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MAM204

(Following Paper ID and Roll No. to be filled in your Answer Book)

PAPER ID : 293211Roll No.

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MAM (Semester-II)**SPL. THEORY EXAMINATION, 2014-15****FINANCIAL ACCOUNTING****Time : 3 Hours]****[Total Marks : 100**

Note: Attempt all questions. Each question has three parts.
Attempt any two parts in each question. All questions carry equal marks.

1. (a) What do you understand by accounting principles?
Discuss various concepts of accounting giving suitable examples.
- (b) Define accounting. State its functions. How does it differ from Book-keeping.
- (c) Journalise the following transactions in the books of ABC Ltd.

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(1)

[Contd...

2014	
Jan. 1	Started business with Rs. 5,00,000, deposited into bank Rs. 2,00,000.
Jan. 2	Bought furniture for Rs. 50,000 and machinery for Rs. 1,00,000.
Jan. 3	Purchased goods from Universal & Co. Rs. 1,10,000.
Jan. 6	Sold goods to Rajesh for Rs. 20,000.
Jan. 7	Withdrew for personal use Rs. 15,000 and goods worth Rs. 5,000.
Jan. 9	Paid 1,00,000 to Universal & Co. and received a discount of Rs. 10,000.
Jan. 13	Rajesh became insolvent and could pay 50 paise in a rupee.
Jan. 15	Paid salary Rs. 10,000, telephone rent.
Jan. 23	Distributed goods with worth Rs. 2,000 as free sample and Rs. 3,000 for charity.
Jan. 25	Received commission Rs. 7,000.
Jan. 31	Goods worth Rs. 1,000 were burnt due to fire.

2. (a) What do you understand by subsidiary books?
Explain various types of subsidiary books as prepared by an organization.
- (b) What is a ledger? What are the rules of preparing a ledger and balancing of an account?
- (c) State whether the following items are of capital or revenue nature, also give the reasons.
 - (i) Rs. 1,000 spent on dismantling and removing and reinstalling plant and machinery to a more convenient site.

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(2)

The following adjustments are required:

- (i) Allow 10% interest on capital.
- (ii) Bad debts provision to be adjusted to $2\frac{1}{2}\%$ on sundry debtors.
- (iii) It was discovered in April, 2007 that stock sheets as on 31st March, 2009 were overcast by Rs. 1,000. However no entry was passed in April, 2009.
- (iv) Depreciation plant and machinery @ 10% p.a. and furniture @ 2% p.a.

—x—

- (ii) A second hand machinery was purchased for Rs. 50,000 and a sum of Rs. 5,000 was spent on its overhauling.
- (iii) Plant and machinery of the book value of 1700 became obsolete and was sold off for Rs. 450 and was replaced by a new machine costing Rs. 2,400.
- (iv) Cost of Rs. 5,000 incurred in increasing the sitting accommodation of a cinema house.
- (v) Rs. 200 paid on repair of a machinery.

3. (a) What is depreciation? Explain various methods of changing depreciation.
- (b) What do you understand by inventory? Discuss in brief various ways of valuation of inventory.
- (c) ABC Ltd. purchased on 1st April, 2010 a small plant for Rs. 45,000. On 1st October in the same year additional plant was purchased costing Rs. 22,500. On 1st October, 2011, plant purchased on 1st April, 2010 having become obsolete, was sold for Rs. 18,000. On 1st October, 2012 fresh plant was purchased for Rs. 54,000 and the plant on 1st October, 2010 was sold for Rs. 18,900. Depreciation is provided at 10% p.a. on diminishing value method for every year on 31st March. Show Machinery Account upto 31st March, 2013.

4. (a) What are shares and debentures? Compare and contrast between shares and debentures.
- (b) What is a joint stock company? Give various features of a company.
- (c) A Ltd. invited application for 10,000 equity shares of Rs. 100 each at a discount of 6% payable as follows:

	Rs.
(i) An application	25
(ii) An allotment	34
(iii) On 1 st and final call	35

The application received were for 9,000 shares and all of them were accepted. All moneys due were received except the first and final call on 10 shares which were forfeited. 50 shares were reissued @ Rs. 90 as fully paid.

Assuming that all requirements of the law were complied with, pass entries in the journal of the company.

5. (a) What do you understand by financial statements? Discuss utility and limitations of financial statements of a business enterprise.
- (b) What is a trading and profit and loss A/c. Distinguish between trading and profit and loss account. Give a specimen of each.

- (c) On 31st March, 2015 the following trial balance was prepared from the books of ABS Ltd.

	Dr. Rs.	Cr. Rs.
Sundry Debtors	50,600	—
Sundry Creditors	—	12,000
Bills Receivable	5,000	—
Plant and Machinery	55,000	—
Purchases	1,90,000	—
Capital Account	—	70,000
Furniture	50,000	—
Salaries	21,000	—
Wages	24,400	—
Postage and Stationery	1,750	—
Carriage In	1,750	—
Carriage Out	1,000	—
Bad Debts	950	—
Bad Debts Provision	—	350
Office General Charges	1,500	—
Cash at Bank	5,300	—
Cash in Hand	800	—
Bills Payable	—	5,000
Reserve	—	20,000
Sales	—	3,31,700
Closing Stock	30,000	—
	<u>4,39,050</u>	<u>4,39,050</u>