

2005 CENTRE FOR DEVELOPMENT OF ADVANCED COMPUTING(C-DAC) M.C.A

**END-TERM EXAMINATION
FIRST SEMESTER [MCA] - DECEMBER 2004
FINANCIAL ACCOUNTING**

**Paper Code: MCA-109
(Batch – 2004 & 2005)**

**Time: 3 Hours
Marks: 60**

- Q. 1. Whether the following statements are true or false. Give reasons very briefly.
- (a) Accounting period assumption show that the business has indefinite life.
 - (b) Heavy advertisement expenditure at the time of introducing a new product is a capital expenditure.
 - (c) Separate entity concept is not applicable to company.
 - (d) Profit and loss account shows the financial position of the concern.
 - (e) Rs. 2,000 paid for erecting a machine should be debited to wages account.
 - (f) Depreciation and depletion are the same thing.
 - (g) Receipts and payment account is the summary of income and expenditure.
 - (h) Buying goods for cash would increase the current ratio.
 - (i) It is generally accepted that the current liabilities should be two times the current assets.
 - (j) FIFO method of valuation of inventories is preferred rising prices.

Q. 2. "Agreement is a trial balance is conclusive proof of accuracy of books of account".
Comment.

Q. 3. Rectify the following error:

- (a) Rs. 3,000 paid for purchase of furniture was posted to purchase account.
- (b) Rs. 1,000 spend on repair of the building was debited to building account.
- (c) Good sold to zed for Rs. 405 have been entered in the sales book as Rs. 504.
- (d) Purchaser of goods from Pee has been wrongly passed through sales book. The amount of purchaser was Rs. 2,000.
- (e) A sale of Rs. 2,000 made to Mr. Ram was correctly entered in the sales day book was wrongly posted to the debit of Mr. Shyam's account.

Q. 4. What do you mean by the term 'Depreciation'? What are the basic features of depreciation? Discuss the causes of depreciation. Also describe any two method of providing depreciation.

Q. 5. (a) The following items are found in the trial balance of Mr. Short on 31st December 2003.

Rs.

Debtor 20,000

Bad Debt 500

Provision for bad & doubtful debts on 1.1.2003 800

You are to provide for additional bad debt Rs. 400; bad and doubtful debt 5% shows the treatment of above transaction in the profit and loss account and the Balance Sheet.

(b) Differentiate between outstanding expenses and prepaid expenses. How will you treat them while preparing profit and loss account and the balance sheet?

Q. 6. The following are the details of a spare part of S. R. Mills Ltd.

1.11.04 Opening Stock 50 units @ Rs. 25 per Unit

2.11.04 Purchase 100 units @ Rs. 30 per Unit

5.11.04 Issued 60 units

11.11.04 Purchase 200 units @ Rs. 40 per Unit

20.11.04 Issued 100 Units

22.11.04 Issued 100 Units

27.11.04 Purchase 150 units @ Rs. 50 per Unit

29.11.04 Issued 100 Units

Find out the value of stock on 30.11.04 using

(a) LIFO Method

(b) FIFO Method

Q. 7. What is meant by financial statements? What are the limitations of financial statement?
Enumerate various parties interested in financial statements.

Q. 8. Under which major head will you classify the following items while preparing the Balance sheet of a company:

- (a) Debenture
- (b) Capital Reserve Account
- (c) Public Deposits
- (d) Forfeited Shares Account
- (e) Sundry Creditors
- (f) Advances received from customer
- (g) Bills receivables
- (h) Preliminary Expenses
- (i) Goodwill
- (j) Share Premium

Q. 9. (a) Distinguish between receipts and payments account and income and expenditure account.

(b) Income and expenditure account of Delhi Sports club show the amount of subscription for 2003 as Rs. 11,000. You are further given:

- Subscription unpaid on 1.1.2003 Rs. 1,000 of which Rs. 900 was received in 2003.

- Subscription paid in advance on 1.1.2003 205

- Subscription paid in advance at 31.12.2003 300

- Subscription for 2003 unpaid at 31.12.2003 350

Ascertain the amount of subscription of subscription received during the year 2003 to be shown in receipts and payments account.

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