



Name :

Roll No. :

Invigilator's Signature :

CS/MMA/SEM-1/MMA-109/2009-10

2009

FINANCIAL ACCOUNTING

Time Allotted : 3 Hours

Full Marks : 70

The figures in the margin indicate full marks.

*Candidates are required to give their answers in their own words
as far as practicable.*

GROUP – A

(Multiple Choice Type Questions)

1. Choose the correct alternatives for any *ten* of the following :

10 × 1 = 10

i) "Liquidity ratio measures the ability of a firm to meet its
..... obligations." Insert the right word
from the following :

a) Current

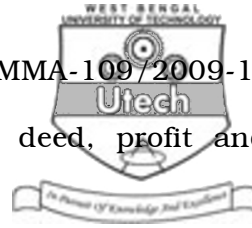
b) Long-term

c) Secured

d) Capital.



- ii) Withdrawal of goods from stock by the owner of the business for personal use is recorded by
 - a) debiting stock account and crediting capital account
 - b) debiting capital account and crediting drawings account
 - c) debiting drawings account and crediting capital account
 - d) debiting drawings account and crediting stock account.
- iii) Income tax paid by a sole proprietor on his business income should be
 - a) debited to trading account
 - b) debited to profit and loss account
 - c) credited to profit and loss account
 - d) deducted from capital account in the balance sheet.
- iv) An ordinary partnership firm can have
 - a) not more than 20 partners
 - b) more than 20 but less than 50
 - c) not more than 50
 - d) any number of partners.



- v) In the absence of any partnership deed, profit and losses are shared by partners
- a) in the ratio of their fixed capitals
 - b) equally
 - c) in the ratio of fluctuating capital
 - d) in the ranking of seniority.
- vi) Discount allowed on reissue of forfeited shares is debited to
- a) discount on issue of shares account
 - b) forfeited share account
 - c) profit and loss account
 - d) profit and loss appropriation account.
- vii) In a cash flow statement, increase in the amount of debtors results in
- a) decrease in cash
 - b) increase in cash
 - c) no change in cash
 - d) does not affect cash flow statement at all.



viii) Pricing of public issue is determined by

- a) SEBI
 - b) the company in consultation with stock exchange and SEBI
 - c) the company in consultation with lead managers
 - d) the lead managers is consultation with SEBI.
- ix) Statement prepared for the purpose of quick comparison of items in the Profit & Loss Account and the Balance Sheet is known as
- a) Income statement
 - b) Common size statement
 - c) Cash flow statement
 - d) Fund flow statement.
- x) IFRS stands for
- a) Indian Foreign Revenue Standard
 - b) International Financial Reporting Standard
 - c) Institutional Financial Regulation Statute
 - d) Industrial Financial Reconstruction Standard.

- GROUP – B**

Answer any *three* of the following. $3 \times 5 = 15$

- 920009



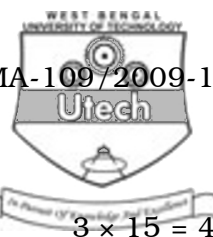
4. Why is depreciation described as "source of fund" in some literatures ?

5. X and Y are partners sharing profits in proportion of $\frac{7}{10}$ th and $\frac{3}{10}$ th with capital of Rs. 15,000 and Rs. 10,000 respectively. 5% interest was agreed to be calculated on the capital of each partner and Y is to be allowed an annual salary of Rs. 2,400 which has not been withdrawn. During the year 2008 X withdraw Rs. 1,200 and Y Rs. 2,000 in anticipation of profits.

The profits for the year prior to calculation of interest on capital but after charging Y's salary amounted to Rs. 8,000. A provision of $7\frac{1}{2}\%$ on this amount is to be made in respect of commission to the manager.

Show P & L appropriation account and partner's capital accounts.

6. What do you mean by a zero-coupon-bond ? What is the utility of issuing such bonds ?

**GROUP – C****(Long Answer Type Questions)**Answer any *three* of the following.

3 × 15 = 45

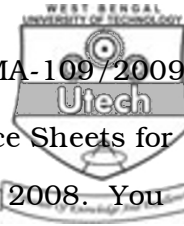
7. From the following Trial Balance of M/s Roy, prepare a Trading and Profit & Loss Account for the year ending on 31st March, 2008 and a Balance Sheet as on that date after taking into consideration the necessary adjustments : 15

Particulars	Debit (Rs.)	Crdit (Rs.)
Capital & Drawings	10,200	95,00
Stock (1.4.07)	18,900	
Purchases & Sales	138,600	202,000
Printing & Stationery	2,600	
Debtors & Creditors	22,800	16,020
Freehold Premises	39,000	
Deposit with Das @ 10% (since 30.9.07)	18,000	
Salaries (including an advance Rs. 3,500)	28,200	
Returns	890	1,580
Contribution to provident funds		6,550
Interest on Deposit with Das		450
Furniture & Fixtures	8,600	
Trade Expenses	12,650	
Outstanding Trade Expenses		1,600
Provision for Doubtful Debts		2,200
Bad Debt Recovered		700
Income Tax	7,900	
Bank Balance	6,950	
Cash in Hand	6,310	
Patent Right	5,400	
Bank Overdraft		900
Total :	3,27,000	3,27,000



Adjustments :

- i) Stock on 31.3.08 Rs. 16,400.
 - ii) Furniture (book value on 1.4.07 Rs. 700) destroyed by an accidental fire on 31st March, 2008.
 - iii) Bhowmick is included in both debtors and creditors – the amount due from him is Rs. 430 and the amount due to him is Rs. 200.
 - iv) Write-off Rs. 400 as bad debt and maintain provision for doubtful debts @ 5% on debtors.
 - v) Depreciate all tangible fixed assets @ 10% p.a.
8. a) What is meant by Guarantee of Profits to or by a partner ?
- b) A, B and C are partners in a firm with capitals of Rs. 50,000, Rs. 40,000 and Rs. 20,000 respectively. They share profits and losses as :
- i) upto Rs. 10,000, in the ratio of 4 : 3 : 3
 - ii) above Rs. 10,000, equally.
- The net profit of the firm for the year ended 31st March, 2009 amounted to Rs. 40,200 and the drawings of the partners were : A – Rs. 6,000 ; B – Rs. 5,000 and C – Rs. 3,000.
- You are required to prepare the Profit and Loss Appropriation Account for the year ended 31.03.09 and Capital Accounts of the partners assuming (a) partners capital accounts are fixed ; and (b) partners' capital accounts are fluctuating, after considering the following adjustments :
- i) Interest on partners' capitals to be paid @ 10% p.a. ;
 - ii) Interest on drawings to be charged @ 5% p.a.;
 - iii) A to receive a salary of Rs. 5,000 p.a.;
 - iv) B and C to get commission @ 10% each on net profit.
- 5 + 10



9. Tiny Tot Ltd. furnish you the following Balance Sheets for the years ending on 31 December, 2007 and 2008. You are required to prepare a Cash Flow Statement for year ended 31 December, 2008 :

15

Liabilities	2007	2008	Assets	2007	2008
Equity Share Capital	10,000	10,000	Goodwill	1,200	1,200
General Reserve	1,400	1,800	Land	4,000	3,600
Profit & Loss A/c	1,600	1,300	Building	3,700	3,600
Sundry Creditors	800	540	Investments	1,000	1,100
Outstanding Exps.	120	80	Inventories	3,000	2,340
Prov. for Taxation	1,600	1,800	Receivables	2,000	2,220
Prov. for Bad Debts.	40	60	Bank Balance	660	1,520
	15,560	15,580		15,560	15,580

Following additional information has also been supplied to you :

- A piece of land has been sold for Rs. 400
- Depreciation amounting to Rs. 700 has been charged on building.
- Provision for taxation has been made for Rs. 1,900 during the year.

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10. The following is the Receipts and Payments Account of Modern Club for the year ending on September 30, 2008 :

Cash in hand	150		Honorarium to	
Balance as per Bank			Secretary & Treasures	4,800
Pass Book	<u>8,230</u>	8,380	Rates & Taxes	1,260
Subscriptions		10,710	Printing & Stationary	470
Receipts from fees		2,400	Other Miscellaneous Exp.	1,530
Net proceeds of variety			Groundman's wages	840
entertainment		4,270	Expenditure on Fees	2,390
Bank Interest		250	Payments for Bar	
			purchases	5,770
Bar takings		<u>7,450</u>	Repairs	320
			New Car (less sale	
			proceeds of old car	
			Rs. 3,000)	12,600
			Balance as per pass book	3,480
		<u>33,460</u>		<u>33,460</u>

You are given the following additional information :

01.10.2007 30.09.2008

- | | | |
|-------------------------------------|--------|-----|
| (i) Subscription due | 1,200 | 980 |
| (ii) Club premises at cost | 29,000 | — |
| (iii) Depreciation on club premises | 18,800 | — |
| (iv) Car at cost | 12,190 | — |
| (v) Depreciation on car | 10,290 | — |
| (vi) Value of bar stock | 710 | 870 |
| (vii) Amount due for bar purchases | 590 | 430 |
- (viii) Depreciation is be provided @ 5% p.a. on the written down value of the premises and @ 15% p.a. on car for the whole year.



You are required to adjust bank balance according to cash book and prepare :

- i) An Income and Expenditure Account of the club as on 30 September, 2008.
 - ii) A Balance Sheet as on 30th September, 2008. 15
11. What are the different methods of inventory valuations applied by the accountants belonging to different nations ? Describe the main features of these valuation norms. Why is there a standard for inventory valuation in India ? 4 + 5 + 6
12. Write short notes any *three* of the following : 3 × 5
- a) Money measurement concept
 - b) Accounting treatment of pre-paid expense
 - c) Capitalization of reserve
 - d) Sum of the years digit method of depreciation
 - e) Earning per share.

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