



BRAINWARE UNIVERSITY
Course – BBA
Basic Financial Accounting (BBAC 102)
(Semester – 1)

Time allotted: 3 Hours

Full Marks : 70

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

Group-A
(Multiple Choice Questions)

10x1=10

Choose the correct answer from the given alternatives of the following:

1. XL Ltd. Paid wages of Rs. 90000 for construction of building. The journal entry for the transaction is
 - a) Debit Wages account and credit Profit & Loss account.
 - b) Debit Wages account and credit Cash account.
 - c) Debit Building and Credit Cash Account.
 - d) Debit Building and Credit Wages Account.
2. When a bad debt is recovered, which account is credited?
 - a) Bad Debt Recovery account
 - b) Cash account.
 - c) Debtors.
 - d) None of these.
3. Purchase of furniture in cash
 - a) Increase in total assets.
 - b) Decrease in total assets
 - c) Total assets remain unchanged
 - d) Increase in total liability
4. Carriage inward refers to the cost of transportation for
 - a) Purchase of materials
 - b) Sale of Products
 - c) Return outward
 - d) Return of unsold goods.
5. Withdrawal of goods from stock by the owner of business for his personal use should be recorded by debiting
 - a) Drawing account and crediting cash account.
 - b) Drawing account and crediting purchase account.
 - c) capital account and crediting drawing account.
 - d) purchase account and crediting drawing account.
6. Which of the following is an example of capital expenditure?
 - a) insurance premium.
 - b) Taxes and legal expenses.
 - c) Depreciation of machinery.
 - d) customs duty on import of machinery.

7. Which of the following is a real account.
- Salary account.
 - Cash accountancy.
 - Outstanding rent.
 - Purchase return account.
8. Outstanding salaries appearing in the trial balance should be
- Debited to P&L Account.
 - Shown as a liability in Balance Sheet
 - Shown as an asset in Balance Sheet
 - Both a & b above.
9. Out Standing salaries represents
- A personal account.
 - A real accountant.
 - A nominal account.
 - An assets.
10. The owner of a company included his personal medical expenses in the company's sundry expenses account. Which of the following accounting principle is violated.
- Cost concept.
 - Going concern concept
 - Business entity concept
 - Duality concept.

Group – B
(Short Answer Type Question)
Answer any three questions

3 x 5 = 15

1. The following is extracted from the trial balance of A Ltd. As on March 31, 2015.

Particulars	Dr. Balance	Cr. Balance
Stock as on 1 st April 2014	40000	
Sales and Sales returns	80000	960000
Purchase and Purchase returns	664000	84000
Carriage inward	27800	
Rent and Taxes	12000	
Wages	50000	

Additional information.

Closing stock as on March, 31, 2015 was Rs. 42500.

Calculate Gross Profit for the year ended March, 31, 2015.

2. The following balances are extracted from the books of S & Co. for the year ended March 31, 2015.

Particulars	Rs.
Credit Sales	936000
Debtor's balance (as on April 1, 2004)	97200
Discount allowed	5600
Cash received from debtors	840000
Return inward	22000
Carriage outward	4200

A cheque of Rs. 3100 received from Mr. Reddy, a customer, has been returned by the bank for signature dispute.

During the year, Rs. 3900 has been declared as bad debts.

Show the Debtor account.

3. Ray Ltd. Purchased furniture for Rs. 60000 two years ago. The current book value of the furniture is Rs. 43350. If the company charges depreciation on furniture under written down value method. Calculate the rate of depreciation. State the objective of depreciation.

4. Calculate factory cost from the following particulars:

	Rs.
Material consumed	60,000
Productive wages	20,000
Direct Expenses	5,000
Consumable stores	2,000
Oil grease/Lubricating	500
Salary of a factory manager	6,000
Unproductive wages	1,000
Factory rent	2,000
Repair and Depreciation on Machine	600

5. Why are the provisions that are created on Debtors?

Group – C
(Long Answer Type Question)
Answer any three questions

3 x 15 = 45

1. a) On 1st January 2001, Hindustan Ltd. purchased machinery for Rs. 12,00,000 and on 30th June 2002, one more machine of worth Rs. 2,00,000. On 31st March 2003, one of the original machinery which had cost Rs. 50,000 was found to have become obsolete and was sold as scrap for Rs. 7,000. It was replaced on that date by a new machine costing Rs. 80,000. Depreciation is to be provided @ 15% p.a. on written down value (WDV) Method. Accounts are closed on 31st December every year. Show machinery account for 3 years. Show machinery account for 3 years.

b) The Trial Balance of Mr. Suresh as on Dec. 31, 2014 showed the following balances.

Bad Debts	Rs. 2500
Provision for Bad Debts	Rs. 2250
Bad debt recovered	Rs. 1400
Sundry Debtors	Rs. 47500

Suresh wants to continue Provision for bad debts @ 10% on debtors.

Pass journal entries for the above transactions and prepare the necessary ledger accounts.

10+5

2. a) A firm has the following balances on 1.1.94: Provision for Bad & Doubtful Debt – Rs. 25000; Provision for Discount on Debtor- Rs. 1200 and Provision of Discount on Creditors – Rs. 1000.

During the year bad debts amounted to Rs. 12000, Discount allowed were Rs. 600 and Discount received were Rs. 200. During 1995 Bad Debts amounting to Rs. 18000 were written off while discount allowed and discount received were Rs. 2000 and Rs. 500 respectively.

Total debtors on 31.12.1994 were Rs. 400000 before writing off Bad Debts but After allowing Discounts. On 31.12.1995 the amounts were Rs. 350000 after writing off bad Debts, but before allowing discounts. Total Creditors on these two days were Rs. 20000 and Rs. 25000 respectively.

It is the firm's policy to maintain a provision of 3% for discount on creditors, 0.5% for discount to Debtors. The firm normally creates a Provision for Bad & Doubtful Debt @ 5%.

Show the necessary accounts for the accounting year 1994 and 1995.

b) 'It is not prudent to create provision for discount on creditors' - Comment.

12+3

3. From the following Trial balance of Ramesh as on 31.12.2004 prepare Final Accounts as on the same date.

Particulars	Debit	Credit
Capital Account		120000
Drawings	15000	
Bills Receivables	22000	
Machinery	20000	
Debtors & Creditors	60000	58000
Wages	39000	
Purchases & Sales	252000	355000
Commission		5500
Rents & Taxes	6000	
Stock on 1.1.2004	90000	
Salaries	10500	
Travelling Expenses	2000	
Insurance	600	
Repairs	3400	
Bad Debts	3500	
Furniture	9000	
Returns	5000	2000
Cash in hand and bank	2500	
	540500	540500

Adjustments:

1. Stock in hand on 31.12.2004 was Rs.100000.
2. Create 5% provision on debtors for doubtful debt.
3. Prepaid insurance amounted to Rs. 100
4. Wages outstanding was Rs. 1000.
5. Depreciation on Machinery @5% and Furniture @10% p.a.

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4. Answer any five with proper justification.

I) The proprietor of the company has taken goods for his personal purposes and considered this as sundry expenditures of business. Do you agree with this?

II) A company purchased Thermo Flasks for employees and considered as purchase of assets named Thermo Flasks. Do you agree with this?

III) The Accountant of a company maintains Provision for Bad & Doubtful debt account and thinks it is justified for Accrual Concept of accounting. Do you agree with him?

IV) Depreciation is calculated on historical cost, not on market value of Fixed Assets. Explain.

V) State why assets are classified into two heads, Fixed Assets and Current Assets.

VI) A company has given trade discount on sale price to maximize the sales volume and journalize the trade discount transaction.- Do you agree with this?

5 x 3

5. What do you mean by accounting information? Who are the users of accounting information? Discuss the significance of accounting concepts and conventions with appropriate examples.

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