

### Question 3

Prepare Trading and Profit and Loss Account for the year ended 31st March 2014 and Balance Sheet of M/s Varshney and Company as on that date from the following Trial Balance:

Particulars	Debit (Rs.)	Credit (Rs.)
Purchase and Sales	70,000	1,17,000
Returns	7,000	5,000
Carriage Inwards	1,500	
Salaries and Wages	14,000	
Rent, Rates and Taxes <i>Not IT</i>	2,800	
Carriage Outwards	500	
Discount	800	
Bank <i>Balance</i>	13,700	
Plant & Machinery	12,000	
Investments	8,000	
Furniture & Fittings	5,000	
Bills Receivable and Payable <i>L</i>	45,500	15,800
Cash in Hand	1,000	
Sundry Expenses	500	
Opening Stock	31,500	
Capital Account		76,000
	<b>2,13,800</b>	<b>2,13,800</b>

#### Adjustments:

- Provide outstanding salary Rs. 2,500. *→ L*
- Make a provision for bad debts in bills receivable @ 5%. *→ 2,275 → loss*
- Closing stock Rs. 65,000.
- Stocks lost by fire were Rs. 7,000. However, insurance company settled the claim for Rs. 5,000 and it is still receivable.
- Interest on investments accrued but not received Rs. 640.
- Furniture & Fittings is to be depreciated @ 10% and Plant & Machinery @ 20% using SLM.

[10 marks]



## **IIT Delhi**

### **B Tech – SML 401 – Managerial Accounting & Financial Management**

#### **Minor Test 1 – February 14, 2015**

Max Marks: 20

Duration: 1 hour

#### **Question 1 - Caselet**

Dave Cash runs a successful coach business located in Newry. Customers include private commuters, tour groups and business clients who wish to travel for various reasons. Dave has operated a daily express bus service between Belfast and Dublin for some years, and this has proved to be the most popular service that his business provides to commuters. Dave's business operates as a sole trader; however, he is considering running the business as either a partnership or a private limited company. The government has recently granted licenses to some private coach operators, enabling them to provide limited bus services, along some urban routes already operated by Translink (a public sector transport provider in Northern Ireland), in a bid to encourage competition in the sector.

Suggest which form of organization Dave should opt for. Give reasons. **[5 marks]**

#### **Question 2 - Accounting Principles**

- I. Why is "Income received in advance" a liability? Link the same with the appropriate accounting principles.
- II. The owner of the company X has bought plant and machinery worth Rs 1,00,000 in year 1, for production purpose. If he charge entire amount as an expense for year 1, which accounting principles he will be violating and why? Explain.
- III. Strike by labor union is not recorded in books of account.
- IV. Assets owned are recorded at their acquisition cost.
- V. Sales made on credit are recorded as per the time of sale and not as per the time of receipts from debtors.

**[5 marks]**