

# END TERM EXAMINATION

FIRST SEMESTER [BBA] DECEMBER 2015- JANUARY 2016

**Paper Code: BBA-109****Subject: Financial Accounting****BBA(B&I)- 109****BBA(TTM)- 109****BBA(MOM)-109****Time : 3 Hours****Maximum Marks :75****Note: Attempt any five questions.**

- Q1. Briefly comment on the following statement: (15)
- Convention of conservation has the affect of overstating losses and understating profits.
  - The applications of FIFO method will usually result in fairly current costs being included in the cost of goods sold.
  - Depreciation is a process of allocation and not valuation.
  - High current ratio ensures high liquidity.
  - Goodwill is an intangible asset.
- Q2. a) Consider the following data pertaining to Super Ltd. for the year 2013-2014:
- |                                                  |          |
|--------------------------------------------------|----------|
| Provision for doubtful debts as on April 1, 2014 | 4,000    |
| Sundry debtors as on March 31, 2014              | 1,50,000 |
| Bad debts to be written off                      | 10,000   |
- If a provision equal to 5% is to be created on by debtor's balances, compute the charge against profit and loss account for the year ended March 31, 2014. (8)
- b) Distinguish between provision and reserves. What are the objectives of creating provision and reserves? (7)
- Q3. Briefly describe any three of the following: (5x3=15)
- Limitations of Accounting
  - AS-6 on Depreciation Accounting
  - Over Subscription
  - Accounting Standards
  - Trial balance
- Q4. List the various methods of valuing inventories indicating their advantages and disadvantages. (15)
- Q5. From an accounting perspective, distinguish between any three of the following: (5x3=15)
- Capital and Revenue
  - Expired and Unexpired Cost
  - Forefeiture and Surrender of Shares
  - Call in Arrears and Calls in advance
  - Accounting and Economic Concept of Income measurement
- Q6. a) Sate the two widely recognized methods of book keeping indicating their merits and demerits. (8)
- b) State the various journal entries for redemption of debentures? (7)
- Q7. Briefly describe any five accounting principles quoting instances of their application. (5+10=15)
- Q8. Special Services Ltd. bought a truck on January 1, 2010 for Rs. 60,000 and a sum of Rs. 20,000 was spent for various accessories. On July, 1 2011 another vehicle was purchased for Rs. 52,000. On July 1, 2012 the first truck was sold for Rs. 60,000. On the same date another truck was purchased for Rs. 50,000. On July, 2010 the second vehicle was sold for Rs. 46,000. Rate of depreciation was 10% on original cost annually on 31<sup>st</sup> December. In 2012, the company changed the method of charging depreciation to diminishing value method, the rate being 15%. Prepare truck account for year ending on 2010, 2011, 2012 and 2013. (15)

Q9. Following is trial balance of Super Ltd. as on March 31, 2014.  
Trial Balance

Particulars	Dr. (Rs.)	Cr (Rs).
Equity share capital (65,000 shares @ Rs. 10 each)		6,50,000
Purchases	4,55,000	
Sundry debtors	90,000	
Cash in hand	17,000	
Cash at bank	34,000	
Rent, rate and taxes	13,000	
Insurance premium (for 12 months w.e.f. 1 <sup>st</sup> August, 2013)	8,700	
Carriage Outwards	11,000	
Carriage inwards	16,000	
Furniture and fittings (original cost Rs. 3,00,000)	2,85,000	
Sales		10,60,000
Sundry Creditors		1,20,000
Bad debts	17,000	
Opening stock (as on April 01, 2013)	35,000	
Deposit with suppliers	12,000	
Electricity Expenses	30,300	
Wages	1,50,000	
Salaries	1,32,000	
Plant and machinery (original cost Rs. 5,00,000)	4,00,000	
Building (original cost Rs. 5,00,000)	4,50,000	
11% preference share capital (50,000 shares @ Rs. 10 each)		5,00,000
14% Debentures		6,00,000
Discount paid	5,000	
Traveling expenses	18,000	
Investment on 10% Govt. Securities	3,50,000	
Interest on debentures (paid)		60,000
Interest received from investment		10,000
Telephone expense	12,000	
Advertisement suspense	40,000	
Preliminary expenses	9,000	
Reserve and surplus (General)		50,000
Sales return	50,000	
Provision for bad debts (as on April 1, 2013)	10,000	
Total	30,00,000	30,00,000

The following information is provided:

- Advertisement suspense represents the cost of an advertising campaign conducted this year 25% of the advertisement suspense is to be written off this year.
- Goods costing Rs. 30,000 were dispatched on March 30, 2014, but the sales took place on 1<sup>st</sup> April 2014 when an invoice of Rs. 36,000 was made.
- Depreciation has to be provided at the rate of 5% on straight- line method to all the assets (i.e. plant and machinery, building and furniture and fittings).
- Sundry debtors include a debt of Rs. 50,000 of which only Rs. 42,000 is likely to be recovered. A provision has to be made for the balance.
- Closing stock at market value on March 31, 2014 was Rs. 29,000 (cost Rs. 25,000).
- 66-2/3% of the preliminary expenses are to be carried forward.

You are required to prepare

- Trading and profit & loss account as on March 31, 2014.
- Balance sheet as at March 31, 2014.

(15)