

MID-WESTERN UNIVERSITY
EXAMINATIONS MANAGEMENT OFFICE
MAKE-UP EXAMINATION: 2018
BACHELOR OF BUSINESS ADMINISTRATION (BBA)
SEMESTER – I

R.No.

Subject: Financial Accounting
Full Marks: 100

Course Code: MGT 312
Time: 3:00 Hours

SECTION A: MULTIPLE CHOICE QUESTIONS (1 × 15 = 15 MARKS) / (TIME: 15 MINUTES)

Tick the best answers.

- Q1. Those assets which can be converted into cash within a year.
a. Quick assets b. Current assets c. Fixed assets d. Long term assets
- Q2. The assets which have physical existence are:
a. Intangible assets b. Current assets c. Tangible assets d. None of the above
- Q3. Which of the following is not the core objective of financial accounting?
a. To ascertain the financial position of the business as a whole
b. To maintain the legal obligations of the company
c. To maintain the competitive advantage of the company
d. To avoid the potential future business
- Q4. From the following information you are required to calculate the amount of depreciation:
Cost of the machine = Rs 2,50,000 Installation charge = Rs 20,000
Estimated useful life = 5 years Estimated scrap value = Rs 10,000
a. 51,000 b. 52,000 c. 53,000 d. 54,000
- Q5. Revenue reserve is created for strengthening the financial position and meeting the unforeseen contingencies or some specific purpose, while capital reserve is created for:
a. It can be used for distribution of dividends without any preconditions.
b. It is created out of business profit.
c. It is created for meeting capital losses or to be used for purposes specified by company act.
d. It is created to meet some legal or necessary requirements of the firm.
- Q6. Which of the following is not a feature of capital reserve?
a. It arises out of capital.
b. It cannot be utilized for issue of bonus share.
c. It can be utilized for the distribution of dividend.
d. It cannot be utilized for bearing business losses.
- Q7. Which of the following formula is correct to calculate the amount of cost of goods sold?
a. Cogs = opening stock + purchase – Closing stock
b. Cogs = Closing stock + purchase – Opening stock
c. Cogs = Opening stock + sales – Closing stock
d. Cogs = Closing stock + sales – opening stock
- Q8. Following are the limitations of the cash flow statement except:
a. Cash flow statement does not reveal the overall financial position of the entities.
b. Cash flow statement cannot afford a comprehensive image of a financial condition
c. Cash flow statement does not analyzed actual liquid position of the entities.
d. Cash flow statement generates positive future net cash flows and meets their obligations.
- Q9. "For anything to be useful, it must be understandable. Usefulness and understandability go hand in hand". The above mentioned axiom identify the term:
a. Relevant b. Faithful representation c. Understandability d. Comparability and consistency
- Q10. Which of the following is correct
a. Assets + Liability = Capital
b. Capital + Assets = Liability
c. Capital + Liability = Assets
d. None of the Above

- Q11. Following are the objectives of the ledger except:
- a. To classify the transactions into account according to their nature
 - b. To find out the conclusion of each account
 - c. To facilitate in the preparation of the trial balance
 - d. To maintain a systematic and chronological records of business transactions
- Q12. A note which is sent by the seller to the buyer to notify his account is debited is called:
- a. Debit note b. Credit note c. Invoice No. d. None of the above
- Q13. A Cheque that has the provision of making of payment to anyone irrespective of the name mentioned is called:
- a. Crossed Cheque b. Bearer Cheque c. Order Cheque d. All of the Above
- Q14. Which of the following is not the part of capital reserve?
- a. Profit on forfeiture of shares
 - b. Profit on revaluation of fixed assets
 - c. Gain on redemption of debentures
 - d. Dividend equalization reserves
- Q15. Which of the following is the feature of double entry system?
- a. Double effect b. Equal effect c. Scientific system D. All of the above

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You are required to answer in your own words as far as applicable. The figures in the margin indicate full marks.

SECTION B: SHORT ANSWER QUESTIONS (8 × 5 = 40 MARKS)

Answer any EIGHT questions:

- Q1. Write the Functions of financial accounting? (5)
- Q2. Write about Accounting Period concept of accounting? (5)
- Q3. Following information are provided:
- a. Started business with cash Rs 1, 00,000.
 - b. Purchased goods worth Rs 20,000.
 - c. Sold old furniture to Pravik info tech. costing Rs 30,000 at a profit of Rs 5,000.
 - d. Cash received from Pravik info tech. Rs 34,000 in full settlement of his debt.
 - e. Rent outstanding for the month of Rs 5,000.
- Required:** - Accounting Equation (5)
- Q4. A sole trader setup a new consultancy form. During the short period, the company completed the following transactions.
- a. Invested cash into business as capital Rs 5, 00,000 and computer costing Rs 2, 00,000.
 - b. Billed customers for services provided Rs 5,000
 - c. Paid Utility Bill of Rs 20,000
 - d. sold computer on credit Rs 50,000
 - e. Received cash from customer billed earlier Rs 4,500 in full settlement of his account.
 - f. Took loan from bank Rs 10,000.
 - g. Received from customer Rs 49,000 in full settlement of computer sold on credit.
 - h. Paid salary to assistant Rs 20,000 at the end of the month.
- Required:** - Journal entries to record the transactions. (5)
- Q5. Consider the following information:
- Ashad 05 sold goods to SK Store, Jhapa:
- 20 Table fans @ Rs 1,000 each
 - 40 Ceiling fans @ Rs 800 each
- Ashad 07 Sold goods to PP Store, Dang:
- 80 Ceiling fans @ Rs 900 each
 - 70 Table fans @ Rs 1,100 each
- Trade discount 10%
- Ashad 20 Sold goods on cash to ST Store, Chitwan:
- 25 Table fans @ Rs 950 each
 - 20 Ceiling fans @ Rs 800 each
- Trade discount 10% and Cash Discount 5%
- Required:** - a) Sales Book b) Sales Account (3+2)
- Q6. The following are the extracts of the trial balance as on 31st Dec. 2016
- | Particulars | Debit (Rs) | Credit(Rs) |
|------------------------------|------------|------------|
| Book Debts | 60,000 | |
| Bad debts | 2,200 | |
| Provision for doubtful debts | | 3,600 |
- Additional information:
- a. Further bad debts Rs. 500
 - b. Create 4% of provision for doubtful debts.
- Required:** - a) Provision for bad and doubtful debt account b) Profit and loss account. (3+2)
- Q7. Distinguish between the capital profit and the revenue profit. (5)
- Q8. Consider the following transactions.
- Dec. 1 Started Business with Rs 1, 50,000.

- Dec. 7 opened bank account on Nepal Bank Ltd. with Rs 60,000.
 Dec.12 Purchase office equipment for Rs 45,000 and paid 1/3 of cash and balance through cheque.
 Dec.19 Bought goods for Rs 40,000 from Sital and paid partially Rs 20,000.
 Dec.22 Cash withdrew from bank Rs 10,000 for office use and Rs 4,000 for personal use.
 Dec 23 Sold goods for Rs 16,000 to Mr Sharma and received cheque of Rs 6,000 partially.
 Dec.25 Paid to Sital in full settlement by cheque after deducting 10% discount.
 Dec. 27 Paid for sundry expenses Rs 2,000 by cheque.
 Dec. 29 Cheque of Mr.Sharma deposited in to bank.

Required:- Cash book with bank and cash column

Q9. Following information were provided: '

- Over Draft Balance as per pass book was Rs 20,000.
- Cheque of Rs 5,000 was paid into bank but only Rs 3,600 were cleared and credited by bank.
- Interest of Rs 1,500 was provided by bank.
- Cheque of Rs 5,000 was issued but only Rs 3,800 was presented for payment.
- A customer paid into bank was Rs 5,000.
- Out of two cheques of Rs 1,200 and Rs 1,500 deposited into bank, the first was only credited in the pass book.

Required:- Bank reconciliation statement.

(5)

Q10. Define accounting as a language of business.

(5)

SECTION C: LONG ANSWER QUESTIONS (3 × 10 = 30 MARKS)

Answer any THREE questions:

- Q11. "Accounting cycle is the financial process starting with recording business transactions and leading up to the preparation of financial statements" Justify the above statement with its steps.
- Q12. A company purchased a computer for Rs 5, 00,000 on 1st Jan 2007. Another computer costing Rs 1, 00,000 was purchased on 1st July 2008. On 1st July 2009, the machinery purchased on 1st Jan. 2007 was sold for Rs 80,000 and on same date new machinery costing Rs 70,000 was purchased. Depreciation is charged 10% p.a. under original cost method.

Required:- Machinery account and Depreciation account for first 3 years.

(7+3)

Q13. Following is the trail balance of siddhi Ganesh company ltd. With an authorized capital of 5,000 shares of Rs 100 each.

Particulars	Amount	Particulars	Amount
Opening stock	15,000	share capital	4,00,000
Purchases	2,09,000	Debenture	1,00,000
Freight inward	20,000	General reserve	20,000
Wages	75,000	P/L Account	27,000
Goodwill	50,000	Creditors	80,000
Land and building	3,00,000	Sales	5,00,000
Debtors	1,00,000	Purchase return	9,000
Preliminary expenses	25,000	Interest on investment	10,000
Salaries	40,000		
Rent	55,000		
Debenture interest	13,000		
Cash and bank	1,29,000		
Investments	80,000		
Advertisement	35,000		

Adjustments:

- Closing stock were valued at Rs. 60,000
- Outstanding Rent Rs. 10,000
- Write Bad debt Rs 10,000 and Create Provision for bad debt 10%.
- Depreciate land and building by Rs. 30,000
- Write off Preliminary Expenses by Rs. 5,000
- Transfer to general reserve Rs. 35,000
- Proposed dividend paid to equity shareholders @ 10%

Required:- a) Trading account b) P/L account c) P/L app. a/c d) Balance sheet.

(2+4+1+3)

- Q14. The following income statement related items are taken from the record of Info-Tech supplies, sales of electronic parts, for the year ended December 31, 2014.

Sales Revenue	Rs. 5, 80,000	Sales returns	Rs. 15,000
Sales discount	Rs. 6,000	Salary expenses	Rs. 4,000
Administrative expenses	Rs. 20,000	Purchase	Rs. 4, 40,000
Utilities expenses	Rs. 7,000	Closing stock	Rs. 15,000
Depreciation	Rs. 18,000	Carriage outward	Rs. 17,000
Insurance	Rs. 20,000	commission Received	Rs. 3,000
Interest paid	Rs. 8,000	Distribution expenses	Rs. 16,000
Opening stock	Rs. 50,000	Carriage on purchases	Rs. 10,000
Purchase Return	Rs. 10,000		
Commission Received	Rs. 15,000	Loss on sales of fixed assets	Rs. 3,000

Required: - Multi step income statement showing operating expenses into general and administration and selling and distribution expenses. (10)

- Q15. What is the Major importance of Annual Report? Explain. (10)

SECTION D: CASE STUDY (15 MARKS)

- Q16. Read a case given below and answer the following questions:

A company's income statement for the year ended 31st Dec. 2016 and balance sheet on 31st Dec. 2015 and 2016 are as follows:

Income statement for the year ending 2016

Particulars	Amount
Sales	1,80,000
Less:- Cost of goods sold	1,01,100
Gross profit	78,900
Less:- Operating expenses (including depreciation on plant Rs 24,000 and on building Rs 15,000)	69,000
Net income before other income	9,900
Add:- Gain on sales of investment	3,600
Less:- Loss on sales of Machinery(proceeds from the sales was Rs 4,500)	1,500
Less:- Dividend paid	8,700
Retained Earnings	3,300

Balance sheet as on 31st Dec.

Capital and liability	year 1	year 2	Assets	year 1	year 2
Share capital	1,20,000	1,65,000	Plant and Machinery	1,05,000	1,50,000
Share premium	-	16,500	Land and Building	70,500	1,90,500
Bills payable	7,500	15,000	Inventories	21,000	28,500
Accumulated Depreciation	45,000	82,500	Cash at bank	1,00,500	1,26,300
long term liability	75,000	1,50,000	Sundry Debtors	37,500	43,500
Retained earnings	97,500	1,00,800	Long Term Investment	33,000	21,000
Sundry Creditors	22,500	30,000			
Total	3,67,500	5,59,800	Total	3,67,500	5,59,800

Required:- Cash flow statement showings:

- a) Net cash flow from operating activities
a) Net cash flow from financing activities
b) Net cash flow from investing activities
d) Net change in cash balance

(5+4+5+1)

