

First Semester

MC 4104 – FUNDAMENTALS OF ACCOUNTING

(Regulations 2021)

Time : Three hours

Maximum : 100 marks

Answer ALL questions.

PART A — (10 × 2 = 20 marks)

1. Name four objectives of Financial Accounting.
2. What do you understand by the Principle of Consistency?
3. Define Management Accounting.
4. Name any three liquidity ratios.
5. What do you understand by budget?
6. What is a flexible budget?
7. List down the objectives of Financial Management.
8. Distinguish between depreciation and amortization.
9. Why is a bank reconciliation statement needed?
10. List down any four causes of difference between bank statements and account statements of the company.

PART B — (5 × 13 = 65 marks)

11. (a) Explain the differences between Financial Accounting, Cost Accounting and Management Accounting.

Or

- (b) Explain the six accounting principles as per the Indian Accounting Standards.

12. (a) On April 01, 2016 Anees started business with Rs. 1,00,000 and other transactions for the month are:
2. Purchase Furniture for Cash Rs. 7,000.
 8. Purchase Goods for Cash Ps. 2,000 and for Credit Rs. 1,000 from Khalid Retail Store.
 14. Sold Goods to Khan Brothers Rs. 12,000 and Cash Sales Rs. 5,000.
 18. Owner withdrew of worth Ps, 2,000 for personal use.
 22. Paid Khalid Retail Store Rs. 500.
 26. Received Ps. 10,000 from Khan Brothers.
 30. Paid Salaries Expense Rs. 2,000
- Prepare journal entries for each of these transactions.

Or

- (b) The following financial information are provided of a company:

Total Credit Sales of the Year Rs. 20,00,000

Inventory at the end of the year Rs. 4,00,000

Gross Profit Margin 30%

Account Receivable at the end Rs. 1,00,000

Opening Balance of Inventory was less by Rs. 2,00,000 than the ending balance of inventory,

Find:

- (i) Stock Turnover Ratio
- (ii) Average Collection Period

13. (a) Explain the different types of Budgets in Accounting.

Or

- (b) Using the following information, prepare a flexible budget for the production of 80% and 100% activity.

Production at 50% Capacity 5,000 Units

Raw Materials \$80 per unit

Direct Labor \$50 per unit

Direct Expenses \$15 per unit

Factory Expenses \$50,000 (50%) (Fixed)

Administration Expenses \$60,000 (Variable)



14. (a) What do you understand by a suspense account? Explain with an example.

Or

- (b) Consider a piece of equipment that costs \$25,000 with an estimated useful life of 8 years and a \$0 salvage value. Calculate the depreciation expense for each year using straight line depreciation method.
15. (a) Explain the procedure for preparing a Bank reconciliation statement.

Or

- (b) On 31st March, 2013 the pass book of Mitra showed a credit balance of Rs. 2,16,000. A comparison of pass book and cash book revealed the following:

- (i) Cheques deposited but not cleared by 31st March 1,08,150
- (ii) Cheques issued by Mitra but not presented for payment before 1st April, 2013 26,000
- (iii) Insurance premium paid by bank on behalf of Mitra but not yet recorded in cash book 52,075
- (iv) Commission charged by bank not yet recorded in cash book 750
- (v) Interest on bonds collected by bank on behalf of Mitra not yet recorded in cash book 25,000

Bank balance as per cash book as on 31st March, 2013 is Rs. 325,975.
Prepare a Bank Reconciliation Statement as on 31st March, 2013.

PART C — (1 × 15 = 15 marks)

16. (a) Prepare a Cash-Budget of a company for April, May and June 2003 in a columnar form using the following information:

	(Rs.)			
Month, 03	Sales	Purchases	Wages	Expenses
January (Actual)	80,000	45,000	20,000	5,000
February (Actual)	80,000	40,000	18,000	6,000
March (Actual)	75,000	42,000	22,000	6,000
April (Budgeted)	90,000	50,000	24,000	7,000
May (Budgeted)	85,000	45,000	20,000	6,000
June (Budgeted)	80,000	35,000	18,000	5,000

You are further informed that:

- (i) 10% of the purchases and 20% of the sales are for cash;
- (ii) The average collection period of the company $\frac{1}{2}$ month and the credit purchases are paid off regularly after one month;
- (iii) Wages are paid half monthly, and the rent of Rs. 500 included in expenses is paid monthly;
- (iv) Cash and Bank Balance as on April, was Rs. 15,000 and the company wants to keep it at the end of every month approximately this figure, the excess cash being put in fixed deposits in the bank.

Or

- (b) On 1.1.2008, the cost of the machinery in use with a firm was Rs. 5,00,000 against which the depreciation provision stood at Rs. 1,91,900 on that date. The firm provided depreciation at 10% per annum on straight-line method. The firm started its business in 2004. On 30.9.2008, two machines costing Rs. 30,000 and Rs. 24,000 respectively, both purchased on 1.7.2005, were discarded because of damage and replaced by two new machines costing Rs. 40,000 and Rs. 30,000 respectively. One of the discarded machines was sold for Rs. 16,000; against the other it was expected that Rs. 6,000 would be realized.

Show the Machinery Account, Depreciation account, Provision for Depreciation account and Machinery Disposal account