

AJAY KUMAR GARG ENGINEERING COLLEGE, GHAZIABAD

DEPARTMENT OF AS & H

SESSIONAL TEST - 2

Course: MCA

Session: 2017-18

Subject: Accounting & Financial Management

Max Marks: 50

Semester: 1

Section: MCA-1

Subject Code: RCA-102

Time: 2 hour

SECTION - A

Q1. Define "Bad Debts"?

Answer:- Amount which is irrecoverable from debtor is termed as Bad Debts.

Q2. Define "opening stock".

Answer:- The stock (inventory), goods lying unsold or unused at the beginning of period with the firm are known as opening stock.

Q3. What is "Cost of Goods Sold"?

Answer:- Cost of goods sold = Adjusted Purchases + Direct Expenses
= Opening stock + Net purchases - Closing stock + Direct Expenses

Q4. What are the objectives of International Accounting Standard Committee (IASC)?

Answer:- The objectives of IASC set out in its Constitution are:

- (i). To formulate & publish in public interest, accounting standards to be observed in presentation of financial statements and to promote their worldwide acceptance & observance.
- (ii) To work generally for the improvement & harmonization of regulations, according to accounting standards & procedures relating to the presentation of financial statements.

10/10/2

Q5. What is meant by provision for bad and doubtful debts?

Answer:- If the position of a customer seems to be doubtful and it is expected that full amount may not be recovered from him, a provision is made therefore. It is called the provision for bad and doubtful debts.

SECTION - B

Q6. What are the advantages of preparing a profit & loss %?

- Answer:-
- (a) It gives overall view of the results of a business which can be used for intra-firm and inter-firm comparisons.
 - (b) It provides details of indirect expenses which is of great help for controlling overhead costs.
 - (c) Profitability ratios which are of great interest to accountants and investors are based on figures contained in profit & loss A/c.
 - (d) To compare the performance of the business operations with that of the previous years for taking strategic financial policy decisions which may have long-term effects on business.
 - (e) To carry-over the year's net profit to the profit and loss appropriation A/c and draw the balance sheet of the business.

Q7. What is meant by a Trial Balance and what are its objectives?

Answer:- A Trial Balance is a statement which lists as on any given date debit and credit balances of ledger accounts including cash and bank balances, to check arithmetical accuracy of recording, posting and balancing.

Debit balance of an account means that debit side total is less than credit side total and credit balance of an account means the credit side total is more than debit side total. Its objectives are:-

- (a) To check Arithmetical Accuracy of Books of A/c.
- (b) To facilitate in preparation of financial statements.
- (c) To detect errors in the process of recording and journalization of entries.

Q8. Differentiate between Profit & Loss A/c and Balance sheet.

Answer:- Profit & Loss A/c

BALANCE SHEET

i) It is prepared to find out result of operation of business during an a/c period.

i) It is prepared to portray the financial position of the business on the last day of the a/c year/period.

ii) It records balances of nominal a/c.

ii) It shows ledger balances of real and capital a/c.

iii) It is a nominal a/c prepared to know profit (or loss) earned.

iii) It is a statement containing ledger balances of real & personal a/c.

iv) The balance of P&L A/c shows NET PROFIT/NET LOSS and is transferred to capital a/c.

iv) It records assets on right hand side and liabilities and capital on left hand side. i.e.,

ASSETS = LIABILITIES + CAPITAL

Q9. Discuss the objectives and significance of accounting standards.

Answer:- OBJECTIVES & SIGNIFICANCE OF A/cing STANDARDS:-

- i) These standards facilitates uniform preparation of financial statements.
- ii) Accounting standards are required to remove ambiguity (errors).
- iii) They help in prevention of manipulations and frauds.
- iv) They help chartered accountants in auditing financial statements on a true & fair basis.
- v) Accounting standards are necessary for preventing probable misuse of a/cing terminology.
- vi) They are useful to the users of accounting information in assessing the progress and performance of an enterprise.

Q10. What is a Trading A/c and what are its advantages?

Answer:- A Trading A/c is prepared to find out gross profit (or loss) due to operation of business. It is calculated by comparing net sales and the cost of goods sold. Thus, a trading a/c shows the result of buying of goods, bringing them in saleable condition and selling of goods. It is a Nominal A/c.

ADVANTAGES OF TRADING A/c :-

- * Provides information about gross margin
- * Information about Net purchases and stock.
- * Direct expenses ratios.
- * Efficiency of sales Department can be known.
- * Analysis of stock (opening & closing stock).

SECTION - C

Q 11. PREPARATION OF A TRIAL BALANCE:

Answer

PARTICULARS	Dr. Amount	Cr. Amount
PURCHASES	8000	
RETURNS INWARDS	100	
TRAVELLING EXPENSES	250	
COMMISSION PAID	150	
CASH AT BANK	1350	
MACHINERY	1000	
DEBTORS	2000	
DISCOUNT RECEIVED		500
RETURN OUTWARDS		150
CARRIAGES	150	
RENT & RATES	250	
SUNDRY EXPENSES	150	
STOCK	2900	
CREDITORS		1000
WAGES	3250	
SALARIES	1000	
INSURANCES	50	
CASH IN HAND	50	
BUILDINGS	2000	
CAPITAL		6000
SALES		15000
TOTAL →	22,650	22,650

Answer

Q12.
Answer

TRADING AND Profit & Loss A/c			
(Dr)			(Cr)
Particulars	Amount	Particulars	Amount
To opening stock	10,000	By Sales	82,000
To purchases 52,500		↳ Returns (Dr) (-) 1,500	80,500
↳ Returns (Cr) (-) 2,500	50,000		
To fuel & power	500	By closing stock	18,000
To manufacturing exp.	4,000		
To carriage	750		
To wages	25,000		
To Gross Profit c/d	8,250		
	<u>98,500</u>		<u>98,500</u>
To Rent	2,000	By Gross Profit b/d	8,250
To repairs	250		
To Trade Expenses	3,500		
To Bad Debts	1,000		
To NET Profit → 1,500	1,500		
(Transferred to Capital A/c)	<u>82,500</u>		<u>82,500</u>

Balance Sheet as on 31st Dec.

LIABILITIES	Amount	ASSETS	Amount
CAPITAL 50,000		PLANT & MACHINERY	20,000
↳ NET Profit 1,500		SUNDRY DEBTORS	12,000
51,500		BANK BALANCE	5,000
↳ Drawings (-) 5,000	46,500	CLOSING STOCK	18,000
CREDITORS	6,000		
BILLS PAYABLE	2,500		
	<u>55,000</u>		<u>55,000</u>

Answer