

DISTANCE EDUCATION

B.C.A. DEGREE EXAMINATION, MAY 2008.

ACCOUNTING FUNDAMENTALS

(2003 onwards)

Time : Three hours

Maximum : 100 marks

Answer any FOUR questions.

All questions carry equal marks.

1. (a) Briefly explain the different branches of accounting.
(b) Distinguish between financial accounting and management accounting.
2. (a) Briefly explain the basic accounting concepts and conventions.
(b) Explain the advantages of the double entry system.
3. From the following Trial Balance, prepare the Trading and Profit and Loss account for the year ended Dec 31, 2005 and a Balance sheet as at that date.

| | Dr. | Cr. |
|-----------|--------|--------|
| Capital | – | 40,000 |
| Sales | – | 25,000 |
| Purchases | 15,000 | |
| Salaries | 2,000 | |
| Rent | 1,500 | |

| | | |
|-----------|--------|---------------|
| Insurance | 300 | |
| Drawing | 5,000 | |
| Machinery | 28,000 | |
| Bank | 4,500 | |
| Cash | 4,500 | |
| Stock | 5,200 | |
| Creditors | – | 1,000 |
| | | <u>66,000</u> |
| | | 66,000 |

Additional information.

- (a) Stock on hand at Dec. 31, 2005 Rs. 4,900
- (b) Salaries owing Rs. 300
- (c) Rent paid in advance Rs. 200
- (d) Insurance paid in advance Rs. 90
- (e) Depreciate machinery by 10 per cent.
- (f) During December the owner took Rs. 100 in goods for his own use.

4. The trial balance of a firm is out by Rs. 2,788 (excess debit). The following errors were found, subsequently, to have been committed. Pass journal entries to correct them.

(a) An amount of Rs. 100 was received from D. D as on 31st Dec. 2004, but had been entered in the cash book on 3rd Jan 2005.

(b) The Returns inwards books for December had been cast Rs. 100 short.

(c) The purchase of an office table costing Rs. 300 had been passed through the Purchase Day Book.

(d) Rs. 375 paid for wages to workmen for making show cases had been charged to wages Account.

(e) A purchase of Rs. 671 had been posted to the debit of the Creditor's account as Rs. 617. The creditor is P. Panna & Co.

(f) A cheque for Rs. 200 received from P.C. Joshi has been dishonoured on maturity and was passed to the debit of Allowances Account.

(g) Goods amounting to Rs. 100 had been returned by a customer and were taken into stock, but no entry in respect there of made in the books.

(h) Rs. 2,000 paid for the purchase of a motor cycle for Mr. Dutt (a partner) had been charged to Miscellaneous Expenses Account.

(i) A sale of Rs. 200 to Singhi & Co. was credited to their Account.

(j) A sale of Rs. 1000 has been passed through the Purchase Day Book. The Customer's account has however been correctly debited.

5. The book of Kalyani showed the following figures.

| | 1.1.2005 | 31.12.2005 |
|--------------------------------|----------|------------|
| | Rs. | Rs. |
| Creditors | 5,000 | 10,000 |
| Debtors | 6,000 | 6,600 |
| Provision for doubtful debts | 300 | 400 |
| Buildings | 30,000 | 24,000 |
| Furniture | 14,000 | 14,200 |
| Commission received in advance | 100 | 200 |
| Bills payable | 2,400 | 3,400 |
| Rent due but not received | 300 | 1,400 |
| Unpaid salaries | 1,500 | 1,600 |
| General expenses owing | 400 | 500 |
| Stock | — | 10,000 |

The analysis of the Cash book showed the followings :

| Receipts | Rs. | Payments | Rs. |
|---------------------------|---------------|---------------------|---------------|
| To opening balance b/d | 7,400 | By general expenses | 1,000 |
| To sales (cash) | 16,000 | By salaries | 2,400 |
| To rent received | 1,400 | By Bills payable | 10,000 |
| To commission received | 1,000 | By furniture | 4,000 |
| To debtors | 10,000 | By creditors | 12,000 |
| To sale of sold furniture | 100 | By Investments | 4,000 |
| | | By Balance c/d | 2,500 |
| | <u>35,900</u> | | <u>35,900</u> |

The stock is valued on the closing date but no stock was taken on 1.1.2005. The rate of gross profit is 25% on sales. Prepare Trading and Profit and Loss a/c and Balance sheet.

6. “ K” who keep his books by single entry gives you the following information for the year 2005.

Summary of Cash Book (Bank column)

| Receipts | Rs. | Payments | Rs. |
|---------------------|---------------|-------------------|---------------|
| To opening balance | 2,175 | By creditors | 13,500 |
| To debtors | 19,200 | By bills payable | 4,650 |
| To Bills receivable | 6,000 | By salaries | 3,250 |
| To commission | 750 | By wages | 6,000 |
| To cash sales | 4,300 | By rent and taxes | 2,200 |
| To Balance c/d | 1,675 | By insurance | 450 |
| | | By carriage | 125 |
| | | By advertising | 165 |
| | | By drawings | 3,760 |
| | <u>34,100</u> | | <u>34,100</u> |
| | | By Balance b/d | 1,675 |

Particulars of other assets and liabilities.

| | 1.1.05 | 31.12.05 |
|------------------|--------|----------|
| | Rs. | Rs. |
| Stock on hand | 9,350 | 11,700 |
| Debtors | 6,000 | 7,000 |
| Creditors | 4,500 | 750 |
| Bills receivable | 2,000 | 2,500 |
| Furniture | 300 | 300 |
| Bills payable | 500 | 100 |
| Building | 6,000 | 6,000 |

A provision of Rs. 725 is required for doubtful debts and depreciation @ 5% is to be written off on Building and Furniture Rs. 1,500 are outstanding for wages and Rs. 600 for salaries. Insurance has been prepaid to the extent of Rs. 125. Legal expenses are outstanding to the extent of Rs. 300.

Prepare Profit and Loss a/c and Balance sheet.

7. The following figures relate to "N" traders Ltd., for the year ended 31st march 2005.

Trading and Profit and Loss a/c

| | Rs. | | Rs. |
|------------------|-----------------|------------------|-----------------|
| To opening stock | 75,000 | By sales | 5,20,000 |
| To purchases | 3,25,000 | (-) Returns | 20,000 |
| To Gross profit | 2,00,000 | By closing stock | 1,00,000 |
| | <u>6,00,000</u> | | <u>6,00,000</u> |

| | | | |
|--------------------------------|-----------------|------------------------------|-----------------|
| To operating expenses : | | By gross profit | 2,00,000 |
| Admn. exps. | 40,000 | By dividend | 9,000 |
| Selling and distribution exps. | 25,000 | By profit and sale of shares | 11,000 |
| To non-operating expenses : | | | |
| Loss on sale of assets | 5,000 | | |
| To net profit | 1,50,000 | | |
| | <u>2,20,000</u> | | <u>2,20,000</u> |

Balance sheet

| Liabilities | Rs. | Assets | Rs. |
|-----------------------------------|----------|---------------------|----------|
| 2000 eq. shares of Rs.100 each | 2,00,000 | Land and building | 1,50,000 |
| Reserves | 90,000 | Plant and machinery | 80,000 |
| Current liabilities | 1,50,000 | Stock | 1,00,000 |
| P&L a/c | 60,000 | Debtors | 1,40,000 |
| | | Cash and bank | 30,000 |
| | 5,00,000 | | 5,00,000 |

Calculate

- (a) Gross profit ratio
- (b) Operating ratio
- (c) Operating profit ratio
- (d) Net profit ratio
- (e) Expenses ratio
- (f) Stock turnover ratio
- (g) Return on total resources
- (h) Turnover of fixed assets
- (i) Turnover to total assets.

8. From the following information prepare a Balance sheet with as many details possible.

Gross profit Rs. 80,000, current assets Rs. 1,50,000, Gross profit to cost of goods sold ratio $\frac{1}{3}$ accounts payable velocity 90 days. Stock velocity 6 time, Bills receivable Rs. 20,000, Bills payable Rs. 5,000, Opening stock Rs. 36,000, Accounts receivable velocity (year 360 days) 72 days. Fixed assets turnover ratio 8 times.
