



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 (Old Course)

(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) Discuss the basic accounting concepts and conventions.

OR

B) What is Bank Reconciliation Statement? Explain the reasons of difference between the balance as per Bank Pass book and balance as per Cash book.

Q.2 A) The Receipts and Payment Account of Indian Sports Association for the year ended 31st March 2018 is given below. 10

Receipts	₹	Payments	₹
To opening balance	48,000	By purchase of balls	80,000
To subscription received	2,46,000	By tournament fees	10,000
To interest	2,000	By affiliation fees	2,000
To sale of furniture	10,000	By rent of play ground	5,000
To donations for club building	60,000	By refreshment expenses	4,000
		By travelling expenses	30,000
		By investment purchased at face value	1,00,000
		By salary	12,000
		By misc. expenses	8,000
		By balance c/d	1,15,000
	3,66,000		3,66,000

Prepare 1) Income & Expenditure account for the year ended 31st March 2018 and the Balance Sheet as on that date, after taking the following information

1. The subscription received include ₹ 10,000 outstanding subscription of the 2016-17.
2. The outstanding subscription for the current year amounts to ₹ 16,000.
3. Some members have paid subscription for the year 2018-19 amounting to ₹ 8000 which included in the subscription received.
4. Interest accrued but not received ₹ 500.
5. The book value of the furniture sold was ₹ 14000.
6. The rent of play ground ₹ 6000 and salary of ₹ 5000 for the year 2017-18 are still outstanding and rent of play ground of the year 2016-17 ₹ 1000 has been paid during this year.
7. There is a stock of balls with the association ₹ 4000 on 31st March 2018.

OR

B) Given below is the Receipts and Payments Accounts of the Young India Club for the year ended 31st March 2018.

Receipts	₹	Payments	₹
To opening balance	1025	By salaries	600
To subscriptions:	-	By general expenses	80
2016-17	40	By entertainment programme	
2017-18	2050	expenses	450
2018-19	60	By newspapers	150
To donations	540	By municipal taxes	50
To proceeds from entertainment programme	950	By charity	350
To sale of waste paper	45	By investment in bonds	2000
		By electricity charges	140
		By closing balance	890
	4710		4710

You are required to prepare the club's Income & expenditure account for the year 2017-18 and balance sheet as on that date, after taking the following information into account:

- There are 500 members each paying an annual subscription of ₹ 5 and ₹ 50 is still arrears for 2016-17.
- Municipal taxes amounting to ₹ 40 per annum have been paid upto 30th June 2018 and ₹ 50 for salaries is outstanding.
- Building stand in the books at ₹ 5000 and it is required to write off depreciation @ 5% p.a.
- 6% p.a. interest is accrued on Bonds for 5 months.

Q. 3 A) A company offered for public subscription of 10,000 shares of ₹ 10 each at ₹ 11 per share. Money was payable as follows: 10

On application	:	₹ 3
On allotment	:	₹ 4 (3+1)
On first & final call	:	₹ 4

The company received application for 12,000 shares and the directors made pro-rata allotment. All calls were duly made and received except:

- Mr. A an applicant for 120 shares, could not pay the allotment and call money.
- Mr. B a holder of 200 shares, failed to pay the call money.

All these shares were forfeited after first cum final call. Out of the forfeited shares 150 shares (the whole of Mr. A's shares being included) were re-issued at ₹ 9 per shares. Pass the journal entries for the above transactions.

OR

B) On 1st Jan 2017, Neha Ltd. issued 2,500 10% Debentures of ₹ 100 each at ₹ 95. Holders of these debentures have an option to convert their holding into 14% preference shares of ₹ 100 each at premium of ₹ 25 per share at any time within three years.

On 31st Dec 2017, holders of 500 debentures notified their intention to exercise the option. Pass the journal entries in relation to the issue and conversion of debentures in the books of the company.

Q. 4 A) The following is the Trial balance of Paramount Ltd. as on 31st March 2018.

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Particulars	₹	₹
Share Capital:		
2000 6% Preference shares of ₹ 100 each		2,00,000
Equity share capital of ₹ 100 each		4,00,000
10% debentures (issued on 1 st April 2017)		2,00,000
Machinery	3,20,000	
Land & building	13,48,000	
Depreciation on machinery	32,000	
Purchase of raw material (adjusted)	8,00,000	
Closing stock (closing inventory)	3,00,000	
Wages	2,40,000	
Sales		20,00,000
Salaries	1,60,000	
Bank overdraft		4,00,000
	32,00,000	32,00,000

Adjustments:

- 1) Transfer ₹ 4,00,000 to General Reserve.
- 2) The board of directors proposed a dividend on paid up equity capital @ 10% and full dividend on preference share capital.

You are required to prepare statement of profit & loss for the year ended 31st Mar 2018 and Balance Sheet as on that date as per revised schedule of the Company Act, 2013.

OR

B) The following is the Trial balance of Unique Company Ltd., Nagpur as on 31st March 2018.

Particulars	₹	Particulars	₹
Opening Inventory	4300	Dividend Received	200
Trade Receivables	4800	Provision for depreciation	8600
Land at cost	11,000	Trade payable	2600
Plant & Machinery at cost	38,500	Sales	35,000
Administration expenses	1,500	Equity share capital	15,000
Factory expenses	3000	10% Debenture	10,000
Selling expenses	1500	General Reserve	6500
Bank balance	1000	Profit & Loss Account	3600
Purchases	16,000	Securities Premium	2000
Interim dividend paid	900		
Debenture interest	1000		
	83,500		83,500

Adjustments:

- a) The outstanding selling expenses amounted to ₹ 150.

- b) The prepaid administration expenses amounted to ₹ 150.
c) The value of closing stock at the end of the year amounted to ₹ 3500.
d) The board of director's proposed a final dividend of ₹ 600.
e) Depreciation is to be provided on plant & machinery @10%.
f) Make a provision for R.D.D. @ 1% on trade receivable.
- You are required to prepare a statement of profit & loss for the year ended 31st Mar. 2018 and balance sheet as on that date as per revised schedule of the Company Act, 2013.

Q. 5 A) From the following financial information of Clever India Ltd. for the year 31st Mar 2017 and 31st Mar 2018. 10

Particulars	31 st Mar 2017	31 st Mar 2018
Cash & bank balance	4,00,000	3,20,000
Sundry debtors	6,40,000	8,00,000
Short term investments	4,00,000	6,40,000
Closing stock/ inventory	36,80,000	43,20,000
Prepaid expenses	56,000	24,000
Total current assets	51,76,000	61,04,000
Total assets	1,12,00,000	1,28,00,000
Creditors	8,00,000	10,00,000
Bills payable	4,80,000	6,00,000
Total current liabilities	12,80,000	16,00,000
Debentures	32,00,000	32,00,000
Share capital	40,00,000	40,00,000
Retained earnings	9,36,000	16,24,000

Income statement:

Particulars	31 st Mar 17	31 st Mar 18
Sales	60,00,000	80,00,000
(-) cost of goods sold	42,00,000	56,00,000
(-) Interest	3,20,000	3,20,000
=Net Profit before tax	14,80,000	20,80,000
(-) Tax @ 50%	7,40,000	10,40,000
=Net Profit after tax	7,40,000	10,40,000
(-) Profit distributed	3,40,000	4,40,000
	4,00,000	6,00,000

From the above information you are required to calculate following ratios for both the years.

- a) Gross profit Ratio
b) Net Profit Ratio
c) Current Ratio
d) Acid Test Ratio
e) Debt Equity Ratio

OR

B) From the following Balance Sheet of Galaxy Co. Ltd. for the year 31st Mar 2017 and 31st Mar 2018. You are required to prepare a cash flow statement.

Particulars	31 st Mar 2018	31 st Mar 2017
Equity share capital	2,00,000	1,50,000
Preference share capital	50,000	75,000
General Reserve	1,25,000	70,000
Profit & Loss account	1,35,000	45,000
Trade Payable	49,500	37,500
Provision for Tax	50,000	40,000
	6,09,500	4,17,500
Fixed Assets:		
Building	1,80,000	2,00,000
Plant & Machinery	1,00,000	40,000
Goodwill	20,000	36,000
Current Assets:		
Closing Inventory	15,000	10,000
Trade Receivable	2,84,500	1,19,000
Cash & bank balance	10,000	12,500
	6,09,500	4,17,500

Additional Information:

- 1) Depreciation charged on Plant & Machinery was ₹ 10,000 and building ₹ 60,000.
- 2) Income tax paid during the year amounted to ₹ 43,000.

- Q. 6 Answer the following question in about 150-200 words: 10
- A) Discuss the importance of accounting in computerized environment.
- OR
- B) Differentiate between Manual accounting Vs Computerized accounting.
- Q. 7 Answer the following questions in about 75-100 words. (Any Five) 20
- A) What is Trial balance?
 - B) What are the features of Receipt & Payment Account?
 - C) What do you understand by forfeiture of shares?
 - D) Write note on statutory books of account.
 - E) Write note on Du Pont chart.
 - F) What is spread sheet in accounting?
