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Bachelor of Business Administration (B.B.A.) Semester—II (C.B.S.) Examination

FINANCIAL & MANAGEMENT ACCOUNTING

Compulsory Paper—2

Time : Three Hours] [Maximum Marks : 80

N.B. :— (1) **ALL** questions are compulsory.

(2) All questions carry equal marks.

1. (A) Define Financial Accounting and explain its importance. 8

(B) Write the rules and principles of Double Entry System of Accounting. 8

OR

(C) Pass Journal Entries in the Books of Mr. G. Gautam Kumar :

Date	Particular	Amount
July		
1	Deposited Cash in Bank Current Account	7,50,000
2	Issued Cheque in favour of Shri Kamal	65,000
6	Received Cheque from Shau and Deposited the same into Bank	57,500
7	Withdrawn from Bank for Office use	80,000
8	Purchased Furniture from Nagpur Furniture and issued Cheque to them	50,000
9	Issued cheque for purchases of stationery	10,000
10	Issued cheque to Shri Agrawal for commission	17,500
14	Received cheque from Verma	47,500
16	Withdrawn cash from bank for personal expenses	30,000
20	The Bank Passbook showed an entry of Fire Insurance Premium paid by the Bank	10,000
21	Bank paid monthly premium of Life Insurance Policy in the name of Mr. G Gautam Kumar, the owner of the business	7,500
22	Bank charges debited in passbook by the bank	1,500
24	Issued cheque for cash purchase of goods	45,000
25	Received cheque for cash sale of goods	77,700
28	Bank collected interest and dividend on the investments of Shri Bawankar	25,000
30	Paid salaries to the manager by cheque	30,000

16

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2. (A) From the following Balance of Pentex Trading Co. Ltd. Prepare Trading and Profit & Loss A/c for the year ended 31st March 2012 :

Particulars	Rs.
Opening Stock	1,45,200
Purchases	4,62,000
Carriages	19,800
Sundry Expenses	30,800
Salary	48,400
Director Fees	24,200
Bad Debts	8,800
Debenture interest paid	39,600
Sales	13,64,000
6% Debentures	13,20,000
Bad Debt Reserve (1-4-2011)	8,800
Premises	16,50,000
Plant & Machinery	15,40,000
Furniture	44,000
Debtors	1,98,000
Return Inwards	44,000
Rent and Taxes	13,200
Transfer Fees	26,400
Return Outwards	22,000

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Additional Information :

(1) Closing Stock Rs. 2,64,000

(2) Share Depreciation : Plant & Machinery 10%, Premises 5% Furniture 10%

(3) Provide for bad debts at 5% on debtors

(4) Goods distributed as free samples not recorded Rs. 22,000

(5) Goods destroyed by fire Rs. 33,000. Insurance company admitted a claim of Rs. 25,000 only. 8

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(B) From the following Balance of Mercury Company Ltd. prepare Balance Sheet as on 31st March 2012 :

	Rs.
Share Capital	6,10,000
Cash in Hand	61,610
Development Fund	73,200
Investment in Govt. Securities	1,58,600
Sundry Creditors	1,65,920
P&L App. A/c (Cr.)	2,78,160
Furniture	2,19,600
Sundry Debtors	3,41,600
Long from Bank	3,00,000
Depreciation Fund	2,56,200
Staff P.F Investment	61,000
Reserve Fund	2,44,000
Cash at Bank	1,84,170
Building Fund	2,44,000
Share of H.P Company Ltd.	1,46,400
Land	3,41,600
Staff Provident Fund	61,000
Building	4,51,400
Closing Stock	3,05,000
Bad Debts Reserve	36,600

Adjustment :

(1) Insurance paid in advance Rs. 2,600

(2) Interest accrued on investment but not received Rs. 3,000

(3) Outstanding Exp : Rent Rs. 3,500, Interest Rs. 4,000. 8

OR

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(C) The following is the Balance of Apsara Co. Ltd. The company has authorised capital 40000 shares of Rs. 50 per share.

Trial Balance as on 31 March, 2013

Particulars	Dr. Rs.	Cr. Rs.
Bank Balance	31,000	
Printing and Stationery	30,000	
Insurance and Taxes	40,000	
Goodwill	1,04,000	
Investments	5,00,000	
Profit & Loss App. A/c		61,000
Interest on Debentures	28,000	
Debenture		2,00,000
Manufacturing Expenses	10,000	
Preliminary Expenses	1,20,000	
Tools	76,000	
Audit Fees	30,000	
Interim Dividend	50,000	
Opening Stock (1-4-2012)	1,30,000	
Freight	20,000	
Returns	30,000	40,000
Directors Fees	40,000	
Share Capital		6,00,000
Cash in Appears	32,000	
Reserve Fund		5,00,000
Building	3,60,000	
Fixed Deposits		2,00,000
Wages	60,000	
Machinery	1,78,000	
Furniture	1,60,000	
Purchase and Sale	4,20,000	10,50,000
Salary	1,20,000	
Debtors and Creditors	4,40,000	3,00,000
Bills Receivable and Bills Payable	1,22,000	1,80,000
	31,31,000	31,31,000

Adjustments :

(1) Closing Stock Rs. 1,60,000

(2) Directors proposed total dividend @ 20%

(3) Written off : Preliminary expenses 1/4 and goodwill 1/10

(4) Depreciate Building 10% and Furniture 20%

(5) Transfer Rs. 1,20,000 for Reserve fund

(6) Prepaid insurance Rs. 3,000

Prepare Trading and Profit & Loss A/c for the year ended 31st March 2013 and the Balance Sheet as on that date. 16

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3. (A) The following data are available from the records of a company :

	Rs.
Sales	8,40,000
Variable Cost	4,20,000
Fixed Cost	2,10,000

Calculate the profit volume ratio and break even point. And calculate the effect of 10% increase in selling price on profit volume ratio and break even point. 8

(B) From the following data you are required to calculate Break Even Point and Profit Volume Ratio :

	Rs.
Direct Material Cost per unit	15
Direct Labour Cost per unit	8
Fixed Overheads	30,000
Variable overhead @ 50% on Direct	
Labour Selling Price	40
Trade discount 10%	

If sales are 15% above and 10% below the break even volume determine the net profit or loss. 8

OR

(C) Following are the Balance Sheet of Ajay and Atul Companies :

Particulars	**Ajay Co. Rs.**	**Atul Co. Rs.**
Liabilities :		
Sundry Creditors	46,800	75,400
Bank Overdraft	15,600	19,500
Provision for Tax	26,000	19,500
Provision for Depreciation	26,000	65,000
Capital	2,60,000	4,55,000
Reserve	65,000	78,000
Profit & Loss Account	15,600	1,32,600
	4,55,000	8,45,000

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Particulars	**Ajay Co. Rs.**	**Atul Co. Rs.**
Assets :		
Book Debts	1,10,500	2,27,500
Stock	85,800	1,20,900
Machinery	63,700	1,19,600
Building	1,56,000	3,12,000
Goodwill	39,000	65,000
	4,55,000	8,45,000
Sales	10,92,000	13,65,000
Net Profit	1,64,000	1,37,000
Gross Profit	2,75,000	3,25,000

Calculate the following ratio in respect of each company :

(1) Gross Profit Ratio

(2) Net Profit Ratio

(3) Current Ratio

(4) Liquid Ratio

(5) Operating Ratio. 16

4. (A) The budgeted expenses of Sohan Ltd. for the production 1000 units areas follows :

	Rs. (per unit)
Material	210
Labour	72
Variable Overhead	60
Fixed Overhead (Rs. 30,000)	30
Selling Expenses	36
Distribution Expenses	24
Administration Expenses (Rs. 12,000)	12

Prepare flexible budget for the production of :

(i) 80 units

(ii) 1200 units. 8

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(B) Prepare budget for the year ended from the following data available is respect of 80% and 100% capacity, when the sales are Rs. 1,30,000 and Rs. 1,55,000.

Fixed cost remains constant. Semi-variable cost remains constant between 60% and 75% capacity, increasing 10% between 75% and 85% and 20% between 85% and 100% capacity.

Expenses for 60% capacity are as follows :

Particulars	**Rs.**
Variable Overheads :	
Materials	42,000
Labour	25,200
Direct Expenses	5,040
Fixed Expenses :	
Salary and Wages	11,760
Rent and Rate	7,000
Semi-variable Expenses :	
Selling Expenses	2,800
Distribution Exp.	4,200
	98,000

8

OR

(C) Summarised below are the Income and Expenditure forecasts for the period, of February to July 2012 :

Month	**Sales (all credit) Rs.**	**Purchase (all credit) Rs.**	**Wages Rs.**	**Manufac-turing Exp. Rs.**	**Office Expenses Rs.**	**Selling Expenses Rs.**
February	2,52,000	1,51,200	37,800	16,800	8,400	16,800
March	2,60,400	1,59,600	33,600	12,600	6,300	21,000
April	2,68,800	1,38,600	42,000	18,900	10,500	20,000
May	2,43,600	1,47,000	35,700	14,700	8,400	14,700
June	2,35,200	1,63,200	39,900	16,800	4,200	18,900
July	2,54,000	1,43,000	34,000	13,000	6,600	19,000

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You are given the following further information

(a) Projector costing Rs. 70,000 is due for delivery in June Payable 20% on delivery and the balance after three months.

(b) Advance tax of Rs. 35,000 is payable in February and May each.

(c) Period of Credit allowed :

(i) by suppliers 2 months and

(ii) to customer 1 month.

(d) Period of lag in payment of manufacturing expenses ½ month.

(e) Lag in payment of all other expenses 1 month.

You are required to prepare a cash budget for four months starting on 1st April 2012. When there was a cash balance of Rs. 33,000. 16

5. (A) Explain the function of Financial Reporting. 4

(B) Distinguish between Interim Dividend and Final Dividend. 4

(C) Explain the scope of Management Accounting. 4

(D) Write short notes on "Business Budgeting". 4