

Model Question

Subject: BMGT307 - Financial Accounting

Year/Sem: II/I

Multiple choice question

[10x1=10]

1. The primary objective of financial accounting is:
 - A. Tax collection
 - B. Providing financial information
 - C. Selling goods
 - D. Auditing
2. Which book is called the book of original entry?
 - A. Ledger
 - B. Journal
 - C. Trial Balance
 - D. Cash Account
3. Which statement shows the financial position of a business?
 - A. Trading Account
 - B. Profit and Loss Account
 - C. Balance Sheet
 - D. Journal
4. Which of the following is accounting software?
 - A) MS Word
 - B) Tally
 - C) MS Paint
 - D) Google Chrome
5. Cash Book records:
 - A. Only credit transactions
 - B. Only cash and bank transactions
 - C. Only purchases
 - D. Only sales
6. Bank Reconciliation Statement is prepared to:
 - A. Calculate profit
 - B. Find bank loan
 - C. Reconcile cash book and pass book balances
 - D. Prepare final accounts
7. Fixed assets are those assets which are:
 - A. Held for resale
 - B. Used for long-term operations
 - C. Easily convertible into cash
 - D. Current liabilities
8. Trading Account is prepared to find:
 - A. Net profit

- B. Gross profit
 - C. Assets
 - D. Liabilities
9. Liquidity ratios measure:
- A. Profitability
 - B. Short-term ability to pay debts
 - C. Long-term solvency
 - D. Sales performance
10. Computerized accounting reduces:
- A. Accuracy
 - B. Speed
 - C. Human error
 - D. Storage

Group B : Short Answer Questions

[8x4=32]

1. Write down the meaning of the sources of document. Write any four importance of sources of documents. [2+2]
2. The following information are given:
- I. Started business with cash of Rs.50,000 and goods of Rs. 150,000
 - II. Received commission Rs.26,000
 - III. Salary paid Rs.2,000
 - IV. Goods purchase on credit of RS 10,000
- Required: Accounting equation [2]
- (b) What is money measurement concept of accounting? [2]
3. On Chaitra 2080, Bank Statement disclosed a balance of Rs.11.400 and Cash Book showed the balance of Rs. 11,000
- i) Deposit in transit Rs.2,000
 - ii) Cheque issued of Rs.6,000 but only Rs.2,000 presented for payment.
 - iii) Notes receivable and interest collected by the Bank Rs.2,500 and Rs.600 respectively.
 - iv) Cheque of Rs.4,800 deposited by the company on Chaitra was recorded by the bank as Rs.4,200
 - v) A customer's cheque for Rs.3,000 was returned by the bank due to insufficient fund.
 - vi) EFT payment Rs.1,000.
 - vii) Bank charge Rs.100 for the service provided by the bank
- Required: Bank Reconciliation Statement [4]

Or

The following Information of Samriyan Enterprises is given below

- a. Started a business with cash Rs. 200,000 and bank Rs 100,000
 - b. Purchase goods of Rs. 15,000 from Ram
 - c. Goods sold on cash Rs 18,000
 - d. Cash paid to Ram Rs. 12,000 and full settlement of his account
 - e. Cash deposited into bank Rs 20,000
 - f. Received from Hari of Rs. 24,000 in full settlement of his account Rs 25,000
 - g. Rent paid by cheque of Rs 5000
 - h. Commission received of Rs 3000 by cheque
- Required: Triple column cash book
4. Following is the trail balance of a firm for the year ended Ashadh

Required: - (a) profit and loss a/c

| Debit | Rs | Credit | Rs |
|---------------------|----------|------------------------|---------|
| Cash balance | 10,000 | Creditors | 10,000 |
| Debtors | 100,000 | Account payable | 5,000 |
| Plant and machinery | 50,000 | Discount on purchase | 2000 |
| Land and building | 1,00,000 | Provision for bad debt | 1000 |
| Printing | 2,000 | Capital | 128,000 |
| Income tax | 2,000 | Gross profit b/d | 60,000 |
| Insurance | 1,000 | | |
| Discount on sales | 3,000 | | |
| Salary | 24,000 | | |
| Rent paid | 5,000 | | |
| Travelling expenses | 9,000 | | |
| Total | 206,000 | total | 206,000 |

(b) balance sheet

Or

Define Financial Statement Analysis. Also write any four objectives of financial statement analysis.

5. A company purchased a machine costing Rs.220,000 on first Baishak 2078. The useful life of the machine is 5 years with expected salvage value of Rs.20,000. The company decided to follow the straight-line depreciation policy. At the end of Ashwin 2080, the company sold the machine for Rs 270,000 and purchased another machine for Rs.300,000. Life of machine is 10year. The books are closed on 31 Chaitra every year.

Required: Machinery account for the 1st three years. [4]

6. The following information is provided:

Current assets Rs. 300,000 inventory value Rs.100,000

Current liabilities Rs.200,000 Capital employed Rs.1,000,000

Debentures Rs.300,000 sales 10,00,000

Operating profit of the year Rs.100,000 being 10% of Sales. Income tax is 25%

Required: (a.) Net profit after tax (b.) Current ratio (c.) Debt to total capital ratio (d.) Inventory turnover ratio

7. The Balance Sheet of XYZ Ltd. shows the following:

| Particulars | 2081 (Rs.) | 2082 (Rs.) |
|----------------------|------------|------------|
| Trade Debtors | 50,000 | 60,000 |
| Trade Creditors | 30,000 | 40,000 |
| Inventory | 20,000 | 30,000 |
| Outstanding expenses | 5000 | 3000 |

Additional Information:

Sales revenue during the year = Rs. 5,00,000

Cost of goods sold = Rs. 3,00,000

Operating expenses paid = Rs. 50,000
 Income tax paid = Rs. 20,000
 Required; - cash flow from operating activities

8. What are the functions of a computerized accounting system?

Group C: Long Answer Questions

[2x9=18]

9. Following is the transaction of a company:

- a. Started business with cash Rs.1,000,000.
- b. Deposited into bank Rs.300,000
- c. Paid rent in advance Rs.52,000
- d Sold merchandise goods for Rs.400,000 on account
- c. Purchased merchandise goods for Rs.200,000 on account
- f. pre-paid insurance paid Rs. 12,000-
- g. Received Rs.380,000 after deduction of 5% discount from the customers
- h. Paid to creditors Rs.190,000 in full settlement by cheque.
- i. Paid electricity bill Rs.8,000.
- j. Paid office salary Rs.36,000 by issuing cheque.

Required:- (a) journal entry [4] (b) Account payable a/c [1]
 (c) Account receivable a/c [1] (d) Trial balance [3]

10. the trail balance of Kalika trading house is given below

| Particulars | Debit | Credit |
|---------------------|----------------|----------------|
| Cash in hand | 100,000 | |
| Cash at bank | 254,000 | |
| Discount allowed | 2000 | |
| Plant and machinery | 220,000 | |
| Purchase | 150,000 | |
| Account receivable | 65,000 | |
| Interest on loan | 4000 | |
| Salary | 50,000 | |
| Prepaid rent | 20,000 | |
| Capital | | 300,000 |
| Account payable | | 50,000 |
| Discount received | | 15,000 |
| Sales | | 400,000 |
| Bank loan | | 100,000 |
| Total | 865,000 | 865,000 |

Additional information

- Closing stock Rs 50,000
- Prepaid rent expired Rs 2000

- Outstanding interest on bank loan Rs 4000
- Depreciation on plant and machinery 10% P.A

Required: (a) income statement [5+4]
(b) Balance sheet

Or

What is accounting information? Who are the users of accounting information? Explain the user of accounting information [3+2+4]