BRAINWARE UNIVERSITY

Course – MBA

Basic Accounting and Financial Statement Analysis (MBA105)

(Semester – 3)

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 Type Question)   **10 x 1 = 10**

1) **Select the correct one from stated alternatives**

i. Capital is a liability of the company, although it is contributed by proprietors in their own business. It is due to

a) Prudence concept   b) Accrual concept

c) Matching concept   d) Entity concept

ii. All income will appear in trial balance on

a) Debit side   b) Credit side

c) On both sides   d) not appear in trial balance

iii. Under double accounting method, every transaction affects-

a) Debit & credit of same account   b) only on debit side

c) Debit & credit side of different accounts   d) only on credit side

iv. Accounting means

a) Information of business   b) information of financial events

c) Language of business   d) all of these

v. When any transaction is neither cash neither transaction nor credit transaction nor return but only a notional transaction, it is entered in

a) Cash book   b) Day book

c) Journal proper   d) All of these

vi. Benefit of accounting is enjoyed by

a) Employer   b) Owner

c) Society   d) all of them

vii. Patent right is a

a) Asset   b) Fictitious asset

c) Expenses   d) Income

viii. Cost of production is

a) Sum of all direct cost   b) Sum of direct and factory overhead

c) Sum of direct cost, factory & Administrative overhead   d) all direct & indirect costs

ix. Bad debt is included in

a) Prime cost   b) Factory overhead

c) Administration cost   d) none of these

x. In reducing balance method of depreciation

a) Yearly Depreciation is constant   b) Yearly depreciation decreases

c) Depreciation per rupee decrease   d) none of these

Group – B

(Short Answer Type Question)

Answer any three questions   **3 x 5 = 15**

2) Write notes on business entity and dual aspect concepts.

3) Write notes on going concern concept and money measurement concept with example.

4) What is conservatism? Why it is very important in determining profit? Give example.

5) Explain different methods of preparing Trial balance with examples.

6) Prepare Trading Account from following ledger balances and ascertain gross profit

Opening stock Rs.25, 000; Purchases Rs.2, 00, 000; Purchase return Rs.24, 000; Sales Rs.3, 50, 000; Return inward Rs.30, 000; Carriage inward Rs.15, 000; Carriage outward Rs.12, 000; Discount allowed Rs.7, 500; Wages paid Rs.54, 000; Outstanding wages Rs.2,000; Closing stock Rs.32, 000; Factory light & power Rs.13, 000.

Group – C

(Long Answer Type Question)

Answer any three questions **3 x 15 = 45**

7) Prepare stores ledger from the data below using FIFO method

January 1 opening balance 500 units of Rs.4 each.

January 4 issued 200 units.

January 5 received 200 units of Rs.4.25 each

January 10 issued 400 units.

January 12 received 150 units of Rs.4.10.

January 15 issued 100 units

January 19 issued 100 units

January 20 Received 300 units of Rs.4.50

January 25 received 400 units of Rs.4

January 26 issued 200 units

January 30 issued 200 units

8) A machine has been purchased at Rs.10, 000. Life is 3 years. Its scrap value is Rs.1, 000. Reducing balance is used. After 2 years, company converted to straight line depreciation method. Do necessary calculations as per as per guidelines. Pass necessary Journals.

9) Trial balance cannot detect all errors of the accounting system. What are those undetected errors? Explain them with suitable examples.

10) From the following transactions prepare ledger accounts after passing necessary journal entries

January 1 Commenced business as computer seller with cash Rs.4, 00, 000.

January 3 Buys on credit from Hindustan Computers ltd 10 computers of Rs.30, 000 each.

January 15 Received, invoice from Janata Transport Corporation for Rs.5, 000 in respect of carriage of computers from Bangalore.

January 20 He opened bank account by depositing Rs.3, 50, 000.

January 25 He sells 6 computers on credit to ABC computers @ 35,000 each.

January 29 He received cash Rs.2, 00,000 from ABC Computers.

January 31 Carriage amount paid by cheque.

January 31 Issued, cheque to Hindustan Computers Ltd Rs.3, 00, 000

11) Prepare cost sheet from following figures. Ascertain profit.

Opening stock Rs.10, 000; Purchases Rs.100, 000; Closing stock Rs.20, 000; Direct labour Rs.40, 000; Indirect wages Rs.10, 000 for factory, Rs.5, 000 for administration and Rs.3, 000 for sales; Salary Rs.70, 000; Salesman commission Rs.15, 000; Depreciation of machinery Rs.25, 000; Power and fuel Rs.20, 000; Rent Rs.12, 000; Other administrative expenses Rs.26, 000; Printing and stationery Rs.8, 000; Total sales Rs.10, 00. 000; Bad debts Rs.6, 000; Dividend Rs.10, 000.