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(July)

BUSINESS ADMINISTRATION

(Honours)

(Financial Accounting)

(BBAC-202)

Marks : 75

Time : 3 hours

*The figures in the margin indicate full marks
for the questions*

UNIT—I

1. Define accounting. What are its objectives?
Discuss the advantages and limitations of
accounting. 2+3+5+5=15

OR

2. (a) Enter the following transactions in the
suitable Cashbook : 10

2020

| | | |
|-------|---|-------------------------------------------------------------------------------|
| March | 2 | Commenced business with cash—₹ 1,00,000 |
| " | 3 | Opened a current account with the Punjab National Bank and deposited—₹ 49,000 |

2020

| | | |
|-------|----|---------------------------------------------------------------------------------|
| March | 3 | Sold goods for cheque—₹ 8,900 |
| " | 5 | Paid into the bank by cheque—₹ 8,900 |
| " | 7 | Paid Ram Lal by cheque—₹ 5,000 and he allowed discount—₹ 200 |
| " | 10 | Bought goods and paid by cheque—₹ 2,800 |
| " | 14 | Bought furniture and paid for the same by cheque—₹ 5,450 |
| " | 17 | Sold goods for cheque and paid into the bank on the same day—₹ 3,800 |
| " | 18 | Received from Suresh by cheque—₹ 2,650 and allowed him discount—₹ 300 |
| " | 21 | Paid into the bank, cash—₹ 2,000 and cheque—₹ 1,650 |
| " | 25 | Suresh's cheque returned by bank dishonoured—₹ 2,650 and discount charged—₹ 300 |
| " | 28 | Drew from the bank for office use—₹ 1,000 |
| " | 28 | Received from Harish cheque—₹ 2,400 and allowed him discount—₹ 500 |
| " | 30 | Endorsed cheque received from Harish in favour of Naresh |
| " | 31 | Paid salary in cash—₹ 4,000 and by cheque—₹ 6,800 |
| " | 31 | Bank charges as per Passbook—₹ 200 |

(3)

(b) Write notes on the following : 3+2=5

(i) Accounting Cycle

(ii) Accrual Basis of Accounting

UNIT—II

3. The following is the Trial Balance of Mr. Jeo as on 31st March, 2020 :

| Particulars | Dr. ₹ | Cr. ₹ |
|------------------------------|----------|----------|
| Furniture and Fittings | 6,400 | |
| Motor Vehicles | 62,500 | |
| Buildings | 75,000 | |
| Capital A/c | | 1,25,000 |
| Bad Debts | 1,250 | |
| Provision for Bad Debts | | 2,000 |
| Sundry Debtors and Creditors | 38,000 | 25,000 |
| Stock as on 01.04.2019 | 34,600 | |
| Purchases and Sales | 54,750 | 1,54,500 |
| Bank Overdraft | | 28,500 |
| Returns | 2,000 | 1,250 |
| Advertising | 4,500 | |
| Interest on Overdraft A/c | 1,180 | |
| Commission | | 3,750 |
| Cash in Hand | 6,500 | |

(4)

| Particulars | Dr. ₹ | Cr. ₹ |
|---------------------|-----------------|-----------------|
| Taxes and Insurance | 12,500 | |
| Wages | 7,820 | |
| Salaries | 33,000 | |
| | <u>3,40,000</u> | <u>3,40,000</u> |

You are required to prepare the Trading and Profit & Loss A/c for the year ended 31st March, 2020 and the Balance Sheet as on that date after taken into consideration the following adjustments : 4+5+6=15

- (i) Stock in hand on 31st March, 2020 was ₹ 32,500
- (ii) Salaries—₹ 3,000 and Taxes—₹ 1,200 were outstanding
- (iii) Insurance amounting to ₹ 1,000 is prepaid
- (iv) ₹ 850 is due for Interest on Bank Overdraft
- (v) One-third of the commission received is in respect of work to be done next year
- (vi) Write off further ₹ 1,000 as Bad Debts and Provision for Bad Debts is to be made equal to 5% on Sundry Debtors
- (vii) Depreciate Building @ 5%, Furniture and Fittings @ 10% and Motor Vehicles @ 20% p.a.

(5)

OR

4. (a) What is depreciation? What are the causes of depreciation? What are the factors which determine the amount of depreciation? 2+4+3=9
- (b) Distinguish between Straight-line Method and Written-down Value Method of calculating depreciation. 6

UNIT—III

5. (a) Write notes on the following : 2×5=10
- (i) Small company as per the provisions of the Companies Act, 2013
- (ii) Book building method of issuing shares
- (iii) Calls-in-Arrear
- (iv) Prospectus
- (v) Right issue
- (b) Can shares be issued at a discount? If so, what are the provisions of the Companies Act, 2013 in this regard? 5

(6)

OR

6. From the following Receipts & Payments A/c of a club for the year ended 31st December, 2019 and from the information supplied, prepare an Income & Expenditure A/c for the year ended 31st December, 2019 and the Balance Sheet as on that date : 8+7=15

| Receipts | | ₹ | Payments | | ₹ |
|----------|---------------------|--------------|----------|------------------|--------------|
| To | Balance b/d | 350 | By | Salaries | 1,400 |
| " | Subscriptions : | | " | General | |
| | 2018 | 250 | | expenses | 300 |
| | 2019 | 1,000 | " | Electric charges | 200 |
| | 2020 | 200 | " | Books | 500 |
| | | 1,450 | " | Newspapers | 400 |
| " | Rent received from | | " | Balance c/d | 200 |
| | the use of hall | 700 | | | |
| " | Profit from | | | | |
| | entertainment | 400 | | | |
| " | Sales of newspapers | 100 | | | |
| | | <u>3,000</u> | | | <u>3,000</u> |

Adjustments :

- (i) The club has 50 members each paying an annual subscription of ₹ 25; subscriptions outstanding on 31st December, 2018 were ₹ 300
- (ii) On 31st December, 2019, salaries outstanding amounted to ₹ 100. Salaries paid in 2019 included ₹ 300 for the year 2018

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- (iii) On 1st January, 2019, the club owned building valued at ₹ 10,000, furniture—₹ 1,000 and books—₹ 1,000
- (iv) Provide depreciation on furniture and books @ 10% p.a. and value of building as on 31st December, 2010 were ₹ 9,500

UNIT—IV

7. (a) What is common-size income statement? Why is it prepared? 2+2=4

- (b) From the following information, calculate—

(i) Net Profit Ratio;

(ii) Return on Investment;

(iii) Current Ratio;

(iv) Liquid Ratio : 2×4=8

| | ₹ |
|------------------------------|-----------|
| Equity Share Capital | 15,00,000 |
| 12% Preference Share Capital | 3,00,000 |
| 6% Debentures | 2,00,000 |
| Profit during the year | 4,00,000 |
| Current Liabilities | 10,00,000 |

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| | ₹ |
|------------------|-----------|
| Net Fixed Assets | 18,00,000 |
| Liquid Assets | 10,00,000 |
| Net Sales | 80,00,000 |
| Inventory | 6,00,000 |

- (c) Name the tools used for the analysis of financial statements. 3

OR

8. (a) What do you mean by ratio analysis? What are the advantages of ratio analysis? 2+4=6

- (b) From the following information, calculate—

(i) Gross Profit Ratio;

(ii) Stock Turnover Ratio;

(iii) Debtors Turnover Ratio : 2×3=6

| | ₹ |
|--------------------|----------|
| Sales | 1,50,000 |
| Cost of Goods Sold | 1,20,000 |
| Opening Stock | 27,000 |
| Closing Stock | 33,000 |
| Debtors | 14,000 |
| Bills Receivables | 6,000 |

- (c) Write a note on trend percentage analysis. 3

(9)

UNIT—V

9. Following are the comparative Balance Sheets of Amriti Pvt. Ltd. as on 31st December :

| Liabilities | 2019 ₹ | 2018 ₹ | Assets | 2019 ₹ | 2018 ₹ |
|--------------------------|------------------|------------------|---------------------|------------------|------------------|
| Equity Share Capital | 11,00,000 | 10,00,000 | Goodwill | 60,000 | 80,000 |
| 10% Debentures | 3,00,000 | 5,00,000 | Land and Building | 6,60,000 | 4,20,000 |
| General Reserves | 2,00,000 | 2,00,000 | Plant and Machinery | 8,00,000 | 6,00,000 |
| Profit & Loss A/c | 1,90,000 | 1,10,000 | Stock | 2,10,000 | 2,50,000 |
| Provision for Income Tax | 1,10,000 | 40,000 | Debtors | 2,40,000 | 3,00,000 |
| Accounts Payable | 94,000 | 1,00,000 | Cash | 24,000 | 3,00,000 |
| | <u>19,94,000</u> | <u>19,50,000</u> | | <u>19,94,000</u> | <u>19,50,000</u> |

Additional Information :

- (i) During the year 2012, a part of machinery costing ₹ 7,500 (accumulated depreciation thereon being ₹ 2,500) was sold for ₹ 3,000
- (ii) Dividend of ₹ 1,00,000 was paid during the year ended December 2019

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- (iii) Income tax of ₹ 50,000 was paid during the year 2019
- (iv) Depreciation for the year 2019 on Land and Building—₹ 10,000; and Plant and Machinery—₹ 50,000

You are required to prepare a Schedule of Changes in Working Capital and a Funds Flow Statement. 7+8=15

OR

10. (a) What do you mean by Cash Flow Statement? State the advantages and limitations of Cash Flow Statement. 2+3+3=8
- (b) Calculate net cash flows from operating activities from the following : 7
- (i) Profits made during the year ₹ 2,50,000 after considering the following items :

| Particulars | ₹ |
|------------------------------|--------|
| Depreciation on fixed assets | 10,000 |
| Amortization of goodwill | 5,000 |
| Transfer to General Reserve | 7,000 |
| Profit on sale of land | 3,000 |

(ii) The following is the position of current assets and current liabilities :

| <i>Particulars</i> | <i>2019</i> | <i>2018</i> |
|--------------------|-------------|-------------|
| | ₹ | ₹ |
| Debtors | 15,000 | 12,000 |
| Creditors | 10,000 | 15,000 |
| Bills Receivable | 8,000 | 10,000 |
| Prepaid Expenses | 4,000 | 6,000 |

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