

END TERM EXAMINATION

FIRST SEMESTER [BBA] DEC.2014- JAN.2015

Paper Code: BBA-109

Subject: Financial Accounting

BBA(B&I/TTM/MOM)-109

Time: 3 Hours

Maximum Marks: 75

Note: Attempt any five questions.

- Q1 Comment on **any five** of the following statements. Your answer should not exceed 50 words each: (3x5=15)
- (a) Accounting is a language of the business.
 - (b) In accounting all business transaction are recoded as having a dual aspect.
 - (c) The term "Accrued Income" and "Outstanding Income" have synonymous meanings.
 - (d) Depreciation can be charged o the replacement cost of an asset.
 - (e) Valuation of inventory based on FIFO method results in lower profits.
 - (f) A company can utilize securities premium as per its choice.
 - (g) Shareholders have a prior claim to debentureholders in the event of winding up of a company.

- Q2 Journalise the following transactions, post them in ledge and prepare the trial balance of the firm (15)
- (a) Ram started business with a capital of Rs. 10,000
 - (b) He purchased goods from Mohan on credit Rs. 2,000
 - (c) He paid cash to Mohan Rs. 1,000
 - (d) He sold goods to Suresh Rs 2,000
 - (e) He received cash from Suresh Rs. 3,000
 - (f) He further purchased goods from Mohan Rs. 2,000
 - (g) He paid cash to Mohan Rs. 1,000
 - (h) He further sold goods to Suresh Rs. 2,000
 - (i) He received cash form Suresh Rs. 1,000.

- Q3 Following are the extracts from the following the Trial Balance of a firm:

TRIAL BALANCE
as on 31st December, 2007

| Particulars | Dr. Amount Rs. | Cr. Amount Rs. |
|----------------|----------------|----------------|
| Sundry Debtors | 50,000 | - |
| Bad Debts | 3,000 | - |
| Discount | 2,000 | - |

Additional Information:

- (i) Create a provision for doubtful debts @10% on debtors.
- (ii) Create a provision for discount on debtors @5% on debtors.
- (iii) Additional discount given to the debtors Rs. 1,000

You are required to pass the necessary journal entries and show how the different items will appear in the Profit and Loss Account and Balance Sheet. (15)

Q4 A company offered for public subscription 10,000 shares of Rs. 10 each at Rs. 11 per share. Money w payable as follows:

Rs. 3 on application

Rs. 4 on allotment

Rs. 4 on first and final call.

Applications were received for Rs. 12,000 shares and the directors made prorata allotment.

A, an applicant for 120 shares, could not pay the allotment and call moneys. B, a holder of 200 shares, failed to pay the call. All these shares were later on forfeited.

Out of the forfeited shares, 150 shares (the whole of A's shares being included) were issued at Rs. 9 per share. Pass journal entries for the above transactions. (15)

Q5 A Ltd. made t he following issue of debentures:

(a) For cash at 90 per cent but payable at 110 per cent; debentures of Rs. 10,000.

(b) To a creditor who supplied machinery costing Rs. 1,00,000; 1,00 debentures of Rs. 100 each.

(c) To bank for a loan of Rs. 7,00,000 as collateral security, 10,000 debentures of Rs. 100 each. (15)

Journalise the transactions.

Q6 (a) Define "Inventory". Why proper valuation of inventory important? (7.5)

(b) State the salient features of AS:2 (Revised) regarding inventory valuation. (7.5)

Q7 Distinguish between "Straight line method" and "Diminishing balance method" of providing depreciation. Which one of the above two methods would you recommend to provide depreciation on Plant and Machinery? Give reasons. (15)

Q8 Explain **any three** of the following:- (5x3=15)

(a) Schedule-VI Part-I of the Companies Act.

(b) Deferred Revenue Expenditure

(c) Group Depreciation Method

(d) Double-Entry System of Book-Keeping

(e) Accounting Standards issued by ICAI.