

2348

BBA - 13

B.B.A. DEGREE EXAMINATION – JANUARY, 2006.

(For AY 2004 – 05 and CY 2005 students)

First Year

**FINANCIAL AND MANAGEMENT  
ACCOUNTING**

Time : 3 hours

Maximum marks : 75

PART A — (3 × 5 = 15 marks)

Answer any THREE questions.

Each question carries equal marks.

1. What is a ledger? How does it differ from journal?
2. Write short notes on (a) purchases book (b) returns inward journal.
3. What is a cash flow statement? List out its uses.

4. Total fixed costs	Rs. 18,000
Total variable costs	Rs. 30,000
Total sales	Rs. 60,000
Units sold	Rs. 20,000

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Find out (a) Contribution per unit (b) Break even point (c) Margin of safety.

5. Discuss the significance of the following ratios:  
(a) Current ratio (b) Debt equity ratio.

PART B — (4 × 15 = 60 marks)

Answer any FOUR questions.

Each question carries equal marks.

6. Bombay Wala gives the following information about his business you are required to record them in proper subsidiary books and post them to ledger accounts.

		Rs.
2005 March	1 Bought goods from Daruwala	12,000
	2 Sold goods to devidutt	8,700
	2 Bought goods from Batliwala	13,500
	3 Sold goods to Peepawala	9,500
	5 Returned goods to Batliwala	800

		Rs.
	8 Peepawala returned goods	200
	11 Sold goods to Ahmed bhai	12,800
	15 Ahmedbhai returned goods	1,200
	17 Bought goods from Nariman	13,700
	18 Unapproved goods purchased from Nariman returned	3,700
	24 Goods sold to Deshbandu	13,000
	25 Goods sold to Devidutt	1,280
	27 Goods purchased from Daruwala	18,000
	29 Goods sold to Peepawala	15,000
	30 Peepawala returned goods	1,300
	31 Goods returned to Daruwala	400

7. Enter the following items in the two-column cash book.

- 2005 April 1 Tikaram commences business with cash Rs. 10,000. He pays Rs. 2,300 for goods purchased. Rs. 500 for furniture purchased and Rs. 400 for office equipment.
- 2 He pays rent Rs. 100; pays legal cost Rs. 10
- 3 He sells goods for cash Rs. 1,800
- 4 He sells goods to N on 5 day's credit Rs. 800
- 5 He pays wages Rs. 15; cartage Rs. 5
- 6 He buys goods for cash Rs. 700 and pays a creditor S Rs. 425 in settlement of a claim of Rs. 430.
- 7 He receives cash from N Rs 798 in full settlement of debt
- 8 He sells goods for cash Rs. 50.

8. The following are the balances extracted from the Ledger of Sundar as on March 31st 2005. Prepare Trading, Profit and Loss Account and Balance Sheet.

	Rs.
Sundar's capital	20,000
Drawings	3,500
Buildings	10,000

4

2348

	Rs.
Machinery	2,500
Furniture	600
Opening stock	12,500
Cycle	400
Purchases	75,000
Sales	1,25,000
Sales Returns	5,000
Duty paid on purchases	15,000
Sundry debtors	10,000
Sundry creditors	7,500
Reserve for bad and doubtful debts	400
Reserve for discount on debtors	200
Loan at 9% p.a	5,000
Salaries	4,400
Wages	7,500
Rent	2,750
Travelling Exp.	1,250

5

2348

	Rs.
Postage	135
Rates and taxes	90
Carriage in	2,500
Carriage out	750
Interest paid	375
General charges	900
Bad debts	300
Cash	250
Bank	2,400

The following additional information given

- (a) Stock on 31-3-2005, Rs. 14,000.
- (b) Provide the following outstanding – salary Rs. 400, Rent Rs. 250, Wages Rs. 600 and interest on loan.
- (c) Maintain reserve for doubtful debts at 5% and reserve for discount on debtors at 2 ½ %.
- (d) Provide depreciation for building 2 ½ %, Machinery 10%, Furniture 6% and cycle 15%.

9. From the following Balance Sheets, Prepare a funds flow statement.

Liabilities	2003 Rs.	2004 Rs.	Assets	2003 Rs.	2004 Rs.
Share capital	5,00,000	6,00,000	Fixed assets	5,00,000	6,50,000
Reserve	1,00,000	1,20,000	Stock	1,00,000	3,00,000
P and L A/c	50,000	80,000	Debtors	50,000	10,000
6 % Debentures	1,00,000	1,40,000	Bills receivable	80,000	-
Creditors	30,000	20,000	Bank	70,000	40,000
Provision for tax	20,000	40,000			
	8,00,000	10,00,000		8,00,000	10,00,000

Other informations:

- (a) During 2004, fixed assets (Book value Rs 10,000 and depreciation written off Rs. 3000) were sold for Rs. 8000)
- (b) 6% debentures issued at par.
- (c) Income tax paid Rs. 60,000
- (d) Provision for depreciation 31-12-04 – Rs. 1,00,000. 31-12-05 – Rs. 1,50,000.

10. From the following information, calculate  
 (a) current ratio (b) liquidity ratio (c) debt equity ratio  
 (d) fixed assets ratio (e) proprietary ratio (f) fixed assets  
 turnover ratio (g) working capital turnover ratio and  
 (h) debtors turn over ratio.

Balance Sheet as on 31-3-2005.

Liabilities	Rs.	Assets	Rs.
Equity share capital	1,00,000	Land and Buildings	75,000
Reserve fund	50,000	Plant and machinery	80,000
P and L A/c	20,000	Stock	30,000
10% Debentures	50,000	Sundry Debtors	50,000
Sundry creditors	30,000	Bills receivable	20,000
Bills payable	15,000	Cash in hand	10,000
	<u>2,65,000</u>		<u>2,65,000</u>

Additional Information:

Sales during the year Rs 80,000.

11. From the following data, calculate:  
 (a) Break-even point expressed in rupees  
 (b) Number of units that must be sold to earn a  
 profit of Rs. 60,000 per year.

- (c) How many units must be sold to earn a net  
 income of 10% on sales.

Selling price	Rs. 20 per unit
Variable manufacturing cost	11 per unit
Variable selling cost	3 per unit
Fixed factory overheads	Rs. 5,40,000 per year
Fixed selling costs	Rs. 2,52,000 per year

12. A firm expects to have Rs. 25,000 in bank on 1st  
 May 2005 and requires you to prepare an estimate of  
 cash position during the three months May – July 2005.  
 The following information is made available.

Month	Sales Rs.	Purchases Rs.	Wages Rs.	Factory Exp Rs.	Office Exp Rs.	Selling Exp. Rs.
March	50,000	30,000	6,000	5,000	4,000	3,000
April	56,000	32,000	6,500	5,500	4,000	3,000
May	60,000	35,000	7,000	6,000	4,000	3,500
June	80,000	40,000	9,000	7,500	4,000	4,500
July	90,000	40,000	9,500	8,000	4,000	4,500

Other Information:

- (a) 20% of sales is for cash; remaining amount is  
 collected in the month following that of sale.  
 (b) Suppliers supply goods at two months credit.

(c) All expenses including wages are paid in the month following the one in which they are incurred.

(d) The company pays dividend to share holders and bonus to workers of Rs. 10,000 and Rs. 15,000 respectively in the month of May.

(e) Plant has been ordered and is expected to be received in June. It will cost Rs. 80,000.

(f) Income tax Rs. 25,000 is payable in July.

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The following information is available for the year ended 31st March 2005 and regarding the company's cash position during the year ending 31st March 2005.

	Rs.	Rs.	Rs.	Rs.	Rs.
Opening balance	10,000	20,000	30,000	40,000	50,000
April	1,000	2,000	3,000	4,000	5,000
May	2,000	3,000	4,000	5,000	6,000
June	3,000	4,000	5,000	6,000	7,000
July	4,000	5,000	6,000	7,000	8,000
August	5,000	6,000	7,000	8,000	9,000
September	6,000	7,000	8,000	9,000	10,000
October	7,000	8,000	9,000	10,000	11,000
November	8,000	9,000	10,000	11,000	12,000
December	9,000	10,000	11,000	12,000	13,000
January	10,000	11,000	12,000	13,000	14,000
February	11,000	12,000	13,000	14,000	15,000
March	12,000	13,000	14,000	15,000	16,000
April	13,000	14,000	15,000	16,000	17,000
May	14,000	15,000	16,000	17,000	18,000
June	15,000	16,000	17,000	18,000	19,000
July	16,000	17,000	18,000	19,000	20,000
August	17,000	18,000	19,000	20,000	21,000
September	18,000	19,000	20,000	21,000	22,000
October	19,000	20,000	21,000	22,000	23,000
November	20,000	21,000	22,000	23,000	24,000
December	21,000	22,000	23,000	24,000	25,000
January	22,000	23,000	24,000	25,000	26,000
February	23,000	24,000	25,000	26,000	27,000
March	24,000	25,000	26,000	27,000	28,000
April	25,000	26,000	27,000	28,000	29,000
May	26,000	27,000	28,000	29,000	30,000
June	27,000	28,000	29,000	30,000	31,000
July	28,000	29,000	30,000	31,000	32,000
August	29,000	30,000	31,000	32,000	33,000
September	30,000	31,000	32,000	33,000	34,000
October	31,000	32,000	33,000	34,000	35,000
November	32,000	33,000	34,000	35,000	36,000
December	33,000	34,000	35,000	36,000	37,000
January	34,000	35,000	36,000	37,000	38,000
February	35,000	36,000	37,000	38,000	39,000
March	36,000	37,000	38,000	39,000	40,000
April	37,000	38,000	39,000	40,000	41,000
May	38,000	39,000	40,000	41,000	42,000
June	39,000	40,000	41,000	42,000	43,000
July	40,000	41,000	42,000	43,000	44,000
August	41,000	42,000	43,000	44,000	45,000
September	42,000	43,000	44,000	45,000	46,000
October	43,000	44,000	45,000	46,000	47,000
November	44,000	45,000	46,000	47,000	48,000
December	45,000	46,000	47,000	48,000	49,000
January	46,000	47,000	48,000	49,000	50,000
February	47,000	48,000	49,000	50,000	51,000
March	48,000	49,000	50,000	51,000	52,000
April	49,000	50,000	51,000	52,000	53,000
May	50,000	51,000	52,000	53,000	54,000
June	51,000	52,000	53,000	54,000	55,000
July	52,000	53,000	54,000	55,000	56,000
August	53,000	54,000	55,000	56,000	57,000
September	54,000	55,000	56,000	57,000	58,000
October	55,000	56,000	57,000	58,000	59,000
November	56,000	57,000	58,000	59,000	60,000
December	57,000	58,000	59,000	60,000	61,000
January	58,000	59,000	60,000	61,000	62,000
February	59,000	60,000	61,000	62,000	63,000
March	60,000	61,000	62,000	63,000	64,000
April	61,000	62,000	63,000	64,000	65,000
May	62,000	63,000	64,000	65,000	66,000
June	63,000	64,000	65,000	66,000	67,000
July	64,000	65,000	66,000	67,000	68,000
August	65,000	66,000	67,000	68,000	69,000
September	66,000	67,000	68,000	69,000	70,000
October	67,000	68,000	69,000	70,000	71,000
November	68,000	69,000	70,000	71,000	72,000
December	69,000	70,000	71,000	72,000	73,000
January	70,000	71,000	72,000	73,000	74,000
February	71,000	72,000	73,000	74,000	75,000
March	72,000	73,000	74,000	75,000	76,000
April	73,000	74,000	75,000	76,000	77,000
May	74,000	75,000	76,000	77,000	78,000
June	75,000	76,000	77,000	78,000	79,000
July	76,000	77,000	78,000	79,000	80,000
August	77,000	78,000	79,000	80,000	81,000
September	78,000	79,000	80,000	81,000	82,000
October	79,000	80,000	81,000	82,000	83,000
November	80,000	81,000	82,000	83,000	84,000
December	81,000	82,000	83,000	84,000	85,000
January	82,000	83,000	84,000	85,000	86,000
February	83,000	84,000	85,000	86,000	87,000
March	84,000	85,000	86,000	87,000	88,000
April	85,000	86,000	87,000	88,000	89,000
May	86,000	87,000	88,000	89,000	90,000
June	87,000	88,000	89,000	90,000	91,000
July	88,000	89,000	90,000	91,000	92,000
August	89,000	90,000	91,000	92,000	93,000
September	90,000	91,000	92,000	93,000	94,000
October	91,000	92,000	93,000	94,000	95,000
November	92,000	93,000	94,000	95,000	96,000
December	93,000	94,000	95,000	96,000	97,000
January	94,000	95,000	96,000	97,000	98,000
February	95,000	96,000	97,000	98,000	99,000
March	96,000	97,000	98,000	99,000	100,000