

SARDAR PATEL UNIVERSITY
F. Y. BBA (First Sem.) (CBCS) EXAMINATION
2010

Thursday, 18th November
2.30 p.m. to 4.30 p.m.

UM01CBB102 : ACCOUNTING FOR MANAGEMENT

Max. Marks : 60

- Note : 1.** Answers of all the questions (including multiple choice questions) should be written in the provided answer book only.
2. Figures to the right indicate full marks.

Q.1 (a) Select the correct alternative : [05]

- (i) Cash, assets or goods withdrawn by the owner of the business is known as
 (a) Capital (b) Assets
 (c) Drawings (d) None of the above
- (ii) In the books of accounts, financial transactions are recorded based on its _____
 (a) importance value (b) money value
 (c) cost value (d) market value
- (iii) Economic transaction with a living person, an institution or an artificial identity is known as _____ account transaction.
 (a) personal (b) real
 (c) nominal (d) impersonal
- (iv) General reserve is a _____ account
 (a) personal (b) nominal
 (c) real (d) none of above
- (v) A written documentary evidence supporting any financial transaction is known as _____.
 (a) bill (b) voucher
 (c) receipt (d) none of above

(b) Define the term "Accounting". Explain its objectives. [10]

OR

Q.1 (a) Explain the following terms : [05]

- (i) Expense and Expenditure
 (ii) Debtors and Creditors

(b) What do you mean by Transaction ? Explain "Cash Transaction" and "Credit Transaction" with illustrations. [10]

Q.2 (a) Indicate whether the following statements are True or False [05]

- (i) The balance-sheet represents an expansion of the equation
 $Assets = Liabilities + Capital$
- (ii) In double entry system of book keeping every business transaction affects at least two accounts
- (iii) A transaction which increases capital is called "income"
- (iv) the going concern concept assumes that a business will continue its operations indefinitely.
- (v) Net income is determined by subtracting expenses from revenues.

(b) Write note on : [10]

- (i) The Accounting period concept.
 (ii) Operating expenses and Net Income.

OR

- Q.2 (a) Define 'Accounting Standards'. State its importance, [05]
(b) Write notes on : [10]
(i) Money measurement concept.
(ii) Going Concern concept
(iii) Materiality concept
- Q.3 (a) Write notes on : [05]
(i) Error of Principle (ii) Compensatory Error

- (b) Record the following transactions in the Books of Aahan Bhatt for [10]
the month of June, 2010
June, 1 Started Business by bringing in Cash Rs. 30000, stock
of goods of Rs. 10000, debtors of Rs. 15000 and
creditors of Rs. 5000
June, 2 Opened an account with Bank of India by depositing
cash Rs. 20000
June, 11 Purchased goods of Rs. 10000 from Amul at 10% trade
discount and 10% cash discount. Paid half the amount
by cheque.
June, 20 Sold goods of Rs. 15000 to Rajendra at 10% trade
discount and 10% cash discount for cash.
June, 23 Withdrew goods of Rs. 300 and cash Rs. 200 for
household use.
June, 26 There was bad debts of Rs. 300 of the total amount
receivable from Atul.
June, 30 Goods of Rs. 2000 were destroyed by fire, for which the
insurance company accepted a claim of Rs. 1500,
Received Rs. 200 on sale of the damaged goods.
Also prepare Cash Account.

OR

- Q.3 (a) Write notes on : [05]
(i) Purchase Book (with specimen)
(ii) Sales Return Book (with Specimen)
- (b) Record the following transactions in the books of Mit Gandhi for [10]
the month of August, 2010.
Aug., 1 Started business by bringing in cash Rs. 50000 goods of
Rs. 10000 and debtors of Rs. 15000.
Aug., 2 Borrowed loan of Rs.30000 from Mrs. Viraj at 12%
interest.
Aug., 10 Purchased goods of Rs. 12000 from Mallika Distributors
at 10% trade discount and 10% cash discount. Give a
cheque for half the amount.
Aug., 20 Sold goods to Pradayamun of Rs. 3000 at 10% trade
discount. Paid cartage Rs. 30 in cash.
Aug., 27 Pradyuman was declared insolvent, there were bad
debts of Rs. 300 and received a cheque for the
remaining amount.
Aug., 29 Settled the account of Mr. Kamal of Rs. 1110 by issuing
a cheque of Rs. 1100.
Aug., 31 Recovered back of Rs. 2000 from Sharad of bad debts
written off earlier.
Also prepare Cash Account.

- Q.4 From the following trial balance and adjustments of Nayan as on [15]
31-03-2010, prepare Final Accounts

Name of Account	Debit (Rs)	Credit (Rs.)
Capital and Drawings	30000	200000
Purchases and sales	180000	330000
Goods returns	20000	16000
Bills	40000	10000
Discount	6100	3000
Bad debts and Bad debts reserve	3000	4000
Debtors and Creditors	151000	130000
Machinery	50000	---
Building	50000	---
Furniture	16000	---
Stock (1-4-2009)	92000	---
Depreciation on Furniture	800	---
Cash and Bank balances	1980	---
Wages	20000	---
Salary	26000	---
Freight and octroi	8000	---
Outstanding wages	---	2000
6% loan (from 01-10-2009)	---	10000
Interest on 6% loan	200	---
Investments	8000	---
Interest on investment	---	480
Insurance premium (for the year ending 31-05-2010)	2400	---
	705480	705480

Adjustments :

- (1) Stock of goods is of Rs. 40000 as on 31-03-2010, the market value of which is 10% less.
- (2) Calculate depreciation at 10% on machinery and 4% on building.
- (3) Write off Rs. 1000 as bad debts from debtors and provide 5% for bad debts reserve.
- (4) Nayan brought machinery of Rs. 10000 on 31-03-2010 from his personal accounts, which is not recorded. Rs. 200 paid towards wages for installing the machinery has been debited to wages account.
- (5) Calculate 5% interest on capital for full year and 6% interest on drawings for six months.

OR

- Q.4 The trial balance of Devarshi as on 31-03-2010 was as under. [15]
Prepare Final Accounts after considering adjustments.

**Trial Balance of Devarshi
as on 31-03-2010**

Debit Balances	Rs.	Credit Balances	Rs.
Drawings	4500	Capital	50000
Contribution to Provident Fund	1500	Provident Fund	23500
Investment of Provident Fund	20000	Interest on Investment of Provident Fund	2000
Stock of Goods (31-03-10)	32500	Suppliers	22500
Furniture	7500	Discounts	250
Patents	30000	Provision for Bad debts	1250
Customers	35180	Trading Account	35550
Discounts	200		
Stationery Exp.	50		
General Exp.	500		
Salary	3000		
Bad Debts	120		
	135050		135050

Adjustments :

- (1) Stock of stationery is Rs. 25 as on 31-03-2010
- (2) Personal cupboard of Rs. 2500 is brought in the business on 01-10-2009, which is not recorded.
- (3) Write off Rs. 180 from debtors and provide 5% bad debts reserve.
- (4) Calculate 10% depreciation on furniture.
- (5) Personal expenses of Rs. 100 are debited to general expenses.
- (6) Calculate 10% interest on capital and charge interest on drawings Rs. 250.
- (7) Write off patents of Rs. 1500.

