

**GUJARAT NATIONAL LAW UNIVERSITY
GANDHINAGAR**

Course: **Financial Accounting**
Semester-I (Batch: 2016-18)

MBA End Semester Examination: October-2016

Date: 18th October, 2016

Duration: 3 hours

Max. Marks: 60

Instructions:

- Read the questions properly and write the answers in the given answer book.
- The respective marks for each question are indicated in-line.
- Do not write anything on the question paper.
- Indicate correct question numbers in front of the answers.
- No questions or clarifications can be sought during the exam period, answer as it is, giving reason, if any.
- **Use of Calculator other than calculator in mobile phone, gadgets is permitted.**

- | Answer all the questions | Marks |
|---|------------------------|
| <p>Q.1 Answer any four of the following questions.</p> <p>(a) Define 'Accounting'. Is accounting an information System? Explain.</p> <p>(b) Explain the difference between 'Cash system' and 'Accrual system' of Accounting.</p> <p>(c) Briefly discuss any three areas in which different accounting policies may be adopted by different enterprises.</p> <p>(d) Name users of accounting information and show the usefulness of accounting system from their angle.</p> <p>(e) Discuss types of preference shares.</p> | <p>(4x2.5
=10)</p> |
| <p>Q.2 For the following transactions of an enterprise, pass journal entries, post in to ledger and prepare T-Balance and Final Accounts.</p> <p>(i) Additional Capital infused by the owner Rs. 12,50,000 in to the existing capital balance of Rs. 10,00,000.</p> <p>(ii) Purchased goods worth Rs. 6,50,000 receiving 2% trade discount and 3% cash discount.</p> <p>(iii) Old Equipment at a book value of Rs. 1,00,000, sold at a loss of 5% to Kabadiwala.com.</p> <p>(iv) Paid outstanding salary due to an employee of Rs.20,000.</p> <p>(v) Recovered 40 paise in the rupee of a debt due from a debtor of Rs.12,000 previously written off.</p> <p>(vi) Received non-refundable deposit of Rs.16,000</p> <p>(vii) To settle a liability towards M/s. Sayan Enterprises of Rs.15,000, an asset valued at Rs.15,000 is exchanged.</p> <p>(viii) A customer filed a suit of Rs.4,00,000 in court. The customer claim is that the goods is of inferior quality and he suffered a loss due to this.</p> <p>(ix) Shares of Rs. 50,000 of other companies were sold at a gain of Rs.2,000.</p> <p>(x) A credit customer returned defective goods of Rs.4,000.</p> | <p>(20)</p> |
| <p>Q.3 (a) Explain any two methods of depreciation taking hypothetical figures and show how the difference of methods affect the Profit & Loss Statement.</p> | <p>(2x5=
10)</p> |

- (b) Write the concepts and convention of accounting that are generally followed while preparing financial statements.

- Q.4 Following is the Trial Balance and additional information of Saket Industries Limited. (10)
Prepare Profit and Loss Account and Balance Sheet in the company form.

Dr.	Particulars	Amt(Rs.)	Cr.	Particulars	Amt(Rs.)
	Stock of Goods (As on 1 st April)	15,000		Share Capital	6,00,000
	Purchases	5,00,000		Returns Outward	22,000
	Returns Inward	10,000		Commission	2,000
	Wages	45,000		Interest	6,000
	Carriage	30,000		Discounts	5,000
	Salary	20,000		Bills Payable	10,000
	Sales & Distribution	30,000		8% Debentures	2,00,000
	Administrative Charges	10,000		Bank Loan	50,000
	Furniture & Fixtures	2,00,000		Working Capital Loan	40,000
	Research & Development Facility	2,00,000		Creditors	25,000
	Machinery	3,00,000			5,00,000
	Advances to employees	30,000			
	Debtors	20,000			
	Bills Receivable	10,000			
	Cash	40,000			
	Total	14,60,000		Total	14,60,000

Additional Information:

- (i) Closing stock revealed value of Rs.15, 000.
- (ii) The benefit of selling and distribution expenses will be derived equally for 2 years.
- (iii) Rs. 5,000 of debtors paid ahead of their credit term and then 5% of debtors defaulted.
- (iv) An item of Bills Receivable of Rs.5, 000 was wrongly put in Bills Payable.
- (v) There was a theft of Rs.5, 000 of equipment from Research & Development Facility but the insurance company agreed to accept only 60% of the total claim.

- Q.5 A company issued 10,000 shares of Rs.100 each at a premium of Re.10 per share (on application) payable as Rs.30 on application including premium, Rs.20 on allotment and the balance in two calls of Rs.40 and Rs.20 respectively. Applications were received for 12,000 shares and allotments were made on *pro-rata* basis. The excess application money was adjusted against allotment and calls. (10)

One of the applicants Sanjay failed to pay allotment money for the 400 shares allotted to him and these shares were forfeited when he failed to pay the allotment.

Another applicant Mr. Bagvan failed to pay both the calls for 600 shares allotted to him and these shares were forfeited after the second call.

Pass necessary journal entries for all the instalments and draw relevant working notes.

OR

Q.5 The Balance sheet of Nova Ltd. is as follows.

(10)

Liabilities	Amt.Rs.	Assets	Amt. Rs.
Equity Shares of Rs. 10 each	5,00,000	Sundry Assets	10,00,000
Pref. Shares of Rs.100 each	2,00,000		
Securities Premium	10,000		
P&L Account	90,000		
Liabilities	2,00,000		
	10,00,000		10,00,000

The management decided to redeem the preference shares. For the purpose, equity shares of Rs. 10 each at a premium of 1 rupee is to be issued. Calculate the minimum number of shares to be issued if the shares are to be redeemed:

- At par
- At 10% premium
- At 20% premium
