Seat No.: _____ Enrolment No._____

GUJARAT TECHNOLOGICAL UNIVERSITY

MAM - SEMESTER–II • EXAMINATION – SUMMER • 2014

Subject Code: 4120504 **Date: 26-06-2014**

Subject Name: Financial Accounting

Time: 10:30 am - 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 discuss its functions and objectives. **07**

(b) Write short notes on: **07**

(i) Going concern concept **(iii)** Concervative concept

(ii) Accrual concept **(iv)** Generally Accepted Accounting Principles

Q.2 **(a)** From the following balances extracted from the books of a trader, prepare Trial Balance as on 31st March, 2014. **07**

(i) Cash in hand Rs. 4,200 **(ii)** Cash at Bank Rs. 16,800 **(iii)** Bills Receivable Rs. 18,000 **(iv)** Bills Payable Rs. 16,000 **(v)** Sundary Debtors Rs. 24,600 **(vi)** Sundry Creditors Rs. 32,400 **(vii)** Capital Rs. 50,000 **(viii)** Drawings Rs. 18,000 **(ix)** Sales Rs. 1,05,000 **(x)** Purchases Rs. 75,000 **(xi)** Carriage Inward Rs. 2,700 **(xii)** Salaries Rs. 12,000 **(xiii)** Advertisement Rs. 2,400 **(xiv)** Insurance Rs. 1,600 **(xv)** Funrniture Rs. 7,500 **(xvi)** Stock Rs. 18,600 **(xvii)** Office Rent Rs. 2,000

(b) Why do we enter transactions first in the journal and then post them to the ledger? **07**

OR

(b) The following are the transactions of Kumar Swami for the month of April. Journalise these transactions. **07**

2014

April 1 Started business with Cash Rs. 7,00,000, Furniture worth Rs. 1,00,000 and Machinery worth Rs. 2,00,000.

" 2 Deposited Rs. 3,00,000 in bank.

" 3 Purchased goods from Vikram for Rs. 15,000 and from Sharma for Rs. 7,500.

" 4 Goods returned to Sharma worth Rs. 1000 since the same were not as per the sample.

" 5 Sold goods for cash worth Rs. 8,000.

" 6 Sold goods to Kiran worth Rs. 8,900.

" 7 Damaged goods returned by Kiran worth Rs. 900.

" 10 Received Rs. 6,000 from Kiran on account.

" 12 Paid to Sharma Rs. 6450 in full settlement of his account.

" 14 Paid for insurance of machinery Rs.1,000.

" 16 Purchased goods from Hari for Rs. 13,500.

" 20 Withdrew cash for personal use Rs. 5,000.

" 27 Withdrew cash from bank Rs. 5,000 for personal use.

" 30 Paid rent of Rs. 10,000 and salary, Rs. 28,000.

Q.3 **(a)** What do you mean by term 'depreciation'? Why do firms provide depreciation? **07**

(b) Suman Co. has the following inventory, purchases, and sales data for March: **07**

Inventory:	March 1	100 units @ Rs. 5
Purchases:		
	March 5	600 units @ Rs. 6
	March 11	300 units @ Rs. 8
	March 23	400 units @ Rs. 9
Sales:		
	March 9	400 units
	March 18	500 units
	March 28	200 units

Compute the cost of inventory on hands on March 31 and cost of goods sold for March under FIFO and LIFO methods.

OR

Q.3 **(a)** Satyam Computers bought a machine for making printed circuit boards (PCBs) for Rs. 800,000. The machine was expected to be useful for six years and an estimated residual value of Rs 80,000. **07**

Compute the depreciation expense for each year under Straigh-line Method (SLM) and Written Down Value (WDV) Method.

(b) What do you mean by inventory? How LIFO and FIFO methods of inventory valuation differ to each other? **07**

Q.4 **(a)** How will you classify the following into personal, Real and Nominal Accounts? **07**

(i) Bank of India A/c **(ii)** Furniture A/c **(iii)** Cash A/c **(iv)** Goodwill A/c **(v)** Prepaid Rent A/c **(vi)** Salary A/c **(vii)** Interest A/c **(viii)** Commission A/c **(ix)** Mohan A/c **(x)** Reliance A/c **(xi)** Machinery A/c **(xii)** Trademark A/c **(xiii)** Unexpired Insurance A/c **(xiv)** Stock A/c

(b) What do accountants mean by the term 'Goodwill', and when and how is it recognized in financial statements? **07**

OR

Q.4 **(a)** Give an example for the following effects on the accounting equation: **07**

(i) Increases an asset and increases a liability
(ii) Increases an asset and decreases another asset.
(iii) Increases an asset and increases equity.
(iv) Decrease an asset and decreases a liability.
(v) Decreases an asset and decreases equity.

(b) What are the salient features of 'Directors' Report'? **07**

Q.5 **(a)** What is deferred tax liability? How is it different from current tax liability? **07**

(b) Define corporate financial statements and write the importance of corporate financial statements. **07**

OR

Q.5 **(a)** State whether each of the following is an asset account, a liability account, or an equity account: **07**

(i) Salaries Expense **(ii)** Bills Payable **(iii)** Supplies **(iv)** Dividends **(v)** Cash **(vi)** Debtors **(vii)** Prepaid Insurance **(viii)** Interest Income **(ix)** Interest Expanse Payable **(x)** Equipment **(xi)** Creditors **(xii)** Retained Earnings **(xiii)** Drawings **(xiv)** Building

(b) Write a specimen of vertical form of corporate profit & loss account. **07**

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