



# G. S. College of Commerce & Economics, Nagpur

An Autonomous Institution

(Affiliated to Rashtrasant Tukadoji Maharaj Nagpur University)

First Semester Master of Business Administration Examination (CBCS)

## FUNDAMENTALS OF FINANCIAL ACCOUNTING

(MBC 1.3)

Time: 3 Hours

Maximum Marks: 80

N.B.: All questions are compulsory.

Q. 1. Answer the following question in about 150-200 words. 10

A) Explain various accounting concepts in detail.

OR

B) What do you mean by BRS? Explain the reasons for differences in Cash book balance and Pass book balance.

Q. 2. A) From the following information relating to C.P. Club, you are required to prepare Income & Expenditure Account for the year ending on 31<sup>st</sup> March 2012. Treat donations as capital receipts. 10

**Adjustments:** Provide depreciation on Opening Balances of furniture & fixtures @10%, Sports goods @20% & Library books @10%.

Receipts & Payments Account

For the year ending 31<sup>st</sup> March 2012

Receipts	Amount Rs.	Payments	Amount Rs.
To Balance b/d	52000	By Salaries	150000
To Subscriptions	348000	By Rent & Taxes	54000
To Donations	100000	By Electricity Charges	6000
To Interest on Invt.	12000	By Sports goods	20000
To Sundry Receipts	3000	By Library books	100000
		By News papers	10800
		By Miscellaneous Expenses	54000
		By Balance c/d	120200
	<u>515000</u>		<u>515000</u>

### Additional Information:

Liabilities	31-03-11	31-03-12	Assets	31-03-11	30-03-12
o/s Expenses:			Library books	100000	?
Salaries	10000	20000	Sports goods	80000	?
Rent & Taxes	4500	4500	Furniture & fixtures	100000	?
Electricity Exp.	990	1030	Subscriptions receivable	30000	25000
News papers	890	910	Accrued Interest	6000	6000
			Investment in	500000	---

OR

B) The following balances have been opted from the books of Hanuman Cricket Club:

Particulars	31-03-2010	31-03-2011
Building	80000	85500
Furniture	40000	30600
Advance Subscriptions	1500	1000
Arrears of Subs.	3000	5000
Prepaid Expenses	800	1000
Outstanding Expenses	3000	1200
Sports Equipments	24000	21600
Investments	---	12000
Books	15000	16200
Cash	16000	17100

**Additional Information:**

- i) Depreciation provided for the year: Building - 4500, Furniture – 3400, Sports Equipments – 5400 & Books – 1800.
- ii) Old furniture B.V. Rs. 6000 on 01-04-2010 was sold for Rs. 4000 on the same date.
- iii) The Club had 300 members on 31-03-2011. Ten members left the club on 01-10-2010.
- iv) Subscription is payable @Rs. 15 per month.
- v) Donation received Rs. 5000 has been capitalised.
- vi) Expenses paid during the year totaled Rs. 32300.
- vii) Investments were made on 1<sup>st</sup> February 2011. Interest accrued but not due on 31<sup>st</sup> March 2011 amounted to Rs. 200.
- viii) During the year a sum of Rs. 10000 was spent on extension of the building.

You are required to prepare Receipts & Payments A/C for the year ending 31<sup>st</sup> March 2011.

Q. 3. A) Finance Ltd. with an authorized capital of Rs. 3000000 offered to public 200000 equity shares of Rs. 10 each at a premium of Rs. 1 each. The payment was to be made as follows:

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On Application: Rs. 3, On Allotment: Rs. 5 (including premium) & on first & final call: Rs. 3.

Applications were received for 400000 shares. The allotment was made on pro-rata basis. Mr. Lucky who had applied for 400 shares failed to pay the balance of allotment money due from him. His shares were immediately forfeited & reissued at Rs. 8.

The final call was made & the amount was received in full.

Show necessary journal entries & cash book in the books of the company.

OR

B) Risky Ltd. issued 10000 12% Secured Debentures of Rs. 100 each. Give necessary journal entries if the Debentures are redeemable at par and are issued at (i) par, (ii) premium of 3% & (iii) discount of 2%.

Also show the entries which will be made if Debentures are redeemable at a premium of 5% and are issued at (i) par, (ii) premium of 3% & (iii) discount of 2%.

Q. 4. A) From the following figures relating to Not So. Good Ltd. prepare Balance Sheet as on 31<sup>st</sup> March 2015:

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Particulars	Rs. (in lacs)	Particulars	Rs. (in lacs)
Cash in hand	5	Interest on Debentures less tax @10%	1,26
Machinery	89,27	Repairs	39
Unclaimed dividends	17	Postage and Stationery	21
Free hold land	15,04	Rent, Rates & Taxes	62
Loss by fire	83	Carriage	20
Debenture Redemption fund	25,00	Travelling Expenses	10
Debtors	25,00	Subscribed & fully called Share Capital	1,25,00
Depreciation of Machinery	5,50	Discount on issue of Debentures	50
Wages	7,50	Interest on sinking fund investments	1,44
Salaries	2,09	Sundry Creditors	20,36
Purchases	64,70	Goodwill	5,00
Bad Debts	34	Loose tools	42
Director's Remuneration	74	Provision for Bad debts	1,00
Auditor's fees	25	Balance with Bank	1,40
Debenture Redemption fund	25,00	General Reserve	4,76
Investments			
Miscellaneous Receipts	4	Motive Power	1,90
14% Debentures	20,00	Bills Payable	75
Insurance	1,30	Buildings	45,06
Depreciation on Bldg.	1,50	Sales	98,35
Return outward	35	P & L A/C (Cr.)	96
10% free of tax Government Loan	10,00	Bank Charges	1
Interest receivable on Government Loan	50	Discount on sales	13
Return Inward	47	Stock of Finished Goods on 01-04-2014	8,00
Depreciation Provision	20,24		
General Expenses	14		
Stock of R/M on 01-04-2014	5,00		

**Adjustments:**

- i. Provision for Bad debts is to be made at 5% on debtors.
- ii. Write off 1/5<sup>th</sup> of the balance of discount on issue of debentures accounts.
- iii. Rs. 200 lacs is the annual installment for the sinking fund for Redemption of debentures.
- iv. Transfer Rs.1,00 lac to General Reserve.
- v. Make Provision for Income Tax @ 31% of net profit.
- vi. On 31<sup>st</sup> march 2015 the stock of finished goods was Rs. 9.60 lacs while that of Raw material was Rs. 4.10 lacs. Raw material worth Rs. 30 lacs was received on the last day and for which entries had not been passed but is included in closing stock.
- vii. The authorized capital of the company is Rs. 150 crore divided into 15 crore shares of Rs. 10 each.

OR

- B) From the following Trial Balance of Goodwill Ltd., prepare Statement of Profit & Loss for the year ending on 31<sup>st</sup> March 2015.

Particulars	Rs. (in lacs) Dr.	Particulars	Rs. (in lacs) Cr.
Land at Cost	110	Equity Share Capital of Rs. 10 each	150
Plant & Machinery at cost	305	10% Debentures	100
Furniture at cost	80	General Reserve	65
Debtors	48	P & L A/C	36
Stock on 31 <sup>st</sup> March 2015	43	Securities Premium	20
Balance with bank	9	Sales	350
Cash in hand	1	Creditors	26
Adjusted Purchases	160	Provision for Depreciation	86
Administrative Expenses	15	Suspense A/C	2
Factory Expenses	30		
Selling Expenses	15		
Debenture interest	10		
Interim Dividend	9		
	<u>835</u>		<u>835</u>

**Additional Information:**

- a) On 31-03-2015 the Company issued bonus shares to the shareholders in the ratio of 1:3. No entry relating to this has yet been passed.
- b) The authorised Share Capital of the company is 25 lacs shares of Rs. 10 each.
- c) The company on the advice of an independent valuer wish to revalue land at Rs. 180 lacs.
- d) The directors proposed a final dividend @10%. Ignore dividend distribution Tax.
- e) Depreciation is to be provided on Plant & Machinery and furniture @10%.
- f) Suspense A/C of Rs. 2 lacs represents cash received for sale of some of the machinery on 01-04-2014.

The cost of machinery was Rs. 5 lacs and the accumulated depreciation thereon was Rs. 4 lacs. The entry for disposal has not yet been made.

- Q. 5. A) From the following P & L A/C and Balance Sheet as on 31<sup>st</sup> March 2018, calculate:  
1) Operating Ratio, 2) Return on Investment, 3) Stock velocity, 4) Debtors velocity & 5) Interest Coverage Ratio.

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P & L Account for the year ending 31<sup>st</sup> March 2018

Net Sales		300000	
Less: COGS		258000	
Gross Profit			42000
Less: Operating Expenses:			
Selling	2200		
General & Administration	4000		
Rent of office	2800		9000
Depreciation			10000
Net Operating Profit			23000
Add: Other Income: Interest on Govt. Securities			1500
			24500
Less: other Expenses:			
Interest on Bank Overdraft	300		
Interest on Debentures	4200		4500
Net Profit before tax			20000
Less: Tax @ 50%			10000
Net Profit After tax			10000

Balance Sheet as on 31<sup>st</sup> March 2018

Liabilities	Amount Rs.	Assets	Amount Rs.
Sundry Creditors	6000	Cash	5000
Bills Payable	10000	Investment in Govt. Securities	15000
Outstanding Expenses	1000	Sundry Debtors	20000
Prov. For Tax	13000	Stock	30000
6% Mortgage Debentures	70000	Fixed Assets: 180000	
7% Preference Shares	10000	Less: Prov. for	
		Depreciation 50000	130000
Equity Shares	50000		
Reserves & Surplus	40000		
Total claim on Assets	200000	Total Assets	200000

OR

- B) From the following information calculate cash flow from operating activity:

Particulars	Rs. In lacs
Net Profit after Tax	25000
Dividend paid	8535

Provision for Tax	5000
Income Tax paid during the year	4248
Loss on sale of Fixed Assets	40
Book value of Fixed Assets sold	185
Depreciation charged to P & L A/C	20000
Amortization of capital grants	6
Profit on sale of Investments	100
Carrying amount of Investments sold	27765
Interest income on Investments	2506
Interest Expenses	10000
Interest paid during the year	10520
Increase in working capital (Excluding Cash & Bank balances)	56075
Purchase of Fixed Assets	14560
Investment in Joint Venture	3850
Expenditure on construction & WIP	34740
Proceeds from calls in arrears	2
Receipt of grant for Capital Project	12
Proceeds from long term borrowings	25980
Proceeds from short term borrowings	20575
Opening Cash & Bank Balances	5003
Closing Cash & Bank Balances	6988

- Q. 6. Answer the following question in about 150-200 words. 10
- A) What do you mean by Prepackaged Accounting Software? Explain its merits & demerits.
- OR
- B) Explain meaning & significance of Computerised Accounting Software.
- Q. 7. Answer the following questions in about 75-100 words. (Any Five) 20
- A) Define Capital Expenses and Revenue Expenses.
- B) Give difference between Receipts & Payments A/C and Income & Expenditure A/C.
- C) Explain provisions relating to utilization of Securities Premium.
- D) Explain Trading and Manufacturing Account.
- E) Explain Du Pont Chart.
- F) What is Tally?

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