

**Bachelor of Business Administration (B.B.A.) Semester—II (C.B.C.S.) Examination****FINANCIAL AND 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) What do you mean by Financial Accounting ? State scope and importance of Financial Accounting. 8  
 (b) Explain the concepts and conventions of Financial Accounting. 8

**OR**

- (c) Journalise the following transactions in the books of Maheshwari :

- 2016 Jan. 1 : Received 1,00,000 from Mother-in-Law as gift and deposited into the account of business.  
 2 : Took loan from Abhijit Rs. 50,000  
 3 : Paid for Postal Stamps Rs. 5,000  
 4 : Commission due from Das Rs. 8,000  
 5 : Old Machinery of Rs. 10,000 is stolen  
 6 : Purchased securities worth Rs. 9,000 and paid for brokerage Rs. 120  
 7 : Sold private car and invested in business Rs. 90,000  
 18 : Purchased goods from Mr. Mahesh for cash Rs. 14,000  
 19 : Sold goods to Laxinarayan Rs. 19,000  
 20 : Laxinarayan returned goods Rs. 1,000  
 21 : Paid Salaries Rs. 15,000  
 25 : Paid for Stationery Rs. 8,000  
 30 : Paid Electricity charges Rs. 12,000  
 31 : Purchased Furniture of Rs. 50,000 16

2. (a) From the following information prepare Trading and Profit and Loss A/c for the year ended 31<sup>st</sup> March, 2016 :

	<b>Rs.</b>
Opening Stock	1,20,000
Purchases	4,80,000
Sales	7,60,000
Purchases Return	20,000
Sales Return	40,000
Interest on Investment	24,000
Salary	40,000
Audit Fees	20,000
Wages	1,00,000
Directors's Fees	30,000
Printing and Stationery	24,000
Building	1,60,000
Bad Debts	20,000
Plant and Machinery	4,00,000
Insurance	50,000
General Reserve	80,000
Freight	30,000

**Additional information :**

- (a) Closing Stock Rs. 2,40,000  
 (b) Charge depreciation 10% on Building  
 (c) Transfer Rs. 40,000 to Reserve Fund. 8

- (b) Prepare Balance Sheet of Narayana Trading Co. Ltd. as on 31<sup>st</sup> March, 2016 from the following balances :

	Rs.
Issued and Called up Share Capital	14,00,000
Call-in-Arrears	1,00,000
Forfeited Shares A/c	20,000
Goodwill	2,00,000
Land and Building	3,00,000
Stock	3,56,000
Machinery	1,60,000
Share Premium	40,000
General Reserve	2,00,000
Investment	1,40,000
Creditors	3,00,000
Furniture	1,00,000
Bills Payable	50,000
Debtors	4,00,000
Bills Receivable	1,60,000
Dividend Fund	14,000
Cash in hand	24,000
Cash at Bank	1,20,000
Preliminary Expenses	20,000
Outstanding Salaries	20,000
Depreciation Fund	30,000
Debentures	1,20,000
Profit and Loss A/c (Cr.)	60,000
Govt. Securities	1,64,000
Expenses on Issue of Shares	10,000

**Additional Information :**

Authorised Capital of Rs. 20,00,000.

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**OR**

- (c) Following are the Balances of Vivekanand Co. Ltd. as on 31<sup>st</sup> March, 2016 :

Debit Balances	Amount Rs.	Credit Balances	Amount Rs.
Plant & Machinery	5,40,000	Share Capital	14,88,000
Call-in-Arrears	15,200	Sundry Creditors	1,51,200
Sundry Debtors	3,72,000	Profit & Loss A/c (1.4.2015)	91,600
General Expenses	42,400	Commission	9,200
Advertisement	6,000	10% Debentures	3,72,000
Interest on Debentures	18,600	Debenture Redemption Fund	74,400
Cash	42,200	Discount Received	7,200
Stock (1.4.2015)	3,20,000	Bank Loan	4,09,200
8% Govt. Bonds	4,00,000	Transfer Fees	8,000
Building	11,16,000	Purchase Returns	30,000

Debit Balances	Amount Rs.	Credit Balances	Amount Rs.
Dividend paid	74,400	Sales	13,39,200
Purchases	7,44,000	Interest on Govt. Bonds	16,000
Carriage inwards	10,800	Bank Overdraft	4,000
Carriage outwards	5,600		
Sales Return	37,200		
Productive Wages	1,48,000		
Salaries	37,200		
Unproductive Wages	36,800		
Trade Expenses	18,000		
Discount Paid	8,800		
Rent	6,800		
	<b>40,00,000</b>		<b>40,00,000</b>

Prepare Trading and Profit and Loss A/c for the year ended on 31st March, 2016 and Balance Sheet as on that date after making the following adjustments :

- Stock as on 31<sup>st</sup> March, 2016 was Rs. 3,00,000.
- One month's Rent @ Rs. 7,200 p.a. was due on 31<sup>st</sup> March, 2016.
- Transfer Rs. 40,000 to Debentures Redemption Fund.
- Make a provision for Bad and Doubtful Debts at 5% on Sundry Debtors.
- Provide Depreciation on Building @ 6% and Plant and Machinery @ 10% p.a.

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3. (a) ABC Steel Co. submitted following information :

	Rs.
Sales	3,60,000
– Variable Cost	2,88,000
Contribution	<b>72,000</b>
– Fixed Cost	96,000
Loss	<b>24,000</b>

Find out :

- B.E.P. in Rs.
- Profit Volume Ratio
- Profit if Sales is Rs. 6,00,000
- Sales if Profit required Rs. 24,000.

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- (b) Modern Co. Ltd. gives following information for two years :

Particulars	2015 (Rs.)	2016 (Rs.)
Sales	4,00,000	4,80,000
Fixed Cost	1,20,000	1,60,000
Variable Cost	2,00,000	2,60,000

Find out the following for each year :

- Profit Volume Ratio
- B.E.P. in Rs.
- Margin of Safety
- Statement of Marginal Cost.

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**OR**

- (c) From the following Trading, Profit and Loss A/c and Balance Sheet, prepare Income Statement and calculate following ratios :
- Gross Profit Ratio
  - Net Profit Ratio
  - Operating Ratio
  - Current Ratio
  - Liquidity Ratio
  - Stock Turnover Ratio.

**Trading and Profit and Loss A/c  
for the year ended 31<sup>st</sup> March, 2016**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Opening Stock	2,00,000	By Sales	17,00,000
To Purchases	10,90,000	By Closing Stock	2,98,000
To Wages	28,000		
To Gross Profit	6,80,000		
	<b>19,98,000</b>		<b>19,98,000</b>
To Office Expenses	3,00,000	By Gross Profit	6,80,000
To Financial Exp.	28,000	By Interest on Deposits	8,000
To Selling and Distribution Exp.	60,000	By Profit on Sale of Securities	10,000
To Loss on Sale of Assets	10,000		
To Net Profit	3,00,000		
	<b>6,98,000</b>		<b>6,98,000</b>

**Balance Sheet  
as on 31<sup>st</sup> March, 2016**

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Equity Share Capital		Land and Building	3,00,000
40,000 Shares @ Rs. 10 each	4,00,000	Plant and Machinery	1,60,000
General Reserve	2,00,000	Stock in Trade	3,00,000
Profit and Loss A/c	1,00,000	Sundry Debtors	1,40,000
Current Liabilities	2,60,000	Cash and Bank Balance	60,000
	<b>9,60,000</b>		<b>9,60,000</b>

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4. (a) From the following information prepare Cash Budget for the three months ending 31<sup>st</sup> August, 2016 :

Months	Sales (Rs.)	Purchase (Rs.)	Wages (Rs.)	Overhead (Rs.)
March	1,20,000	80,000	22,000	12,400
April	1,12,000	96,000	23,200	13,200
May	1,28,000	1,00,000	24,000	13,600
June	1,60,000	1,12,000	24,800	14,400
July	1,68,000	1,24,000	26,000	17,200
August	1,52,000	1,00,000	28,000	16,000

**Additional information :**

- (i) On 1<sup>st</sup> June, 2016 Cash Balance is Rs. 40,000
- (ii) Payment of Purchase and Overhead will be made in the following month.
- (iii) Payment of Wages will be made in the same month.
- (iv) Period of Credit allowed to customers 2 months. 8
- (b) Narendra Industrial Unit working at 50% capacity manufactures 1,000 units of a product at 50% capacity; the product cost is Rs. 1,800 and selling price Rs. 2,000. The cost structure was as follows :

<b>Particulars</b>	<b>Cost per unit (Rs.)</b>
Materials	1,000
Wages	300
Manufacturing Expenses	300
	(40% Fixed)
Administrative Expenses	200
	(50% Fixed)

At 60% level, raw materials cost goes up 2% and selling price same as above. Prepare Flexible Budget 60% capacity showing profit of this level. 8

**OR**

- (c) Sudarshan Co. Ltd. submitted the following information for the three months. Prepare the Flexible Budget for the capacities 60%, 80%, 100% :

<b>Particulars</b>	<b>Amount (Rs.)</b>
(1) Fixed Cost	
Management Salary	84,000
Rent and Taxes	56,000
Depreciation of Machine	70,000
Sundry Office Expenses	89,000
	<b>2,99,000</b>
(2) Semi-Variable Expenses (50% Capacity)	
Maintenance of Machine	25,000
Indirect Wages	99,000
Selling Agents Salary	29,000
Sundry Expenses	26,000
	<b>1,79,000</b>
(3) Variable expenses at 50% capacity	
Material	2,40,000
Wages	2,56,000
Commission of Selling Agent	38,000
	<b>5,34,000</b>

Semi variable expenses will remain constant between 40% and 70% capacity of production. It will be increased by 10% between the capacity 70% and 85% and will be increased by 15%, between the capacity 85% and 100%. Fixed expenses will remain constant at all capacities of production. Sales at various levels are :

<b>Capacity</b>	<b>Sales (Rs.)</b>	
60%	10,20,000	
80%	13,60,000	
100%	17,00,000	16

5. (a) Write the functions of Financial Reporting. 4
- (b) Explain the contents of Profit and Loss Appropriation A/c. 4
- (c) State the importance of Management Accounting. 4
- (d) Explain the various types of Business Budget. 4