

IIT Delhi
B. Tech – MSL 302 – Managerial Accounting & Financial Management
Minor Test 1 – August 31, 2015

Max Marks: 20

Duration: 1 hour

1. From the following Trial Balance of Gurdeep Singh as at 31st December, 2014, prepare Trading and Profit and Loss Account and Balance Sheet:

Dr. Balances	Rs.	Cr. Balances	Rs.
Opening Stock	15,500	Capital ✓	60,000
Land and Building	35,000	Loan from Mrs. Gurdeep Singh	
Machinery	50,000	@9% ✓	30,000
Furniture & Fixtures	5,000	Sundry Creditors ✓	9,600
Purchases	1,06,000	Purchase Returns ✓	2,100
Salaries ✓	11,000	Sales ✓	2,07,300
General Expenses - Insurance ✓	2,500	Commission	1,200
Rent ✓	3,000		
Postage and Telegrams ✓	1,400		
Stationery ✓	1,300		
Wages	26,000		
Freight on Purchases	2,800		
Carriage on Sales	4,000		
Repairs ✓	4,500		
Sundry Debtors -	30,000		
Bad Debts	600		
Cash in Hand -	100		
Cash at Bank	6,400		
Sales Returns	5,100		
	3,10,200		3,10,200

The following further information was given:

- (a) Wages for December, 2014 amounting to Rs. 2,100 have not yet been paid.
- (b) Included in General Expenses is Insurance Premium Rs. 600, paid for the year ending 31st march, 2015.
- (c) A provision for doubtful debts @5% on debtors is necessary.
- ✓ (d) Depreciation is to be charged as follows:
Land and Building 2%, Machinery 10% and Furniture and Fixtures 15%.

35,895

148,200

1,33,450

- [10 marks]**

- Rent is shown at Rs. 30,000 in Profit and Loss Account. Balance sheet shows an outstanding rent of Rs. 5,000. What was the cash outgo for the firm under the head 'Rent'? 30,000
- Cash received towards income from investment is Rs. 60,000. Assets side of the balance sheet shows Rs. 10,000 as accrued income from investments. So, Profit and Loss Account should show 50,000 on the credit side.
- Advertisement expenses are shown Rs. 90,000 in Profit and Loss Account. Actual cash payment for advertisement is Rs. 1,00,000. What amount should be shown on the balance sheet under the head prepaid advertisement expenses? 10,000
- True or False: Revenue is not increased by taking loans although assets are increased. True
- A businessman's daughter comes to father's garments shop and takes the clothes of her choice for her personal use, In what manner is this transaction to be recorded? What impact it would have on the financial statements, if the transaction is not recorded? Capital

[5 marks]

- Mark, company president: "Well, this has not been a good year! Revenues are down and expenses are up – way up. If we don't do some fancy stepping, we will report a loss for the third year in a row. I can temporarily transfer some land that I own into the company's name, and that will beef up our balance sheet. Gwen, can you shave \$500,000 from expenses? Then we can probably get the bank loan that we need."

Gwen, company chief accountant: “Mark, you are asking for too much. Accounting principles are designed to keep this sort of thing from happening.”

Discuss how the company president's proposal violates accounting principles.

conservative / prudence

[5 marks]

18,7300