

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA (Integrated) – SEMESTER – 1 • EXAMINATION – WINTER - 2018

Subject Code: 2517107

Date: 01/01/2019

Subject Name: Elements of Financial Accounting

Time: 10:30AM TO 1:30 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)** “Accounting Concepts refers to those basic assumptions or postulates or conditions upon which the science of accounting is based”. Justify the statement with respect to GAAP. **07**
- (b)** Write short notes on: **07**
- (i) Depreciation
 - (ii) Convention
 - (iii) Purchase book

- Q.2 (a)** Journalize the following transactions in the books of Ajit Ltd. for December 2017. **07**
- 1st Dec 2017, Ajit started business with cash Rs.40,000.
 - Dec.3, he paid into the bank Rs.20,000.
 - Dec.5, he purchased goods for Rs.15,000.
 - Dec.8, he sold goods for cash Rs.6000.
 - Dec.10, he purchased furniture and paid by cheque Rs.5000.
 - Dec.12, he sold goods to Arvind Rs.4000.
 - Dec.14, he purchased goods from Amrit Rs.10000.
 - Dec.15, he returned goods to Amrit Rs.5000.
- (b)** Explain process of accounting. Who are the users of accounting? **07**

OR

- (b)** What is accounting cycle? Explain needs and functions of accounting? **07**
- Q.3 (a)** What is inventory valuation? Distinguish between LIFO and FIFO method. **07**
- (b)** “A Ledger is a book which contains all the accounts whether personal, real or nominal, which are first entered in Journal.” Explain with examples. **07**

OR

- Q.3 (a)** From the following particulars selecting to raw materials, prepare the stock Register of “K & T Stores” as per Weightage Average Method. **07**

Date	Particulars	Quantity (Pieces)	Rate (Rs.) (Per dozen)
1-1-2018	Opening Stock of Raw materials	72	480
3-1-2018	Goods Received	100	600
10-1-2018	Goods sent on Job	84	-
15-1-2018	Goods Received	144	720
20-1-2018	Goods sent on Job	72	-
24-1-2018	Goods Received	120	840
31-1-2018	Return from 20-1-2018	12	-

- (b)** Difference between Subsidiary books and ledger. **07**
- Q.4 (a)** Write difference between straight line method and written down value method. **07**
- (b)** Explain ratio analysis as a tool of analyze financial statement; Discuss some important ratio which help to analyze financial statement. **07**

OR

- Q.4 (a)** On 1st January 2016, X Ltd. Purchased a second – hand machine for Rs.52,000 and spent Rs.2,000 as shipping and forwarding charges, Rs.5,000 as import duty , Rs.500 as carriage inwards, 1,500 as repair charges, Rs.500 as installation charges, Rs.400 as brokerage of the middleman and Rs.100 for an iron pad. It was estimated that the machine will have a scrap value of Rs.2,000 at the end of its useful life which is 20yrs.
On 1st July 2018, this machine was sold for Rs.30,600.

Prepare the machinery Account for the first three years as per SLM Method.

- (b)** Following is the Balance sheet of X and Co. as on 31/03/2018

Liabilities	Rs	Assets	Rs.
Equity Shares of Rs 10 each	1,00,000	Goodwill	50,000
Reserves	25,000	Fixed Assets	1,50,000
Profit and loss A/c	40,000	Stock	40,000
Secured Loan	70,000	Sundry Debtors	50,000
Sundry Creditors	50,000	Less Reserve for	
Bank Over draft	30,000	Doubtful debts	<u>1000</u>
Provision for Taxation	20,000	Advances	10,000
		Bank Balance	20,000
		Cash in Hand	<u>16,000</u>
	<u>3,35,000</u>		<u>3,35,000</u>

Calculate: i) Current Ratio, ii) Liquid Ratio iii) Absolute Liquid Ratio

Give comments on each ratio.

- Q.5 (a)** What is trial balance? Explain the steps to locate the errors in trial balance. 07
(b) Explain the rational of making a distinction between Capital and Revenue Expenditure. 07

OR

- Q.5 (a)** The following trial balance was extracted from the books of Balkishan as on 31 /12/2017. 14

Debit		Credit	
Particulars	Amount Rs.	Particulars	Amount Rs.
Plant and Machinery	20,000	Capital account	80,000
Manufacturing Wages	34,500	Sundry creditors	44,560
Salaries	15,850	Bank Loan	15,000
Furniture	10,000	Purchase returns	1,740
Freight on Purchase	1,860	Sales	2,50,850
Freight on sales	2,140	Reserve for bad debts	2,000
Building	24,000		
Manufacturing expenses	9,500		
Insurance and Tax	4,250		
Goodwill	25,000		
General Expenses	8,200		
Factory fuel and power	1,280		
Sundry debtors	78,200		
Factory lighting	9,50		
Stock (1 st Jan.2017)	34,200		
Motor Car	12,000		
Purchases	1,02,000		
Sales returns	3,100		
Bad debts	1,400		
Interest and bank charges	4,00		
Cash at bank	4,200		
Cash in hand	1,120		
	<u>3,94,150</u>		<u>3,94,150</u>

Prepare trading and profit and loss accounts for the year ended 31st Dec.2017 and the balance sheet as on that date taking into consideration the following information:

- 1) Stock in hand on 31st Dec 2017 was valued at Rs.30, 500.
- 2) Depreciation plant and machinery by 10%, Furniture by 5% and motorcar by Rs.1, 000.
- 3) Create reserve for bad debts at 5% on sundry debtors.
- 4) A commission of 1% on the gross profit is to be provided to works Manager.
- 5) General Manager is to be allowed a commission @ 2% on net profit after charging Works Manager's and before charging General Manager's Commission.
