Seat No.:	Enrolment No.
Deat 110	Emionicit inc.

## GUJARAT TECHNOLOGICAL UNIVERSITY

MBA (INTEGRATED) SEMESTER -02 • EXAMINATION - SUMMER - 2017

Subject Code: 4120504 Date: 12/05/2017

Subject Name: FINANCIAL ACCOUNTING

Time: 10.30 AM TO 01.30 PM Total Marks: 70

**Instructions:** 

- 1. Attempt all questions.
- 2. Make suitable assumptions wherever necessary.
- 3. Figures to the right indicate full marks.
- Q.1 (a) Define accounting and explain its role in making economic and business 07 decisions.
  - (b) What is meant by 'Basic Assumptions of Accounting'? Enumerate the four basic assumptions that underline the financial accounting structure.
- Q.2 (a) The following particulars are available in respect of the business carried on by Ramesh.
  - I. Capital employed Rs. 50,000.
  - II. Trading profit (after tax):

1998 - Rs. 12,200;

1999 - Rs. 15,000;

2000 - Rs. 2,000(Loss); and

2001 - Rs. 21,000.

- III. Market rate of interest on investment -8%.
- IV. Rate of risk return on capital invested in business -2%.
- V. Remuneration from alternative employment of the proprietor (if not engaged in business) Rs. 3,600 p.a.

You are required to compute the value of goodwill on the basis of 3 years purchase of super profits of the business calculated on the average profit of the last four years.

(b) On 1<sup>st</sup> January 2012, Sharda Ltd. purchased a second hand machine for Rs. 80,000 and spent Rs. 20,000 on its cartage, repairs and installation. On 30<sup>th</sup> September 2013, this machine is sold for Rs. 50,000. Depreciation is to be provided @ 20% p.a. according to Written Down Value Method. Prepare Machinery Account for the first three years assuming that accounts are closed on 31<sup>st</sup> March each year.

OR

- (b) Distinguish between Straight Line Method and Written Down Value 07 Method.
- Q.3 (a) From the following Trial Balance of Mr. Reddy, you are required to prepare Trading and Profit and Loss Account for the year ended on March 31, 2009 and a Balance Sheet on that date:

Particulars	Debit	Credit	
	Balance	Balance	
	Rs	Rs	
Capital	-	2,00,000	
Plant and Machinery	1,56,000	-	

Furniture	4,000	-
<b>Purchases and Sales</b>	1,20,000	2,54,000
Returns	2,000	1,500
Opening stock	60,000	-
Discount	850	1,600
Sundry	90,000	50,000
<b>Debtors/Creditors</b>		
Salaries	15,100	-
Manufacturing Wages	20,000	-
Carriage Outwards	2,400	-
<b>Provisions for Doubtful</b>	-	1,050
Debts		
Rent, Rates and Taxes	20,000	-
Advertisements	4,000	-
Cash	13,800	-
Total	5,08,150	5,08,150

## **Adjustments:**

- I. Closing stock was valued at Rs 68,440
- II. Provision for doubtful debts is to be kept at Rs 1,000
- III. Depreciate plant and machinery @ 10%
- IV. The proprietor has taken goods worth Rs 10,000 for his personal use and additionally distributed goods worth Rs 2,000 as samples
- V. Purchase of furniture Rs 1,840 has been passed through purchases book
- (b) Explain the inventory systems. Distinguish between Periodic Inventory 07 System and Perpetual Inventory System.

OR

Q.3 (a) Purchase and Sales of a certain product during Jan 2009 are given below. Purchases

On Jan 2, 2009 100 units @ Rs 5

On Jan 12, 2009 200 units @ Rs 4.80

On Jan 17, 2009 100 units @ Rs 4.60

On Jan 22, 2009 100 units @ Rs 4.50

Sales

On Jan 7, 2009 50 units

On Jan 14, 2009 150 units

On Jan 28, 2009 100 units

There was no Opening Inventory. You are required to compute the cost of goods sold (under the Periodic systems) under the methods:

(i) FIFO and (ii) LIFO.

(b) Describe the nature and types of Investments.

07

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- Q.4 (a) "Revenue is recognized when a sales transaction is made or when services are rendered." Do you agree with this statement? Give reasons for your answer with suitable illustration, and exceptions, if any to this statement.
  - (b) Classify the following into Personal, Real and Nominal Account:
    (i) Outstanding rent A/c (ii) Drawings A/c (iii) Discount Received A/c (iv)
    State Bank of India A/c (v) L.I.C. Premium A/c (vi) Bad Debts written off
    A/c (vii) Advertisement A/c (viii) Carriage Inward A/c (ix) Interest
    Received a/c (x) Land Purchased A/c (xi) Conveyance Charges A/c (xii)
    Subscription Outstanding A/c (xiii) Employee Group Insurance Premium
    A/c (xiv) Commission Paid A/c.

Q.4	(a)	Explain the objectives and salient features of Trial Balance.	07
	(b)	Krupa Textile Ltd. buys a building for the purpose of investment. It issues 65,000 equity shares of its company, which are quoted on the day of the deal at Rs. 180 per share at the BSE. The company also pays a brokerage of Rs. 2 lakh to the property dealer involved in the deal. The stamp duty is also incurred @ 8% of the value of the building. Determine the value of this investment property.	07
Q.5	(a)	Prepare a pro forma for a Balance Sheet as prescribed in Schedule VI to the Companies Act, 1956.	07
	<b>(b)</b>	Explain the following terms with suitable examples: (i) Deferred tax liability (ii) Calls in arrears (iii) Preliminary Expenses	07
		OR	
Q.5	(a)	Prepare a pro forma for profit and loss statement as prescribed in Schedule VI to the Companies Act, 1956.	07
	<b>(b)</b>	Explain the rational of making a distinction between Capital and Revenue Expenditure.	07

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