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Total Number of Pages : 03

IMBA
16IMN104

1st Semester Regular / Back Examination: 2021-22
BASIC FINANCIAL ACCOUNTING - I

BRANCH(S): IMBA

Time : 3 Hour

Max Marks : 100

Q. Code : OF598

Answer Question No.1 (Part-1) which is compulsory, any eight from Part-II and any two from Part-III.

The figures in the right hand margin indicate marks.

Part-I

Q1 Answer the following questions : (2×10)

- Why should a business house maintain financial accounts?
- Accounting cycle helps us knowing the steps involved in preparing final accounts. Which are those steps?
- Is marshaling of balance sheet necessary? Explain your answer.
- Give an example of prepaid expense and write a journal entry for the same.
- Why is provision made for bad and doubtful debts? How is a provision made?
- How is deferred revenue expenses treated in accounts of more than one accounting year?
- Give examples of error of omission and error of commission.
- Explain the nature of contingent liabilities. How are they treated in final accounts?
- In what different ways can a business organization maintain its accounts?
- What do you find from preparing a manufacturing account?

Part-II

Q2 Only Focused-Short Answer Type Questions- (Answer Any Eight out of Twelve) (6×8)

- Discuss the accounting process.
- Why is accounting called a language of business?
- What are financial statements? Explain their need.
- Give accounting equations for the following transactions in ABC Business for the month of May, 2022
 - Started business with cash Rs 18,000
 - Purchased goods for cash Rs5000 and on credit for Rs2000
 - Sold goods for cash Rs 4000 (costing Rs2400)
 - Bought a motor cycle for personal use Rs8000
 - Paid to creditors Rs 600
 - Paid rent for one month Rs500.

- e) Pass journal entries for the following transactions in proper format
- Purchased goods worth Rs 1500 for cash
 - Sold goods to Ramesh for cash Rs3000
 - Deposited Rs500 in SBI
 - Withdrawn Rs 200 from the SBI
 - Paid salary to employees Rs10,000
 - Paid rent Rs3000
 - Purchased goods from M/s PQR worth Rs10,000 on credit.
- f) What are subsidiary books? What purpose do they serve for preparing final accounts?
- g) Give brief descriptions of Assets possessed by a business concern in general.
- h) Explain the different items included in the Trading account of a business. Why is trading account prepared?
- i) What do you mean by conventions in accounting? Explain at least 3 conventions.
- j) Enter the following transactions in a double column cash book.
- Cash in hand Rs25,000
 - Bought goods for cash Rs20,000
 - Cash paid to Hari Rs1950. Discount received Rs50
 - Received cash from Banwari Rs15,800 and discount allowed Rs 200
 - Salaries paid Rs3000
 - Cash paid to Raja Rs15,700 and discount allowed by him Rs300
 - Commission received Rs 500
 - Rent paid RS 3000
 - Cash purchase made Rs 14,000
- k) State with reasons whether the following are regarded as capital or revenue expenditures:
- Goods worth Rs7,00,000 purchased for resale.
 - Rent Paid Rs5000
 - Wages paid for installation of the machinery Rs2000
 - Purchase of building Rs45,000
 - Expenditure incurred on repairs to machinery Rs3500
 - Cost of whitewashing of the office building Rs50,000
- l) Who are the internal stakeholders of a business house? Explain their informational needs from the accounts of the business house.

Part-III

Only Long Answer Type Questions (Answer Any Two out of Four)

- Q3** Prepare Ledger accounts from the following transactions; Draw proper formats for ledgers. (16)
- Started business with cash Rs 45,000
 - Paid into Bank Rs 25,000
 - Goods purchased for cash Rs15,000
 - Purchase of furniture and payment by cash Rs 5000
 - Sold goods for cash Rs. 8500
 - Rent paid Rs1000
 - Withdrawn from bank for personal use Rs1000
 - Paid salaries to staff Rs2500.
- Q4** Discuss the accounting concepts that are related to Profit and Loss Account and Balance Sheet separately. (16)

- Q5** The accountant of a business firm wrongly prepared the following trial balance. You are required to draw up a trial balance correctly stating reasons in brief. (16)

	HEADS OF ACCOUNTS	Dr. Balance Rs.	Cr. Balance Rs.
1	Capital		60000
2	Opening stock	5000	
3	Discount Allowed		500
4	Commission Received		700
5	Fixed Assets		60000
6	Sales	85000	
7	Purchases		45000
8	Returns Outwards		1000
9	Return Inward	2000	
10	Carriage Inward		600
11	Carriage Outward		700
12	Wages and Salary	25000	
13	Bills Receivables	7000	
14	Debtors	9000	
15	Bills Payable		7000
16	Rent	3000	
17	Interest Paid		2000
18	Cash	800	
19	Creditors	6900	
20	Stock at the end	33800	
	Total	177500	177500

- Q6** The following balances are extracted from the books of Harry for the year ending 31st March 2022. You are required to prepare trading and profit and loss account and a balance sheet. (16)

	Rs.		Rs.
Opening stock	2000	Creditors	5000
Purchases	25000	Bills Payable	1000
Purchase Returns	1500	Capital	45000
Wages	2000	Debtors	4000
Carriage Inwards	2000	Bills Receivables	2000
Carriage Outwards	2000	Furniture	14000
Sales	55000	Machinery	16000
Sales Returns	4000	Closing Stock	5000
Rent	6000	Commission	1500
Salary	15000	Discount Received	500
Travelling Expenses	1000	Cash at Bank	11,500