

**SVKM's NMIMS University  
School of Distance Learning**

**Financial Accounting / Financial & Management Accounting**

**Date: 18.12.2007**

**Marks: 100**

**Time: 3.00 to 6.00**

**SECTION - A**

**Answer any four from the following eight questions. Each question carries 20 marks**

- Q. 1.** State the group of persons having an interest in a business organization and examine the nature of their information needs?
- Q. 2.** How does the accountant help in the planning and control process of a large commercial organization?
- Q. 3.** Explain any four accounting concepts and their role in the preparation of financial statements.
- Q. 4.** Is it possible to give a true or a fair view of a company's position using accounting information?
- Q. 5.** What is a Balance Sheet and what information it conveys to an outsider?
- Q. 6.** What are legal requirements relating to preparation of financial statements of limited company?
- Q. 7.** Explain the accounting treatment of any two items in financial statements from the following items:  
a. Depreciation  
b. Interest on Debentures  
c. Income- Tax
- Q. 8.** Explain the functions of accounting standard board and its importance.

**SECTION – B**

**Answer any one from the following two questions. It carries 20 marks.**

**Q.9.** The final Accounts are discussed with the help of illustrations given below:

Sherry Engineering Ltd. have authorized capital of Rs.50 lakhs divided into 5,00,000 equity shares of Rs.10 each. Their books show the following balances as on 31<sup>st</sup> December,2000.

Particulars	Dr. Amount Rs.	Particulars	Cr. Amount Rs.
Stock 1.1.2000	6,65,000	Equity Share Capital (2,00,000 shares of Rs.10 each)	20,00,000
Discounts & Rebates	30,000	4% Debentures (repayable after 10 years)	5,00,000
Carriage Inwards	57,500	Bank Overdraft	7,57,000
Patterns	3,75,000	Sundry Creditors (for goods)	2,40,500
Rates, Taxes & Insurance	55,000	Sales	36,17,000
Furniture & Fixtures	1,50,000	Rent (Cr.)	30,000
Material Purchased	12,32,500	Transfer Fees	6,500
Wages	13,05,000	Profit & Loss A/c. (Cr.)	67,000
Coal and Coke	63,000		
Freehold land	12,50,000		
Plant & Machinery	7,50,000		
Engineering Tools	1,50,000		
Goodwill	3,75,000		
Sundry Debtors	2,66,000		
Bills Receivables	1,34,500		
Advertisement	15,000		
Commission & Brokerage	67,500		
Business Expenses	56,000		
Bank Current Account	20,000		
Cash in hand	8,000		
Debenture interest (for half year 31.06.00)	10,000		
Interest (Banks)	91,000		
Preliminary Expenses	10,000		
Calls in Arrears	10,000		
Repairs	46,500		
Bad Debts	25,500		

The stock (valued at cost or market value, whichever is lower) as on 31<sup>st</sup> Dec, 2000 was Rs.7,08,000. Outstanding liabilities for wages Rs.25,000 and business expenses Rs.25,000. Dividend declared @10% on paid-up capital.

Charge depreciation: Plant & Machinery @5%; Engineering Tools @20%; Patterns @10% and Furniture & Fixtures @10%. Provide 2% on debtors as doubtful debts after writing off Rs.21,500 as bad debts. Write off preliminary expenses Rs.5,000 and create debenture redemption reserve Rs.50,000. Provide Rs.2,40,000 for income tax.

You are required to prepare:

- a) Profit & Loss account for the year ended 31<sup>st</sup> Dec.2000; and
- b) Balance Sheet as on that date.

**Q.10.** The following trial balance has been extracted from the books of M/s. Shekhar and Co. on 31.3.2000.

Account	Dr.(Rs.)	Cr.(Rs.)
Opening Stock	22,500	
Drawings	7,200	
Purchases	72,500	
Sundry Debtors	18,000	
Sales Returns	1,400	
Carriage Inwards	1,300	
Factory rent and taxes	5,600	
Manufacturing wages	18,000	
Octroi	1,550	
Carriage outwards	1,200	
Salaries (administrative staff)	18,500	
Insurance premium	1,200	
Office rent	2,400	
Traveling expenses	6,300	
Cash in hand	500	
Cash at bank	2,500	
Bills receivable	5,000	
Furniture	9,000	
Machinery	30,000	
Interest received		1,300
Bad debts	600	
Commission received		1,000
Purchase returns		1,400
Sundry Creditors		16,800
Bills payable		4,000
Capital		46,000
Sales		154,750
<b>TOTAL</b>	<u>225,250</u>	<u>225,250</u>

The following additional information is available:

1. The closing stock on 31<sup>st</sup> March 00 is valued at Rs.35,000
2. Manufacturing wages and office salaries are outstanding as Rs.2300 and Rs.1900 respectively.
3. The commission of Rs.200 is received in advance.
4. The insurance premium of Rs.200 is prepaid.
5. 10% interest on capital and 5% interest on drawings is to be charged.
6. Rs.600 is written off as bad debts.
7. The provision of bad and doubtful debts is to be created at 5% and provision for discount is at 2% of debtors.
8. The depreciation is to be charged @10% on furniture and 15% on machinery.

You are required to prepare the trading and profit and loss account for the year ended 31.3.2000 and the Balance Sheet as on that date.

----- All the Best -----