

**GUJARAT NATIONAL LAW UNIVERSITY
GANDHINAGAR**

Course: Financial Accounting
Semester-I (Batch: 2018-20)

MBA End Semester Examination: November-2019 (Repeat)

Date: 14th November, 2019

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 is permitted.

Answer All Questions

Marks

- Q.1 From the following Trial Balance and additional information, prepare Trading Account, Profit and Loss Account and Balance Sheet. (10)

Dr. Particulars	Amt(Rs.)	Cr. Particulars	Amt(Rs.)
Opening Stock of Goods	15,000	Sales	5,00,000
Purchase of Goods	3,00,000	Purchase Returns	20,000 -
Returns Inward	10,000	Commission	4,000
Wages	45,000	Interest	6,000
Carriage Inward	30,000	Discount	5,000
Salary	30,000	Capital	5,00,000
Selling & Distribution Expenses	20,000	Debentures	1,00,000
Insurance Premium	10,000	Loans	50,000
Equipment & Furniture	2,00,000	Bills Payable	10,000
Research & Development Facility	1,00,000	Creditors	25,000
Plant and Machinery	4,00,000	Short term loans	80,000
Loans and Advances	30,000		
Debtors	20,000		
Bills Receivable	10,000		
Cash	80,000		
Total	13,00,000	Total	13,00,000

Additional Information: Closing stock for the year is valued at Rs.10,000. It was discovered that wages included Rs.5,000 of wages overpaid and the same was recovered from workers in cash. 10% increase in Salary was declared for employees and the amount was posted to arrears of salary. Selling & Distribution expenses included a capital item of purchase of a computer of Rs.10,000. Loans of Rs.10,000 was waived off by the bank owing to a scheme of the Central Government. The Research & Development facility turned out to be unproductive. Bills Payable was paid off immediately with 10% discount.

- Q.2 A company issued 30,000 debentures of Rs. 20 each at par, repayable at the end of 5 years at a premium of Rs.2 per debenture. For the purpose of redemption, a sinking fund was created. Annual contribution to the fund and any interest earned was systematically reinvested during the tenure of the fund. The interest rate earned on the fund was 5%. Reference to the sinking fund table shows that Rs 2.71462 amounts to Rs.15 at 5% interest rate in 5 years. The investment was sold at a loss of Rs.15,000. (10)

You are required to prepare ledger accounts for Sinking Fund Account, Sinking Fund Investment Account and Debentures Account.

- Q.3 (a) Journalize the following transactions, post them into ledger and extract the trial balance for the 1st week of April 2018. Writing narration is optional. (07)

- i. Harry started a business with a cash loan from Lakshmi Bank of Rs.2,00,000.
- ii. He purchased goods of Rs.1,00,000 from UHL.
- iii. He sold goods of Rs.60,000 for cash to Freekart.
- iv. He repaid 4/5th of the loan due to Lakshmi Bank in cash.
- v. He withdrew Rs.20,000 of goods from the business for his personal use.

- (b) For the following transactions of an enterprise, pass journal entries only. Writing narration is optional. **Answer any Six.** (06 x 0.5 = 03)

- i. An asset having book value of Rs.1,00,000, sold at a loss of Rs.5,000 to Imran.
- ii. A liability of Rs.5,000 was settled through transfer of ownership of an asset of Rs.6,000.
- iii. A patent infringement suit of Rs.4,00,000 was filed in the court.
- iv. A fraud of Rs. 20,000 was discovered and a penalty of Rs.25,000 was recoverable from employee X.
- v. A scheme of acquisition of another company of Rs.4,00,00,000 was submitted to the respective high courts for approval.
- vi. Cash counting discovered that cash of Rs.4,000 was stolen.
- vii. A dispute of Rs.25,000 with a supplier was settled outside the court by paying 75% of the amount.

- Q.4 Aashka Ltd. issued 1,00,000 equity shares of Rs.10 face value each at a discount of Rs.2. The break-up of the face value was Rs.3 on application, Rs.2 on allotment and Rs.3 on first and final call. The issue got over-subscribed and 2,00,000 applications were received. Pro-rata allotment was made as follows: Money was refunded to 50,000 applicants. Other applicants got proportionate allotment. (10)
- At the stage of allotment, 1,000 shareholders could not pay the allotment money. These

shares were forfeited after allotment.

First and final call was made to the remaining shareholders. At that stage, 500 shareholders could not pay. These shares were forfeited subsequently.

200 forfeited shares were re-issued at Rs. 7 per share fully paid up.

You are required to pass journal entries with clear working notes on the following:

- (a) Pro-rata for each category
- (b) Amount received on Allotment
- (c) Amount received on First & Final Call
- (d) Amount to be transferred to Capital Reserve

Q.5 Discuss the generally accepted accounting assumptions, concepts and conventions. (10)

Q.6 Discuss usages of information and knowledge of accounting in establishing and managing a start up in the recent time by using a hypothetical start up plan. (10)
