

END TERM EXAMINATION

FIRST SEMESTER [MCA] DECEMBER 2007

Paper Code: MCA109

Subject: Financial Accounting

Time: 3Hours

Maximum Marks: 60

Note: Attempt any Five question.

Q.1 State whether the following statements are **true** or **false** giving brief reasons.

- Double entry system is the only scientific system of Bookkeeping.
- Capital Account is the Normal Account.
- Depreciation means decrease in the value of an asset due to fluctuation in its market value.
- Principal of conservatism suggest that all expected expenses and losses and incomes and gains should be brought into the profit and Loss Account.
- Error of principle does not effect the agreement of Trial Balance.
- Money measurement concept assumes stable value of money.
- Use of LIFO method for issuing inventory for production reflects current cost value of production.
- Motives of non-trading concerns is also profit making.
- Financial stability in a company is judge by the Acid Test Ratio.
- Ratios cannot replace the original data in decision-making.

Q.2 Differentiate between: -

- Financial Accounting and Management Accounting
- Signal entry and Double entry system of Book-keeping

OR

Q.3 Journalize the following transactions: -

1	Introduction further capital in the business	Rs. 20, 000
	Purchased goods for cash	Rs.15, 000
3	Purchased goods and issued cheque	Rs. 10, 000
4	Paid to X Rs. 885 in full settlement of his account for	Rs. 900
5	Bad debt recovered	Rs. 2,500
6	Depreciation charged on Machinery	Rs. 7,600
7	Debtor Y died and claim of Rs. 10,000 against him became bad	
8	Insurance premium paid	Rs. 6,000
9	Debentures issued	Rs. 1,50,000
10	Bank Interest received	Rs. 3,500

Q.4 On 1st Jan, 2001 a company purchased a Machinery for Rs. 50,000 and spent Rs. 10,000 on its Erection. On 1st July in the same year, another machine for Rs. 30,000 was added. On 1st July, 2001 was sold for Rs. 20,000 and a third machine was acquired on the same date for Rs. 20,000. The Company charged depreciation by straight-line method @ 20% per annum. However, it Changed the method from the beginning of the year 2004 and used diminishing balance method for charging depreciation.

Prepare machinery account for the years ended on 31st December 2001, 2002, 2003, 2004 and 2005.

OR

Q.5 Prepare the Trading and Profit and Loss Account and Balance Sheet of a Company which has Presented its ledger account balances in the form of trial Balance as follows. The balances belong to the year ended on 31st December 2005.

PARTICULARS	DEBIT	CREDIT
Capital account	--	2, 50, 000
Loan Account	--	1, 35, 000
General reserve	--	45, 000
Opening Stock (31-4-04)	1, 50, 000	--
Purchases	2, 75, 000	--
Sale	--	4, 77, 000
Wages	75, 000	--
Carriage inward	15, 000	--
Interest on loan	6, 000	--
Advertisement	5, 000	--
Salaries	1, 20, 000	--
Stationary	10, 000	--
Discount Paid	500	--
Commission earned	--	10, 000
Bad debts	5, 000	--
Land and building	2, 00, 000	--
Machinery	85, 000	--
Furniture	25, 000	--
Debtors	1, 25, 000	--
Creditor	--	1, 80, 000
Total	10, 96, 5000	10, 96, 5000

Adjustments: -

- (a) Unsold stock-2, 50, 000
- (b) Depreciate machinery by 20%
- (c) Depreciate furniture by 20%
- (d) Provide bad debt reserve @ 10%

Q.6 Name the various methods of Inventory Valuation and explain the comparative merits and demerits of FIFO and LIFO methods of inventory valuation.

OR

Q.7 Sardar School of Information Technology, Khan Market, Delhi provides you the following Trial Balance as on 31st March 2005. Prepare the Income and Expenditure Account for year ended on 31-3-2005 and balance sheet of the school as on 31st March 2005.

DEBIT BALANCES		CREDIT BALANCES	
Land	50, 000	Capital Fund	15, 60, 000
School Building	15, 00, 000	Tuition fee received	25, 10, 000

Furniture	3, 00, 000	Salaries Payable	1, 75, 000
Salaries:		Prize Fund	2, 00, 000
Teaching staff	12, 00, 000	Tournament fund	3, 00, 000
Administrative staff	2, 60, 000	General Reserve Fund	2, 00, 000
Stationary	1, 73, 000	Donation for school hall	1, 50, 000
Investments	7, 00, 000	Interest received	77, 000
Lighting	36,000		
General Expenses	65, 000		
Prizes awarded	20, 000		
Tournament expense	30, 000		
Library Books	3, 75, 000		
Bank Balance	4, 63, 000		
Total	51, 72, 000	Total	51, 72, 000

Additional information: -

Depreciation is to be provided as follows; -

Building-25%

Furniture-10%

Library-20%

Q.8 Give the form of balance sheet as given in the schedule VI part-I of the companies Act 1956, Showing items, which commonly appear in a company balance sheet.

OR

Q.9 (a) What are Profitability Ratio? How are they calculated and interpreted?
 (b) What is Debt-Equity Ratio? Why is it calculated?