



Shiksha Mandal, Wardha's

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) Define Accounting. Explain its importance and objectives.

OR

- B) Prepare bank reconciliation statement:
- Balance as per Pass Book ₹ 53,970/-
 - Bank wrongly credited ₹ 17,070/- in our account.
 - Bank paid ₹ 6,000/- electricity bill as per standing instruction not recorded in CB.
 - Payment side of Bank Column of Cash Book was under cost by ₹ 350.
 - Interest credited by bank ₹ 1,000/-
 - Cheque of ₹ 23,000/- deposited in Bank but not yet paid by bank.
 - Cheques issued but not presented for payment ₹ 40,000/-

- Q.2 A) Chaitanya Co. Ltd. issued 25,000 shares of ₹ 100 each, payable as follows: 10
On Application ₹ 25
On Allotment ₹ 30
On First Call ₹ 25
On Final Call ₹ 20

All the shares were subscribed by public. Manan to whom 500 shares were allotted failed to pay the final call and Nayan to whom 300 shares were allotted failed to pay both the calls. All these shares were forfeited by the company. All the forfeited shares were reissued to public at a discount of ₹ 10 per share.

Pass Journal Entries to record the above transactions.

OR

- B) Mansi Ltd. issued 100000 shares of ₹ 25 each payable as follows:
On Application ₹ 6
On Allotment ₹ 9
On First Call ₹ 6
On Final Call ₹ 4

Applications were received for 125000 shares. Directors have decided to reject 5000 shares and made pro-rata allotment to balance shares. Kanan to whom 350 shares were

allotted failed to pay both the calls. Her shares were forfeited after final call. All the forfeited shares were reissued at ₹ 22 per share to Karishma.

Pass journal entries to record the above transactions.

- Q. 3 A) Activa Ltd. was incorporated with a Nominal capital of ₹ 20,00,000 divided into 20000 equity shares of ₹ 100 each. The following ledger balances have been extracted from their books as on 31st March 2019.

10

Particulars	₹	Particulars	₹
Share Capital (fully called – up equity shares of ₹ 100 each)	15,00,000	Bills payables	14,000
Outstanding salary	7,000	Bills receivables	6,800
Land	4,80,000	Plant and equipments	5,70,000
Trademarks	35,000	Interest accrued on investments	6,000
Investment allowance reserve	25,000	Debenture redemption reserve	1,40,000
Trade payable	75,000	Provision for gratuity	13,000
Fixed deposits (Cr.)	1,00,000	Vehicles	1,00,000
Provision for taxation	30,000	Security deposits (Dr.)	80,000
Current investment in shares	10,000	Trade receivables	2,86,000
Long term loans from Central Govt.	90,000	6% debentures	3,00,000
Cash on hand	5,700	Goodwill	75,000
Deposits with custom authorities	3,200	Bank balance with current account	27,000
Calls in arrears	12,000	Other income received in advance	3,000
Proposed dividends	29,000	Development rebate reserve	1,20,000
Buildings	3,20,000	Unclaimed dividends	6,000
Cash – Credit and overdraft from Bank (Short term)	20,000	Profit and loss A/c (surplus)	70,000
Investment in Trust Securities	3,40,000	Furniture & fixture	1,30,000
Insurance carried forward	3,100	Loan to director	5,900
Capital work-in-progress	54,000	Preliminary exp	5,000
Stock in trade	43,000	Demand deposits from Bank	45,000
Margin money	7,300		
Share premium	25,000		
Stores & spares	7,000		

Additional information:

- The long term loan taken from Central Government is secured by a charge on Plant and Equipment.
- 6% Debentures have been issued by creating a floating charge on the assets of the company.

You are required to prepare a Balance Sheet as at 31st March 2019 as per revised schedule III to the Companies Act.

OR

B) The following ledger balances have been extracted from the books of Bokaro Ltd. as at 31st March 2019.

Particulars	₹	Particulars	₹
Share transfer fees received	1,650	Wages to shop floor supervisor	6,300
Opening revenues (Miscellaneous)	40,300	Sales Dept rent	5,300
Raw material purchased	1,42,430	Sales return	11,000
Bank Interest (Cr.)	4,000	Motive power	7,400
Administrative salaries	39,400	Carriage on purchase	12,880
Purchase of stock- in-trade	1,680	Repairs to factory building	9,100
Contribution to PF	11,000	Insurance	3,600
Sales :- Cash	1,17,300	Interest on investment	15,400
Credit	5,23,700	Rates & taxes	4,200
Diwali Bonus to employees	9,600	Staff welfare expenses	10,000
Interest on Bank O/d	7,900	Interest on debenture	11,100
Discount from suppliers	300	Commission earned	1,050
Other borrowing costs	2,100	Office on cost	1,600
Depreciation on vehicles	6,000	Directors fees	7,700
Excise duty – sale of product	20,300	Interest received on fixed deposits	5,600
Consumption of stores and spares	2,800	Miscellaneous expenses	6,720
		Returns to suppliers	4,690
		Dividend on shares	5,000

Prepare a statement of profit & loss for the year ended 31st March 2019 in vertical form as prescribed under schedule III to the companies Act, 2013 after taking into consideration the following additional information:

a) The stock position of different types of inventories were as under:

Types of Inventories	As on 31 st March 2018	As on 31 st March 2019
1. Raw materials	20,690	11,310
2. Finished goods	19,730	21,530
3. Work-in-progress	13,910	15,930
4. Stock in trade	7,460	9,140

b) Depreciation on Plant & equipment (Book value ₹ 5,00,000 written down value ₹ 3,00,000) to be provided @ 8% as per diminishing balance method.

c) Income-tax to be provided @ 50% of profits.

Q. 4 A) The following is the balance sheet of Aqua Fast Ltd. as on 31st March 2018.

10

Particulars	Note No.	₹
I. Equity & liabilities:		
1. Shareholders fund		
a) Share capital		6,00,000
b) Reserve & surplus		4,00,000
2. Noncurrent liabilities		
Long term borrowing	1	7,00,000
3. Current liabilities		
a) Trade payables		1,60,000

b) Other current liabilities	2	10,000
c) Short term provisions	3	1,30,000
Total		20,00,000
II Assets:		
1. Noncurrent Assets		13,00,000
2. Current Assets:		
a) Inventory		3,00,000
b) Trade receivables		2,00,000
c) Cash & cash equivalents	4	2,00,000
Total		20,00,000

Note:

1. Long term borrowings:
 - 12% debentures 7,00,000
2. Other current liabilities:
 - Outstanding expenses 10,000
3. Short term provisions:
 - Tax provisions 1,30,000
4. Cash & cash equivalents:
 - Bank 50,000
 - Marketable securities 1,50,000
 - 2,00,000

Additional information:

- a) Net Revenue from operations (sales) ₹ 30,00,000
- b) Cost of revenue from operations (COGS) ₹ 25,80,000
- c) Operating expenses ₹ 2,20,000

You are required to calculate:

- 1) Gross profit ratio
- 2) Net profit ratio
- 3) Operating ratio
- 4) Current ratio
- 5) Liquid ratio
- 6) Debt equity ratio
- 7) Inventory turnover ratio (on closing inventory)
- 8) Total assets to debt ratio

OR

B) The directors of AB Co. Ltd. ask you to ascertain:

- | | |
|---------------------|------------------|
| a. Proprietors fund | b. Fixed Assets |
| c. Debtors | d. Creditors |
| e. Closing stock | f. Share capital |
| g. Opening stock | h. Purchases |

Given:

1. Inventory turnover = 6 times

2. Average collection period = 2 months
3. Average payment period = 73 days
4. Ratio of cost of goods sold to proprietors fund = 2:1
5. Ratio of cost of goods sold to fixed assets = 4:1
6. Gross profit ratio = 20%
7. Closing stock is greater than opening stock by ₹ 10,000/-
8. Reserve & surplus = ₹ 40,000/-
9. Gross profit = ₹ 1,20,000/-

Q. 5 A) From the following balance sheets and additional information given, prepare fund flow statement.

10

Liabilities	2018	2019	Assets	2018	2019
Share capital	1,00,000	1,50,000	Land & Building	1,00,000	95,000
General reserve	30,000	30,000	Plant & Machinery	80,000	90,000
Profit & loss A/c	20,000	22,000	Stocks	70,000	1,10,000
6% debentures	80,000	80,000	Debtors	20,000	25,000
Creditors	65,000	58,000	Investments	-	10,000
Provision for tax	5,000	10,000	Cash	10,000	10,000
			Goodwill	20,000	10,000
	3,00,000	3,50,000		3,00,000	3,50,000

Additional information:

- a. During 2019, dividends of ₹ 15,000 were paid.
- b. Depreciation written off on Plant & Machinery amounted to ₹ 6,000 and no depreciation has been charged on Land & Building.
- c. Provision for tax made during the year ₹ 5,000.

OR

B) Following are the Balance sheets of Universal Co. Ltd. as on 31/3/2016 & 31/3/2017. Prepare cash Flow statement.

Particulars	Note	31/3/2017	31/3/2016
Equity & liabilities			
1. Shareholders fund:			
a) Share capital		4,50,000	4,50,000
b) Reserve & Surplus	1	4,78,000	3,56,000
2. Non – current liabilities			
Long term Borrowings	2	1,70,000	-
3. Current liabilities:			
a. Trade payable		1,09,000	2,03,000
b. Short term provisions	3	35,000	40,000
		12,42,000	10,49,000
Assets			
1. Non-current assets			
a. Tangible assets	4	3,20,000	4,00,000
b. Intangible assets	5	60,000	50,000

2. Current assets			
a. Current investment		70,000	78,000
b. Inventory		1,70,000	2,15,000
c. Trade receivable		4,55,000	2,10,000
d. Cash & Bank		1,67,000	96,000
		12,42,000	10,49,000

Notes:

	2017	2016
1. <u>Reserve & Surplus</u>		
Retained earnings	4,78,000	3,56,000
2. <u>Long term borrowings</u>		
Mortgage loan	1,70,000	-
3. <u>Short term provisions</u>		
Provision for tax	35,000	40,000
4. <u>Tangible assets</u>		
Land	1,40,000	2,50,000
Plant & machinery	1,80,000	1,50,000
Total	3,20,000	4,00,000
5. <u>Intangible assets</u>		
Goodwill	60,000	50,000

Additional information:

1. Depreciate machinery @ 10% on last year's balance.
2. Provision for income tax to be provided for 2016-17 was ₹ 32,000.

- Q. 6 Answer the following question in about 150-200 words: 10
- A) Explain in detail the advantages and dis-advantages of Computerized Accounting Software.
- OR
- B) Explain in brief the features of pre-packaged Accounting Software – Tally.
- Q. 7 Answer the following questions in about 75-100 words. (Any Five) 20
- A) Explain the importance of accounting.
- B) Explain the process of forfeiture of shares.
- C) Distinguish between Public company & Private Company.
- D) What do you mean by cash from operation?
- E) Explain Du Pont chart.
- F) Explain the merits of pre-packaged software.
