000
Current 2000			
Future <u>2000</u>	4,000		
Bank Overdraft	2,000		
Capital Reserve	4,000		
8% Loan on mortgage	16,000		
Trade creditors	8,000		
Equity Share Capital	20,000		
	60,000		60,000

Sales amounted to ₹ 1,20,000

Calculate ratio for:

- i) Testing liquidity ii) Testing solvency iii) Testing profitability
iv) Testing capital gearing v) Comment on the significance thereof
