Question Paper Code : 12206

M.C.A. DEGREE EXAMINATIONS, JANUARY 2022.

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. What is Convention of Materiality?

2. Asset = Equities. Explain.

3. What is contra entry? Provide example.

4. A firm has sold goods worth Rs.300 lakh with a gross profit margin of 20%. The stock at the beginning of the year and the end of the year was Rs. 35 lakh and Rs.45 lakh respectively What is the Inventory turnover ratio?

5. Brief the process involved in preparation of Zero Based Budgeting.

6. What are the techniques of budgetary Control?

7. From the following information calculate rate of Depreciation under Straight Line Method

Particulars	Amount (Rs.)
Purchase price of Machinery	2,50,000
Residual Value	15,000
Expected life of machinery	5 Yrs.

8. What are the factors that affect the amount of Depreciation?

9. What is Average Clause in insurance claims?

10. State the significance of data security.

PART B — (5 × 13 = 65 marks)

11. (a) Elaborate in detail the Accounting concepts.

Or

(b) What are differences between Book keeping and Accounting?

12. (a) The following is the Trading and Profit and Loss account of Ajay Ltd. for the year 31.3.2021

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Opening Stock	76,250	By Sales	5,00,000
To Purchases	3,15,250	By closing stock	98,500
To Carriage and Freight	2,000		
To Wages	5,000		
To Gross Profit	2,00,000		
	5,98,500		5,98,500
To Administration expenses	1,01,000	By Gross Profit b/d	2,00,000
To Selling and distribution expenses	12,000	By Non-Operating Income :	
		By Interest on securities	1,500
To Non-Operating expenses	2,000	By Dividend on shares	3,750
To Financial expenses	7,000	By Profit on sale of shares	750
Net Profit c/d	84,000		
	2,06,000		2,06,000

You are required to calculate :

(i) Gross Profit Ratio

(ii) Net Profit Ratio

(iii) Stock Turnover Ratio

(iv) Operating Ratio

(v) Operating Profit Ratio.

Or

(b) From the following trial balance of M/s Kishore Traders, prepare Trading and Profit and Loss Account for the year ended 31st March 2021 and a Balance Sheet as on that date

Dr. Balances	Amount (Rs.)	Cr. Balances	Amount (Rs.)
Opening Stock as on 01-04-20	16,000	Capital	80,000
Purchases	75,000	Sales	2,00,000
Sales Return	5,000	Purchase Returns	2,000
Carriage Inwards	1,500	Discount	500
Plant and Machinery	40,000	Sundry Creditors	10,000
Furniture and Fixtures	5,000	Bills Payable	1,500
Freehold Property	45,650		
Cash in Hand	5,000		
Carriage outwards	400		
Wages	30,000		
Salaries	18,000		
Lighting (Factory)	800		
Sundry Debtors	28,000		
Travelling expenses	1,200		
Rent and taxes	4,800		
Drawings	5,000		
Insurance	450		
General expenses	12,200		
	2,94,000		2,94,000

Adjustments:

(i) Stock as on 31st March 2021 was valued at Rs.38,000 (Market Value Rs.20,000)

(ii) Wages amounting to Rs.2,000 and Salaries amounting to Rs.1,500 are outstanding.

(iii) Prepaid insurance amounted to Rs.150

(iv) Provide Depreciation on Plant and Machinery 5% and on furniture and fixtures at 10%.

13. (a) From the information below, prepare a cash budget for a company for April and May and June 2022

Month	Sales	Purchases	Wages	Exp.
Jan. (actual)	80,000	45,000	20,000	5,000
Feb. (actual)	80,000	40,000	18,000	6,000
Mar. (actual)	75,000	42,000	22,000	6,000
Apr. Budget	90,000	50,000	24,000	6,000
May Budget	85,000	45,000	20,000	6,000
Jun. Budget	80,000	35,000	18,000	5,000

You are further informed that :

(i) 10% of purchases and 20% of sales are for cash.

(ii) The average collection period of the company is half a month and credit purchases are paid off regularly after one month

(iii) Wages are paid half monthly and the rent of Rs.500, excluded in expenses, is paid monthly.

(iv) Cash and bank balance on April 1 was Rs.15,000, and the company aims to keep it below this figure at the end of every month. The excess cash is placed in fixed deposits.

Or

(b) Explain in detail the types of budgets and steps involved in preparation of Production Budget.

14. (a) (i) Explain in detail the nature, objective and scope of Financial Management.

(ii) At what circumstances suspense accounts are prepared.

Or

(b) On 1st July, 2016 a company purchased a machine for Rs. 3,90,000 and spent Rs. 10,000 on its installation. It decided to provide depreciation @ 15% per annum, using written down value method. On 30th November, 2019 the machine was dismantled at a cost of Rs. 5,000 and then sold for Rs. 1,00,000.

On 1st December, 2019 the company acquired and put into operation a new machine at a total cost of Rs. 7,60,000. Depreciation was provided on the new machine on the same basis as had been used in the earlier machine.

The company closes its books of account every year on 31st March.

Prepare Machinery Account and Depreciation account for four years ended at 31st March, 2020.

15. (a) Explain in detail the causes of disagreement between bank balance shown by cash book and pass book.

Or

(b) On 30th June, 2019 accidental fire destroyed a major part of the stock in the warehouse of Jay Associates. Stocks costing Rs. 30,000 could be salvaged but not their stores ledgers. A fire Insurance policy was in force under which the sum insures was Rs. 3,50,000.

From the available records, the following information was retrieved :

- Total sales invoice during the period April-June amounted to Rs. 30,20,000
- An analysis showed that goods valued Rs. 3,00,000 had been returned by the customers before date of fire.
- Opening stock on 1st April, 2019 was 2,20,000 including stocks of the value of Rs. 20,000 being lower of cost and net value subsequently realise.
- Purchase between 1st April, 2019 and 30th June 2019 were Rs. 21,00,000
- Normal Gross Profit rate was $33\frac{1}{3}\%$ on sales
- A sum of Rs. 30,000 was incurred by way of fire fighting expenses on the day of fire

Prepare a statement showing the insurance claim recoverable applying average Clause.

PART C — (1 × 15 = 15 marks)

16. (a) Hindustan Ltd. has made plans for the next year. It is estimated that the company will employ total assets of Rs. 8,00,000. 50% of the assets being finance by borrowed capital at an interest cost of 8% per year. The direct cost of the year are estimated at Rs. 4,80,000 and all other operating expenses are estimated at Rs. 80,000. The goods will be sold to customers at 150% of the direct cost. Tax rate is assumed to be 50%

You are required to analyse and comment on company's performance by preparing following ratios

Return on Owners Equity

Asset Turnover Ratio

Return on assets

Net profit Ratio.

Or

(b) The following data belongs to a manufacturing company for the year ending 31st March, 2020. You are required to prepare a flexible budget for the year 31.3.2020 and forecast the profit at 75%, 90% and 100% of capacity.

	Amount (Lakh)
Fixed Expenses	
Wages and salaries	4.2
Rent, rates and taxes	2.8
Depreciation	3.5
Administrative expenses	4.5
Total	15.0
Semi-Variable expenses @ 50% of capacity	
Maintenance and repair	1.5
Indirect Labour	4.7
Sundry administrative expenses	2.7
Total	8.9
Variable Expenses @ 50% of capacity	
Material	12.0
Labour	12.8
Other Direct Expenses	2.0
Total	26.8

It is estimated that fixed expenses remain constant for all levels of production; semi variable expenses remain constant between 45% and 65% of capacity, increasing by 10% between 65% and 80% of capacity and 20% between 80% and 100% of capacity. Sales at various levels are :

50% capacity Rs. 45 lakhs

60% capacity Rs. 50 lakhs

75% capacity Rs. 60 lakhs

90% capacity Rs. 75 lakhs

100% capacity Rs. 85 lakhs