

DISTANCE EDUCATION

B.C.A. DEGREE EXAMINATION, DECEMBER 2010.

ACCOUNTING FUNDAMENTALS

(2003 onwards)

Time : Three hours

Maximum : 100 marks

Answer any FIVE questions.

All questions carry equal marks.

(5 × 20 = 100)

1. The following information is given about m/s Mithilesh Kumar Ltd for the year ending December 31, 2008.

- (a) Stock turnover ratio = 6 times
- (b) Gross profit ratio = 20% on sales
- (c) Sales for 2008 Rs. 3,00,000
- (d) Closing stock is Rs. 10,000 more than opening stock
- (e) Opening creditors – Rs. 20,000
- (f) Closing creditors – Rs. 30,000
- (g) Trade debtors at the end Rs. 60,000
- (h) Net working capital Rs. 50,000

Find out

- (i) Average stock
- (ii) Purchases
- (iii) Creditors turnover ratio
- (iv) Average payment period
- (v) Average collection period
- (vi) Working capital turn over ratio.

2. Mithilesh Kumar is a tobacco merchant. He follows the practice of paying creditors for goods purchased through his bank account and making payments in cash on all nominal accounts :

1.04.2008 31.3.2009

	Rs.	Rs.
Cash in hand	30	50
Cash at bank	1,000	1,500
Sundry Debtors	1,750	2,500
Sundry Creditors	3,410	3,750
Investments	6,250	6,250
Stock	2,500	1,870

Transactions during the year were as follows :

Salaries paid 1,500; General expenses paid Rs. 3,500; Payments for stationery 870; Payment for rent and Rates 700; Lighting charges paid 250 cash receipts from Debtors 31,250; Payments to creditors through Bank and of Trade expenses in cash 20,000; payments into Bank-Business 18,750; payments into Bank-Additional Capital 250; payments from Bank Account – Personal 3,250; cash payments – Personal 910; Stock taken for personal use 140 prepare Trading and Profit and Loss account for the year ended 31 March, 2009 and Balance Sheet as on that date.

3. What are accounting concept and conventions? Explain.
4. What do you understand by Management Accounting? How does it differ from cost accounting and Financial Accounting?
5. The trial balance of M. Aarthy as on 31.12.2008 was as follows :

Debit	Rs.	Credit	Rs.
Purchases	1,62,505	Sales	2,52,400
Debtors	50,200	Provision for	
Stock (1.1.08)	26,725	doubtful debts	5,200
Wages	23,137	Creditors	30,526
Salaries	5,575	Bills payable	3,950
Furniture	7,250	Outstanding wages	2,000
Postage	4,226	Trade expenses accrued	
Power and fuel	1,350	but not paid	700
Trade expenses	5,831	Capital account	10,000
Bad debts	525		
Loan at 15% p.a. to X on			
1 Sept. 2008	3,000		
Cash at Bank	10,000		
Drawings account	4,452		

3,04,776

3,04,776

Prepare trading and profit and loss account for the year ended 31.12.2008 and Balance sheet as at that date taking into account the following information.

- (a) Depreciate furniture at 10% p.a.
- (b) Debtors include an item of Rs. 500 due from a customer who has become insolvent and nothing is recoverable from his estate.
- (c) Provision for doubtful debts is to be maintain at 5% on sundry debtors.
- (d) Goods of the value of Rs. 1,500 have been destroyed by fire and the insurance company has admitted the claim for Rs. 1000.
- (e) Stock 31.12.2008 was Rs. 12,550.

6. The following are the Balance sheet of a concern for the year 2007 and 2008 prepare a comparative balance sheet and discuss the financial position of the concern.

Balance sheet 31st December					
	2008	2007		2008	2007
Equity share capital	8,00,000	6,00,000	Land and Building	2,70,000	3,70,000
Reserves	2,22,000	3,30,000	Machinery	6,00,000	4,00,000
Debentures	3,00,000	2,00,000	Furniture	25,000	20,000
Long term loans	2,00,000	1,50,000	Other fixed assets	30,000	25,000
Bills payable	45,000	50,000	Cash at Bank	80,000	20,000
Creditors	1,20,000	1,00,000	B/R	90,000	1,50,000
Other current liabilities	10,000	5,000	Debtors	2,50,000	2,00,000
			Stock	3,50,000	2,50,000
			Prepaid expenses	2,000	
	<u>16,97,000</u>	<u>14,35,000</u>		<u>16,97,000</u>	<u>14,35,000</u>

7. Discuss the various types of errors with suitable examples.

8. Enumerate the mandatory accounting standards issued by ICAI.
