



G. S. College of Commerce & Economics, Nagpur

Shiksha Mandal, Wardha's

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) What is Accounting? Explain in brief the objectives of accounting.
OR
B) State with examples the classification of Capital and Revenue Expenses.
- Q. 2 A) From the cash trial of Hitakari Charitable Trust. Prepare Income & Expenditure Account and Balance Sheet for the year ended June 30th, 2018. 10

Particular	Dr. Amount (₹)	Cr. Amount (₹)
Interest & Income from Investment		30,000
Rent		12,000
Donation for Clinic Fund		6,000
Petty Collections		4,000
Salaries	6,000	
Medicines & Surgical Expenses	14,000	
Clinical Equipments	6,000	
Educational Grants	10,000	
Postage and Telegrams	800	
Conveyance and Travelling	1,000	
Printing and Stationary	200	
Furniture	4,000	
Investments	10,000	
Cash Balance	1,600	1,000
Bank Balance (Lodged / Drown)	13,400	14,000
	67,000	67,000

Original Trust Fund consisted of 5% investment (face value ₹6,00,000) ₹5,60,000. Buildings valued at ₹2,40,000 & Bank Balance ₹10,000.

Bank interest outstanding at the end of the year was ₹2,000; outstanding bills for supply of medicines etc. were ₹1,000 at the beginning of the year and ₹1,600 at the end of the year. Furniture at the commencement of the year was ₹2,000. Accrued Investments income was ₹4,000 at the beginning of the year & ₹4,400 at the end.

Provide 10% depreciation on furniture and 20% on clinical equipments.

OR

- B) From the following Income & Expenditure Account and the Balance Sheet of a club: Prepare its Receipts & Payments Account for the year ended 31-03-2018.

Income & Expenditure Account for the year ended on 2017-18

Dr ₹		Cr ₹	
To Upkeep of Ground	10,000	By Subscription	17,320
To Printing	1,000	By Sale of Newspaper (old)	260
To Salaries	11,000	By Lectures	1,500
To Depreciation on Furniture	1,000	By Entrance Fee	1,300
To Rent	600	By Misc. Income	400
		By Deficit	2,820
	23,600		23,600

Balance Sheet as on March 31, 2018

Capital & Liabilities		₹	Assets		₹
Subscriptions Adv. (2018-19)		100	Furniture		9,000
Prize fund :			Ground & Buildings		47,000
Opening bal.	25,000		Prize fund investment		20,000
(+) Interest	<u>1,000</u>		Cash in hand		2,300
	26,000		Subscription (2017-18)		700
(-) Prizes	<u>2,000</u>	24,000			
General Fund :					
Opening bal.	56,420				
(-) Deficit	<u>2,820</u>				
	53,600				
(+) Entrance fee	<u>1,300</u>	54,900			
		79,000			79,000

The following adjustments have been made in the above accounts:

- i) Upkeep of ground ₹600 & printing ₹240 relating to 2016-17, were paid in 2017-18.
- ii) One half of entrance fee has been capitalized by transfer to general fund.
- iii) Subscriptions outstanding in 2016-17 were ₹ 800 in 2017-18 ₹700.
- iv) Subscriptions received in advance in 2016-17 ₹ 200 in 2017-18, for 2018-19 ₹ 100.

Q. 3 A) ABCL Ltd. issued 10000 equity shares of ₹10 each payable as under:

- ₹ 2 on application
- ₹ 5 on allotment
- ₹ 3 on final call

The public applied for 8000 shares which were allotted. All the money due on shares were received except the final call on 100 shares. These shares were forfeited and re-issued at ₹8 per shares. Show the Journal Entries in the books of ABCL Ltd.

OR

B) PA Ltd. offered 100000 equity shares of ₹10 each for public subscription of ₹12 each. The amount payables for the shares were as follows:

- On application ₹ 4.50
- On allotment ₹ 4.50 (including premium)
- On 1st & final call ₹ 3.00

Actual subscription was for 90000 shares. All money payable by shareholders was received except from Sudhakar, who had 1000 shares but forfeited to pay the final call.

His shares were forfeited and reissued to Prabhakar at ₹ 6.00 per share. Shows the Journal Entries in respect of the above including cash transactions.

Q. 4 A) The following balances which have been extracted from the books of A. A. Khan Ltd on 31st March 2018:

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Equity Share Capital (100000 equity shares of 10 ₹ each)	₹ 10,00,000
Security Premium Reserve	₹ 2,00,000
12% Debentures	₹ 4,00,000
Creditors	₹ 2,00,000
Proposed Dividend	₹ 50,000
Surplus i.e. balance as per P&L	₹ 50,000
Land & Building	₹ 9,00,000
Government Bonds	₹ 5,00,000
Capital work-in-progress (Building)	₹ 3,50,000
Cash & Bank	₹ 50,000

Debentures issue on 1st April 2014 redeemable after 5 yrs i.e. 31st March 2019. Prepare Balance Sheet as per schedule III, Part I of Companies ACT 2013.

OR

B) Following is the Trial Balance of JJ Co. Ltd:

As on 31st March 2018

Particulars	Amount (Dr.)	Amount (Cr.)
Machinery	1,60,000	
Land and Building	6,74,000	
Depreciation on Machinery	16,000	
Purchase of Raw Material (Adj.)	4,00,000	
Closing Stock	1,50,000	
Wages	1,20,000	
Salaries	80,000	
Sales		10,00,000
Bank overdraft		2,00,000
10% Debentures (issued on 1 st Apr. 2017)		1,00,000
Equity Share Capital @ 100 ₹ each fully paid up		2,00,000
Preference Share Capital- 1000 6% Shares of ₹ 100 each fully paid up		1,00,000
	16,00,000	16,00,000

The B. O. D of JJ Company has decided to make the following change:

1. Declare equity dividend at 10% on paid up capital.
2. Pay dividend on preference share capital in full.
3. Transfer ₹ 2,00,000 to general reserve.

Prepare Profit & Loss and Balance Sheet of the company for the year ended 31st March 2018 as per schedule III, Part I of the Companies Act 2013.

Q. 5 Following are the Income Statement & Balance Sheet of ABCD Ltd for the Accounting Year 2018.

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INCOME STATEMENT FOR THE Y. E. 31ST MARCH 2018

	AMOUNT ₹
Credit Sales	61,48,000
(-) COGS	<u>41,76,000</u>
Gross Profit	19,72,000
Less:	
Administrative Expenses	4,58,000
Selling Expenses	2,00,000
Depreciation	<u>4,78,000</u>
Operating Profit (EBIT)	8,36,000
Less:	

Interest Charges		<u>1,76,000</u>
	Profit before Tax (PBT)	6,60,000
Less:		
Provision of Tax (30%)		<u>1,98,000</u>
	Net Profit (PAT)	4,62,000
Less:		
Preference Share Dividend		<u>20,000</u>
	Earnings for Equity Shareholders	4,42,000
Less:		
Dividend Paid		<u>1,96,000</u>
	Retained Earnings	2,46,000

BALANCE SHEET of ABCD Ltd as on 31st March 2018

	AMOUNT ₹
5% Preference Share Capital (of ₹ 100 each)	4,00,000
Equity Share Capital (38200 shares @ ₹ 10 each)	<u>3,82,000</u>
	Total Share Capital
	7,82,000
ADD:	
Securities Premium A/c	8,56,000
Profit and Loss A/c	<u>22,70,000</u>
	Shareholders' funds
	39,08,000
ADD:	
Long Term Loans	<u>20,46,000</u>
	Capital Employed
	59,54,000
Represented by:	
Fixed Assets	93,38,000
Less – Depreciation	<u>45,90,000</u>
	Net Block (A)
	47,48,000
Working Capital:	
Cash & Bank	7,26,000
Receivables	10,06,000
Marketing Securities	<u>1,36,000</u>
	Liquid Assets
	18,68,000
Add – Inventories	<u>5,78,000</u>
	Total Current Assets (B)
	24,46,000
Less – Trade Creditors	7,64,000
Bills Payable	1,58,000
Expenses Outstanding	1,20,000
Provision for Tax	<u>1,98,000</u>
	Total Current Liabilities (C)
	12,40,000
	Net Working Capital (D) = (B) – (C)
	<u>12,06,000</u>
	TOTAL ASSETS (A+D)
	59,54,000

Additional Information:

- No final dividend has been proposed
- Loan of ₹ 1,42,000 is to be repaid every year.
- Market price of the share on 31st March 2018 was ₹ 80.
- The firm extends a credit of 50 days to its customers but receives a credit of 90 days from its suppliers.

On the basis of this calculate:

- A) 1) Current Ratio; 2) Quick Ratio; 3) Inventory Turnover Ratio; 4) Debtors Turnover Ratio; 5) Fixed Asset Turnover Ratio.

OR

- B) 1) GPR; 2) NPR; 3) Operating Profit Ratio; 4) COGS Ratio; 5) Financial Expense Ratio.

- Q. 6 Answer the following question in about 150-200 words: 10
A) What is Computerized Accounting System? State its importance in brief.
OR
B) What is Codification and Grouping of Accounting? Explain with examples.
- Q. 7 Answer the following questions in about 75-100 words: (Any Five) 20
A) What is GAAP?
B) Define 'Not for Profit Organisation'.
C) Discuss 'Reissue of forfeited shares'.
D) Explain the meaning of Company.
E) Define 'Composite Ratio'.
F) Describe 'Excel in Accounting'.

