

1 SEMESTER

MBA (GEN)

END SEMESTER EXAMINATION NOV/DEC 2019

MGT-12 FINANCIAL ACCOUNTING AND COST ACCOUNTING

Time: 3:00 Hours

Max. Marks : 60

Note : Question 1 is compulsory. Attempt any 5 out of the remaining questions.

All questions carry equal marks.

Assume suitable missing data, if any.

Q.1. Write short notes on (any four)-

- Accrual and Cash basis of accounting
- Depreciation, Amortisation and Depletion
- Money Measurement concept
- Methods of Inventory valuation
- Usefulness of ratios.

Q.2. A retail shop dealing in knitwear has the following transactions during June 2019-

Date	Purchase/sale	Units/Knitwear	Rate per unit (₹)
June 2	Purchase	1000	50
June 8	Purchase	500	60
June 12	Sale	500	
June 15	Purchase	800	70
June 18	Sale	1000	
June 24	Purchase	500	85
June 28	Sale	800	

Calculate the value of Closing Stock as on June 30, 2019 under perpetual and periodic system of inventory keeping using the following methods of valuation-

- a. FIFO
 b. LIFO
 c. Weighted Average Cost.

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Q.3. Manning company entered into these transactions during the July 2019, its first month of operations-

- (i) Stockholders invested ₹ 40,000 in the business in exchange for common stock of the company.
- (ii) Purchased computers for office use for ₹ 30,000 from Dell on account.
- (iii) Paid ₹ 4,000 cash for July rent on storage space.
- (iv) Performed computer services worth ₹ 19,000 on account.
- (v) Performed computer services for lawton corporation for ₹ 5,000 cash.
- (vi) Paid BSES ₹ 8,000 cash for energy usage in July.
- (vii) Paid Dell for computers purchased in (ii).
- (viii) Incurred advertising expense for July of ₹ 1,300 on account.
- (ix) Received ₹ 12,000 cash from customers for contracts billed in (iv).

Show the effect of the above transaction on accounting equation.

Q.4. Shown below are comparative balance sheets for BigBoss Company

BigBoss Company
 Comparative Balance Sheets
 December 31

	2014	2013
Assets		
Cash	68000	22000
Accounts Receivable	88000	76000
Inventory	167000	189000
Land	80000	100000
Equipment	260000	200000
Accumulated Depreciation-Equipment	(66000)	(32000)
Total	<u>597000</u>	<u>555000</u>
<u>Liabilities and Stockholder's Equity</u>		
Accounts Payable	39000	43000
Bonds payable	150000	200000

Common Stock	216000	174000	- 05 -
Retained Earnings	<u>192000</u>	<u>138000</u>	
Total	<u>597000</u>	<u>555000</u>	

Additional information:

1. Net Income for 2014 was ₹ 93,000.
2. Depreciation expense was ₹34,000.
3. Cash Dividends of ₹39,000 were declared and paid.
4. Bonds Payable amounting to ₹ 50,000 were redeemed for ₹ 50,000 cash.
5. Common stock was issued for ₹42,000 cash.
6. No equipment was sold during 2014
7. Land was sold for its book value.

Prepare a statement for Cash flows for BigBoss Co. for 2014.

Q.5. Solve the following-

- A. The current assets of a company are ₹ 1,26,000 and the current ratio is 3:2 and the value of inventories is ₹ 2,000. Find out the Liquid Ratio.
- B. A company earns a gross profit of 20% on cost. Its credit sales are thrice its cash sales. Its credit sales are ₹ 4,00,000. Calculate the Gross Profit Ratio of the company.
- C. Cost of Goods sold is ₹ 2,00,000. Inventory Turnover ratio is 8 times. Stock at the beginning is 1.5 times more than stock at the end. Compute the value of opening and closing stock.

Q.6. Saarthak started his own business on June 1, 2019. The trial balance on June 30 was as follows-

Luminous Trial Balance June 30, 2019		
	Debit(₹)	Credit(₹)
Cash	6,850	
Accounts Receivable	7000	
Supplies	2000	
Prepaid Insurance	2880	

Equipment	— 06 —	15000	
Accounts Payable			4230
Unearned Service Revenue			5200
Common Stock			22000
Service revenue			8300
Salaries and wages Expense		4000	
Rent Expense		<u>2000</u>	
		<u>39730</u>	<u>39730</u>

Other data-

- Supplies on hand on June 30 valued ₹ 720.
- A utility bill for ₹ 180 has not been recorded and will not be paid until next month.
- The insurance policy is for one year.
- Services were performed for ₹4100 of unearned service revenue by the end of the month.
- Salaries of ₹ 1250 were accrued on June 30.
- The equipment has a 5 year life with no salvage value and is being depreciated at ₹250 per month for 60 months.
- Invoices representing ₹ 3,900 of services performed during the month have not been recorded till June 30.

Required-

Pass the necessary adjusting entries and prepare the adjusted Trial balance and Income Statement and Balance sheet as on June 30, 2019.

Q.7. In recent years Farr Company has purchased three machines. Because of frequent employee turnover in the accounting department, a different accountant was in charge of selecting the depreciation method for each machine, and various methods have been used. Information concerning machines has been summarised in the table below-

Machine	Acquired	Cost(₹)	Salvage Value	Useful life (in years)	Depreciation Method
1	Jan 1, 2012	96000	12000	8	Straight line
2	July 1, 2013	85000	10000	5	Declining balance
3	November 1, 2013	66000	6000	6	Units of Activity

For the declining balance method, Farr Company uses a rate of 20% p.a. or the units of activity Method, total machine hours are expected to be 30,000. Actual hours of use in the first three years were-

2013	800
2014	4500
2015	6000

- a. Compute the amount of accumulated depreciation on each machine at December 31, 2015.
- b. If machine 2 was purchased on April 1 instead of July 1, what would be the depreciation expense for this machine in 2013? In 2014?