

MID-WESTERN UNIVERSITY
EXAMINATIONS MANAGEMENT OFFICE
MAKE-UP EXAMINATION: 2020
MASTER OF BUSINESS STUDIES (MBS)
SEMESTER-I

Subject: Accounting For Managers

Course Code: MGMT 512

Full Marks: 60

Time: 3 Hours

Candidates are required to answer the questions in their own words as far as practicable.

GROUP A: VERY SHORT ANSWER QUESTIONS (10X1=10 MARKS)

Attempt ALL the questions.

- Q1. Show the effect in the balance sheet for the given transaction:
Provision for discount on debtors and provision for doubtful debt is maintained by 5% and 10% respectively. The values of debtors before adjustment are Rs. 100,000 and make a further bad debt of Rs. 5,000.
- Q2. Why are opening entries made? Give any two reasons.
- Q3. Point out any two differences between real accounts and nominal accounts.
- Q4. What are the investing activities in the cash flow statement?
- Q5. Why profitability ratios are calculated?
- Q6. Prepare accounting equation from the following transactions:
a. Started business with cash Rs. 500,000, bank balance Rs. 200,000 and furniture Rs. 100,000.
b. Goods costing Rs. 90,000 sold at a profit of Rs. 10,000.
- Q7. What is the dishonor of cheque? Write any two causes of dishonor of a cheque.
- Q8. What is a petty cash book?
- Q9. Distinguish between accrual and cash basis of accounting.
- Q10. Prepare the journal entry for the following given transaction:
Purchased of goods on credit costing Rs. 150,000 from Nepaljung Traders at 5% trade discount and aims to sell those goods at cost plus 15% profit

GROUP B: SHORT ANSWER QUESTIONS (3 X 8 = 24 MARKS)

Attempt any THREE questions

- Q11. What do you mean by GAAP? Discuss the concepts of accounting. (2+6)
- Q12. (a) What is a bank reconciliation statement? Why it is prepared? Give your argument. (3)
- (b) The following particulars are provided to you:
- Balance as per bank statement on 31st Asar, 2075 is Rs. 8,000.
 - Cheque issued of Rs. 6,000 before 31st Asar 2075 but cleared on 4th Shrawan 2075.
 - Outstation cheque of Rs. 28,000 deposited in the bank on 15th Asar 2076 but collected and credited in the bank account in Shrawan 2075.
 - The debit side of the cash book was overcast by Rs. 2,000.
 - Bills receivable for Rs. 6,000 received and sent to the bank for collection before 31st Asar but the amount was credited after that date in the passbook.
 - Rs. 600 as electricity charge paid by the bank as per standing instruction had not been entered in the cash book.

Required: Bank reconciliation statement

(5)

Q13. The following balance sheet and information are given as under:

Balance Sheet

Liabilities		Rs.	Assets	Rs.
Share capital		135,000	Premises	65,000
Share premium		10,000	Plant and machinery	110,000
Profit and loss account:			Other long term assets	20,000
• Balance of profit (last year)	9,000		Stock in trade	50,000
• Profit for the year	<u>81,000</u>	90,000	Sundry debtors	55,000
5% Debenture		50,000	Cash at bank	20,000
Sundry creditors		30,000	Preliminary expenses	10,000
Tax liability		5,000		
Proposed dividend		10,000		
Total		330,000	Total	330,000

- Sales during the year amounted to Rs. 540,000.

Required:

- Current ratio
- Fixed assets turnover ratio
- Net profit ratio
- Inventory turnover ratio (4×2=8)

Q14. What is meant by the financial statements? Discuss the reasons for preparing the financial statements by an entity. (4+4)

Q15. On 1stBaisakh, 2075 Deep Furnishing Company had a cash balance of Rs. 1,70,000 but increased to Rs. 2,71,000 on 31stChaitra 2075. The operating results of the company for the year ended 2075 are given below:

- Cash sales Rs.160,000 and credit sales Rs. 240,000.
- The cost of goods sold is Rs. 120,000.
- Operating expense Rs. 150,000 which includes depreciation on plant Rs. 25,000, a premium on redemption of debenture Rs. 5,000 and loss on sale of plant(book value Rs. 20,000) Rs. 8,000.
- Dividend paid Rs. 12,000.

The opening and closing balances and other data were as below:

Particulars	1-1-2075 (Rs.)	31-12-2075 (Rs.)
Prepaid expenses	10,000	6,000
Outstanding expenses	20,000	12,000
Inventory	26,000	36,000
Bills receivable	20,000	38,000
Bills payable	50,000	40,000
Plant, net	55,000	100,000
Furniture	10,000	10,000
Share capital	100,000	200,000
Debenture	50,000	20,000

Required: Cash flow statement

(8)

GROUP C: LONG ANSWER QUESTIONS (2 X 13 = 26 MARKS)

Attempt any **TWO** questions.

Q16. The following is the trial balance of Mr. Chiranjibi as of 31st Asadh 2074.

Debit balances	Amount (Rs.)	Credit balances	Amount (Rs.)
Fixed assets	300,000	Creditors	100,000
Opening stock	75,000	Bills payable	5,600
Debtors	205,000	Bank loan	4,000
Marketable securities	10,000	Capital	500,000
12% Investment (purchased on 1.7.2073)	50,000	Sales	630,000
Cash in hand	5,000	Purchase returns	5,000
Cash at bank	10,000	Discount earned	1,000
Drawings	10,000	Bad debts recovered	3,500
Purchases	525,000	Interest	3,000
Sales returns	10,000		
Carriage inwards	5,000		
Carriage outwards	2,000		
Rent	3,000		
Insurance	3,600		
Office and administrative expenses	13,200		
Discount allowed	2,000		
Bad debts	5,000		
Interest	2,500		
Selling and distribution expenses	15,800		
Total	12,52,100	Total	12,52,100

Additional information:

- Closing stock as on 31st Asadh 2074 was Rs. 42,000.
- Rent is payable @ Rs. 300 per month.
- The insurance premium was paid for the year ending on 30th Asoj 2074.
- Write off further bad debt Rs. 5,000.
- Create a provision for discount on debtors at 2%.
- Create a provision for the doubtful debt at 10%.
- Create a reserve for a discount on creditors at 2%.
- Provide for depreciation on fixed assets at 10% p.a.

Required:

Trading and Profit and Loss Account for the year ending on 31st Asadh 2074 and a Balance Sheet as at 31st Asadh 2074.

(3+5+5)

Q17. You are provided the following information:

Date	Particulars	Rs.
1 st	Cash in hand	10,000
	Cash at bank	50,000
2 nd	Discounted a bill of Rs. 6000 at 5% through the bank and the amount was deposited in the bank account.	
3 rd	Bought goods for Rs. 12,000 paid cheque for them after 10% discount.	
5 th	Sold goods to Janak & Company	100,000
15 th	Paid trade expenses	500
16 th	Paid tax expenses	1500
17 th	Goods return from Janak & Company	14,000
20 th	Paid insurance charge	2000
25 th	Sold goods for Rs. 75,000, received cash for them, discount allowed 5%.	
28 th	Received cheque from Janak & Company	36,000
30 th	Sold goods to Bimal on credit	30,000
	Received a cheque from Janak & Company and settlement his account after allowing a cash discount of 5%.	

Required:

- Journal entries (5)
- Janak & Company account (2)
- Cash book with cash, bank and discount column (6)

Q18. Explain double entry book keeping system with its characteristics. Discuss the sequential steps involved in an accounting cycle. (3+3+7)

