M.C.A. DEGREE EXAMINATIONS, APRIL/MAY 2022.

First Semester

MC 4104 – FUNDAMENTALS OF ACCOUNTING

(Regulations 2021)

Time : Three hours | Maximum : 100 marks

Answer ALL questions.

PART A — ($10 \times 2 = 20$ marks)

1. State the accounting concept/convention involved in each of the following transactions.

   (a) A business for which financial statements are prepared in separate and distinct from the owner of the entity.

   (b) The assumption is made that entity in question will remain in business for an indefinite period of time.

2. Define Cost accounting.

3. From the following transactions state which account will be debited and which account will be credited.

   (a) Purchased goods from Anmol on credit Rs.6,000

   (b) Paid to creditor Anmol Rs.2,000

4. List the types of errors possible while preparing trial balance.

5. Define "Zero based Budgeting".

6. List the outcome of Budgetary control.

7. What is depreciation?

8. List the methods of valuation of inventories.

9. Quote a few Real-life examples of errors in bank reconciliation.

10. Point precise the object of Average clause.

11. (a) Explain about the accounting concepts and conventions.

Or

(b) Differentiate financial accounting and Management accounting.

12. (a) Journalize the following transactions

1 Ram started business by introducing the following assets: Cash Rs.10,000, Furniture Rs.20,000, Plant Rs.30,000, Goods Rs.20,000

2 He purchased goods of the invoice value Rs.10,000 at 10% trade discount from Suresh

3 He supplied goods costing Rs.1,000 to Ramesh at an invoice price of 10% above cost at a discount of 5%

4 He installed further machinery of Rs.20,000 and paid wages for installation Rs.2,000. The machinery was supplied by m/s Surya brothers

5 He purchase stationary for business purpose Rs.500

6 He sold goods to Sidharth for Rs.5,000

7 He withdrew goods for personal use costing Rs.5,000 (Sales value Rs.6,000)

8 He distributed goods costing Rs.2,000 (Sale value Rs.2,500 as free samples)

9 Sidharth became insolvent and the whole money due from him was considered as a bad debt

10 Salaries paid Rs 10,000 after deduction as income tax, Rs.1,500 as employee's share of provident fund but before employer's share of provident fund Rs.1,500

11 Amount due from Sidharth earlier written off bad debts recovered in full

12 Amount paid to Suresh Rs.8,500 in full satisfaction

13 Income tax liability of Ram Rs.1,000 paid in cash

Or

(b) (i) From the following information calculate the following ratios: (9)

(1) Current Ratio;

(2) Debt to Equity Ratio; and

(3) Operating Ratio.

| | Rs. |
|---|---|
| Revenue from Operations (Net Sales) | 1,00,000 |
| Cost of Revenue from Operations (Cost of Goods Sold) was 80% of sales; | |
| Equity Share Capital | 7,00,000 |
| General Reserve | 3,00,000 |
| Operating Expenses | 10,000 |
| Quick Assets | 6,00,000 |
| 9% Debentures | 5,00,000 |
| Closing Inventory | 50,000 |
| Prepaid Expenses | 10,000 |
| Current Liabilities | 4,00,000 |

(ii) From the following information, calculate Return on Investment (or Return on Capital Employed): Net profit before tax: Rs.6,00,000. (4)

| Particulars | Rs. |
|---|---|
| Share Capital | 5,00,000 |
| Reserves and Surplus | 2,50,000 |
| Net Fixed Assets | 22,50,000 |
| Non-current Trade Investments | 2,50,000 |
| Current Assets | 11,00,000 |
| 10% Long-term Borrowings | 20,00,000 |
| Current Liabilities | 8,50,000 |
| Long-term Provision | NIL |

13. (a) Elaborate the various ways by which of budget can be classified.

Or

(b) The expenses for budget production of 1,000 units are given below.

| | Per Unit Rs |
|---|---|
| Direct Material | 70 |
| Direct Labour | 25 |
| Variable overheads | 20 |
| Variable expenses (Direct) | 5 |
| Fixed Overheads (Rs. 10,000) | 10 |
| Distribution Expenses (20% Fixed) | 8 |
| Selling Expense (10% Fixed) | 12 |
| Administration Expenses (Rs.5,000 ) | 5 |
| | 155 |

Prepare a budget for production of:

(i) 800 units and 600 units

(ii) Define cost per unit at both levels

(iii) Administrative expenses are assumed to be fix for all levels of production.

14. (a) A firm purchased on 1st January, 2008 certain Machinery for Rs.58,200 and spent Rs.1,800 on its erection. On 1st July, 2008 additional machinery costing Rs.20,000 was purchased. In 1st July, 2010 the machinery purchased on 1st January 2008 having become obsolete was auctioned for Rs.28,600 and on the same day fresh machinery was purchased at a cost of Rs.40,000.

Depreciation was provided for annually on 31st December at the rate of 10% on written down value. In 2011, however, the firm changed this method of providing depreciation on the original cost of the machinery. Give the Machinery account as it would stand at the end of each year from 2008 to 2011.

Or

(b) M/s Swadeshi cotton mills. Ltd take a periodic inventory of their stocks on chemical y at the end of each month. The physical inventory taken on June 30 shows a balance of 1,000 litres of chemical y in hand at Rs.2.28 per litre.

The following purchases were made during July.

| July | |
|---|---|
| 1 | 14,000 litres at Rs.2.30 per litre |
| 7 | 10,000 litres at Rs.2.32 per litre |
| 9 | 20,000 litres at Rs.2.33 per litre |
| 25 | 5,000 litres at Rs.2.35 per litre |

A physical inventory on July 31 discloses that there is a stock of 10,000 litres. You are required to compute the inventory value on July 31, by each of the following methods. First in first out, Last in first out and Average cost method.

15. (a) (i) From the following information prepare BRS as on 31st Mar 2018

(1) Balance as per cash book as on 31st Mar 2018 Rs.12,000

(2) Out of the total cheques amounting to 10,000 issued, cheques aggregating 3,000 were presented in Mar 2018, Cheques aggregating 4,000 were presented in April 2018 and the remaining have not been presented yet.

(3) Out of the total cheques amounting to 5,000 deposited, cheques aggregating 1,500 were credited in Mar 2018 and balance cheques were credited in Apr 2018

(4) Bank debited 100 as bank charges and has credited 200 as interest

(5) Bank reversed bank charges of 200 wrongly debited earlier

(6) Bank paid insurance premium of 2,000 but it was recorded as 200 in the cash book

(ii) Prepare BRS of Shri Krishna as on 31st Mar 2018 from following transactions

(1) Balance as per Bank pass book as on the date is Rs.10,000

(2) Bank collected a cheque of 500 on behalf of Shri Krishna but wrongly credited it to Shri Krishna account

(3) Bank recorded a cash deposit of Rs.2,589 as Rs.2,598

(4) Withdrawal column of the pass book undercast by Rs.100

(5) The credit balance of Rs.1,500 as on page 10 of the pass book was recorded on page 11 as debit balance

(6) The payment of a cheque of Rs.350 was recorded twice in the pass book

(7) The pass book showed a credit for a cheque of Rs.1,000 deposited by Shri Krishna

(8) Dividend directly collected by bank Rs.125

Or

(b) Appraise the need of data security for accountants, the ways to keep the cyber space foolproof.

PART C — (1 × 15 = 15 marks)

16. (a) ABC ltd wants overdraft facility from bank for the period September to November, 2021. Prepare the cash budget from the following data. Indicates bank facility required by company at the end of each month.

| Month | Sales (Rs) | Wages (Rs) | Purchases (Rs) |
|---|---|---|---|
| July | 1,80,000 | 12,000 | 1,24,800 |
| August | 1,92,000 | 14,000 | 1,44,000 |
| September | 1,08,000 | 11,000 | 2,43,000 |
| October | 1,74,000 | 10,000 | 2,46,000 |
| November | 1,26,000 | 15,000 | 2,68,000 |

Other Information:

(i) Suppliers gave one month time period for payment.

(ii) 50% of the credit sales is received in the following month of sales and rest will be received in second month following.

(iii) Cash at bank on 1st September, 2021 Rs.25,000.

Or

(b) Trial Balance of a business as at 31st March 2018, Prepare Trading and P&L and Balance sheet.

| Particulars | Dr | Particulars | Cr |
|---|---|---|---|
| Stock as on 1st April 2017 | 25,000 | Sales | 2,27,800 |
| Furniture | 8,000 | Commission | 500 |
| Plant and Machinery | 1,50,000 | Returns outwards | 1,000 |
| Debtors | 30,000 | Creditors | 40,000 |
| Wages | 12,000 | Capital | 1,50,000 |
| Salaries | 20,000 | | |
| Bad debts | 1,000 | | |
| Purchases | 1,20,000 | | |
| Electricity charges | 1,200 | | |
| Telephone Charges | 2,400 | | |
| General Expenses | 3,000 | | |
| Postage | 1,800 | | |

Reg. No.:

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| Particulars | Dr | Particulars | Cr |
|---|---|---|---|
| Return Inwards | 900 | | |
| Insurance Premium | 1,500 | | |
| Cash in Hand | 2,500 | | |
| Cash at Bank | 40,000 | | |
| | 4,19,300 | | 4,19,300 |

(i) Closing stock 7,000

(ii) Outstanding wages 600, outstanding salary 1,400

(iii) Depreciation 5 % on all fixed assets

(iv) Included in Plant and Machinery is a machine purchased for Rs.10,000 on 1st October, 2017

(v) Insurance premium paid in advance 200.