

FINALTERM EXAMINATION
Fall 2009
MGT101- Financial Accounting (Session - 2)
Time: 120 min
Marks: 87

Question No: 1 (Marks: 1) - Please choose one
We can say that the business is in profit, when:

- ▶ Assets exceed Expenditure
- ▶ Assets exceed Liabilities
- ▶ **Income exceeds Expenditure**
- ▶ Income exceeds Liabilities

Question No: 2 (Marks: 1) - Please choose one
Term "Credit" means _____ by the business.

- ▶ Receiving of benefits
- ▶ It has no effect on business
- ▶ **Providing of benefits correct**
- ▶ It depends upon items

Question No: 3 (Marks: 1) - Please choose one
According to the double entry system of accounting, an account that obtains benefit is:

- ▶ Debit
- ▶ **Credit**
- ▶ Income
- ▶ No need to show as accounting record

Question No: 4 (Marks: 1) - Please choose one
When a Liability is reduced or decreased, it is recorded on the:

- ▶ Right or debit side of the account
- ▶ **Left or debit side of the account**
- ▶ Left or credit side of the account
- ▶ Right or credit side of the account

Question No: 5 (Marks: 1) - Please choose one
When Capital is increased by an amount, it is recorded on the:

- ▶ Left or credit side of the account
- ▶ Right or debit side of the account
- ▶ Left or debit side of the account
- ▶ **Right or credit side of the account**

Question No: 6 (Marks: 1) - Please choose one
Bank book is part of:

- ▶ Voucher
- ▶ General Journal
- ▶ **General Ledger**
- ▶ Trial Balance

Question No: 7 (Marks: 1) - Please choose one
What type of expenses are paid out of Gross Profit?

- ▶ Selling Expenses
- ▶ General Expenses
- ▶ Financial Expenses
- ▶ **All of the given options**

Question No: 8 (Marks: 1) - Please choose one
Which of the following shows summary of a company's financial position at a specific date?

- ▶ Profit & Loss Account
- ▶ Cash Flow Statement
- ▶ **Balance Sheet**
- ▶ Income & Expenditure Account

Question No: 9 (Marks: 1) - Please choose one
Which of the following is NOT an example of intangible assets?

- ▶ Franchise rights
- ▶ Goodwill
- ▶ Patents
- ▶ **Land**

Question No: 10 (Marks: 1) - Please choose one
Which of the following is an example of business liability?

- ▶ Land
- ▶ Building
- ▶ Cash
- ▶ **Capital**

Question No: 11 (Marks: 1) - Please choose one
The unfavorable balance of Profit and Loss account should be:

- ▶ Added in liabilities
- ▶ Subtracted from current assets
- ▶ Subtracted from liabilities
- ▶ **Subtracted from capital**

Question No: 12 (Marks: 1) - Please choose one
Which of the following account will be credited, if business bought goods on credit from Mr. Ali?

- ▶ Purchases account
- ▶ Mr. Ali account
- ▶ Cash account
- ▶ Sales account

Question No: 13 (Marks: 1) - Please choose one
Interest on loan paid by business is an example of :

- ▶ Deferred expense
- ▶ Revenue expense
- ▶ Capital expense
- ▶ None of the given options

Question No: 14 (Marks: 1) - Please choose one
The allocation of the cost of a tangible plant asset to expense in the periods, in which services are received from the asset, is termed as:

- ▶ Appreciation
- ▶ Depreciation
- ▶ Fluctuation
- ▶ None of the given options

Question No: 15 (Marks: 1) - Please choose one
Which of the following is NOT a function of bank reconciliation statement?

- ▶ To reconcile the difference between the cash book and the bank statement
- ▶ To check for errors in balance sheet
- ▶ To update omitted entries into the cash book
- ▶ To update omitted entries into the bank statement

Question No: 16 (Marks: 1) - Please choose one
Which of the following entry will be recorded when the Bad Debts are recovered?

- ▶ Cash account (Dr.) & Bad Debts recovered account (Cr.)
- ▶ Accounts Receivable account (Dr.) & Bad Debts recovered account (Cr.)
- ▶ Bad debts recovered account (Dr.) and Profit & Loss account (Cr.)
- ▶ Provision for doubtful debts account (Dr.) & Cash account (Cr.)

Question No: 17 (Marks: 1) - Please choose one
Which of the following subsidiary book(s) is (are) maintained for debtors control account?

- ▶ Sales Day Book
- ▶ Sales Return
- ▶ Debtors Ledger
- ▶ All of the given options

Question No: 18 (Marks: 1) - Please choose one
Sales are calculated by adding:

- ▶ Cash sales and cash received from debtors
- ▶ Credit sales and cash received from debtors
- ▶ **Cash sales and credit sales**
- ▶ Cash sales and credit purchases

Question No: 19 (Marks: 1) - Please choose one
Which of the following item will be shown on debit side of debtors account?

- ▶ Discount received
- ▶ Return inwards
- ▶ Discount allowed
- ▶ **Credit sales**

Question No: 20 (Marks: 1) - Please choose one
Goods purchased from "Mr. A" for Rs. 2,000 passed through the sales book.
The rectification of error will result in:

- ▶ Increase of gross profit
- ▶ **Decrease of gross profit**
- ▶ Remains constant and no effect on net profit
- ▶ There is no relation between goods purchased and gross profit

Question No: 21 (Marks: 1) - Please choose one
Goods of Rs.1,000 purchased from Mr. "A" were recorded in sales book, the
rectification of this error will:

- ▶ Increase the gross profit
- ▶ **Reduce the gross profit**
- ▶ Have no effect on gross Profit
- ▶ None of the given options

Question No: 22 (Marks: 1) - Please choose one
Which of the following account will be credited when a typewriter is sold that
has been used in the office?

- ▶ Cash Account
- ▶ Sales Account
- ▶ Purchase Account
- ▶ **Office Equipment Account**

Question No: 23 (Marks: 1) - Please choose one
When one or both aspects of a transaction are recorded in the wrong class or
category of account, this is called:

- ▶ **Error of principle**
- ▶ Error of omission
- ▶ Error of commission

- ▶ Error of original entry

Question No: 24 (Marks: 1) - Please choose one

Which of the following item must be recorded in the adjusted Cash Book in order to bring it in line with the entries in the Bank Statement?

- ▶ Bank charges
- ▶ An error on the Bank Statement
- ▶ An uncredited deposit
- ▶ An unrepresented cheque

Question No: 25 (Marks: 1) - Please choose one

It is supposed that on 31st December, 2007, the sundry debtors are amounted to Rs. 40,000. On the basis of past experience, it is estimated that 10% of the sundry debtors are doubtful. Actual bad debts are Rs. 1600. What amount of new provision for doubtful debts will be credited in profit & loss account

- ▶ Rs. 3,600
- ▶ Rs. 4,000 correct
- ▶ Rs. 1,600
- ▶ Rs. 2, 400

Question No: 26 (Marks: 1) - Please choose one

Which of the following is an example of operating expense?

- ▶ Purchasing operating equipment
- ▶ Purchasing cleaning services
- ▶ Purchasing an investment in another company
- ▶ Purchasing a computer for the accounting office

Question No: 27 (Marks: 1) - Please choose one

Which of the following would NOT be considered as a component of 'cost' of stock?

- ▶ Salaries of selling staff
- ▶ Transportation inward costs
- ▶ Import duties
- ▶ Purchase price

Question No: 28 (Marks: 1) - Please choose one

Which of the following will be debited, if cash is drawn by Proprietor?

- ▶ Proprietor's drawings
- ▶ Proprietor's cash
- ▶ Proprietor's capital
- ▶ Proprietor's income

Question No: 29 (Marks: 1) - Please choose one

Which of the following is TRUE about the treatment of insurance paid in advance Rs. 13,000?

- ▶ It will be treated as an other income in Profit & Loss Account
- ▶ **It will be treated as a current asset in Balance Sheet**
- ▶ It will be treated as a current liability in Balance Sheet
- ▶ It will be treated as an accrued expense in Balance Sheet

Question No: 30 (Marks: 1) - Please choose one
When closing stock is given in trial balance, then it will effect:

- ▶ Trading account only
- ▶ **Balance sheet only correct**
- ▶ Owner's equity only
- ▶ Both Trading account and Balance sheet

Question No: 31 (Marks: 1) - Please choose one
Fixed Assets (WDV) + Working Capital =?

- ▶ **Total assets employed**
- ▶ Total liabilities
- ▶ Total assets
- ▶ Current assets

Question No: 32 (Marks: 1) - Please choose one
Current accounts of the partners should be opened when the capitals are:

- ▶ **Fixed**
- ▶ Fluctuating
- ▶ Floating
- ▶ Normal

Question No: 33 (Marks: 1) - Please choose one
Which of the following is (are) type(s) of Public Limited Companies?

- ▶ Listed company
- ▶ Non listed company
- ▶ Private limited company
- ▶ **Both Listed Company and non listed company**

Question No: 34 (Marks: 1) - Please choose one
The charter of a company which defines the limitations and powers of the company is called:

- ▶ **The memorandum of association correct**
- ▶ Articles of association
- ▶ Statutory report
- ▶ Certificate of commencement

Question No: 35 (Marks: 1) - Please choose one
Merchandise on hand at either the beginning or end of the reporting period is called _____.

- ▶ Raw material
- ▶ Cost of good sold
- ▶ Work in process
- ▶ **Inventory**

Question No: 36 (Marks: 1) - Please choose one

The balance sheet reported a beginning balance of Rs. 20,000 in Accounts Receivable and an ending balance of Rs. 15,000. Credit Sales of Rs. 200,000 were made during the year. Using this information, compute cash collected from customers.

- ▶ Rs. 205,000
- ▶ Rs. 215,000
- ▶ Rs. 195,000
- ▶ Rs. 200,000

Question No: 37 (Marks: 1) - Please choose one

| | Rs. |
|--|----------|
| Gross profit | 50,000 |
| Operating profit | 42,000 |
| Sales | 250, 000 |
| What is the amount of operating expenses | ? |

- ▶ Rs. 8,000
- ▶ Rs. 92,000
- ▶ Rs. 62,500
- ▶ Rs. 300,000

Question No: 38 (Marks: 1) - Please choose one

| Particulars | Rs. |
|---------------------------|------------|
| Debentures | 1, 50, 000 |
| Equity Capital | 2, 00,000 |
| General Reserve | 90, 000 |
| Accumulated profit | 60,000 |
| What is debt equity ratio | ? |

- ▶ 15: 20 (or 3:4)
- ▶ 15:24 (or 5: 8)
- ▶ 15:29
- ▶ 15:35 (or 3: 7)

Question No: 39 (Marks: 1) - Please choose one

A company declares a cash dividend to be paid to its stockholders next month. The effect of the transaction is to:

- ▶ Decrease assets and liabilities.
- ▶ Increase assets and stockholders' equity.
- ▶ Decrease assets and stockholders' equity.
- ▶ Increase liabilities and decrease stockholders' equity.

Question No: 40 (Marks: 1) - Please choose one

| Particulars | Rs. |
|------------------------------|--------|
| Direct materials costs | 80,000 |
| Direct labor costs | 50,000 |
| Manufacturing overhead costs | 60,000 |
| Prime cost | ? |

- ▶ **Rs.130, 000**
- ▶ Rs.110, 000
- ▶ Rs.140, 000
- ▶ Rs.190, 000

Question No: 41 (Marks: 1) - Please choose one

What would be the value of conversion cost, if the cost of material consumed during the month is Rs. 5,000, labor cost incurred is Rs. 2,000 and the factory over head cost is Rs. 1,000?

- ▶ **Rs. 3,000**
- ▶ Rs. 5,000
- ▶ Rs. 7,000
- ▶ Rs. 8,000

Question No: 42 (Marks: 1) - Please choose one

The amount owed by debtors at the end of a month appears on the _____ side of the control account.

- ▶ Left side or debit
- ▶ Left side or credit
- ▶ Right side or debit
- ▶ **Right side or credit correct**

Question No: 43 (Marks: 1) - Please choose one

Which of the following is correct for an account has debit balance?

- ▶ **The amount of the debits exceeds the amount of the credits**
- ▶ There are more entries on the debit side than on the credit side
- ▶ Its normal balance is debit without regard to the amounts on the debit side
- ▶ The last entry of the accounting period was posted on the debit side

Question No: 44 (Marks: 1) - Please choose one

Mr. A & B entered into a partnership with an equal share in profit or loss. The agreement provides that Mr. A will receive Rs.10,000 and Mr. B will receive Rs.8,000 as salary allowance. The net income for the year is Rs.85,000. What will be the total share of Mr. A?

- ▶ Rs.52,500
- ▶ Rs.42,500
- ▶ **Rs.43,500**
- ▶ Rs.50,500

Question No: 45 (Marks: 1) - Please choose one

Mr. A & B entered into a partnership invested Rs.50,000 and Rs.65,000 with an equal share in profit or loss. Markup on drawings of Mr. A is Rs.1,500 and of Mr. B is Rs.1,800. The net income for the year is Rs.85,000. What will be the profit share of Mr. B?

- ▶ Rs.42,350
- ▶ **Rs.44,150**
- ▶ Rs.41,600
- ▶ Rs.40,850

Profit = 85000

Add markup on drawings = 1500 + 1800 = 3300

Total net profit = 88300

Profit share of B = 88300/2 = 44150

Question No: 46 (Marks: 1) - Please choose one

Mr. A & B entered into a partnership with an equal investment and equal share in profit or loss. Markup on capital of Mr. A is Rs.2,500 and markup on drawings of Mr. B is Rs.2,800. The net income for the year is Rs.95,000. What will be the amount of distributable profit?

- ▶ Rs.89,700
- ▶ Rs.94,700
- ▶ **Rs.95,300**
- ▶ Rs.100,300

Question No: 47 (Marks: 1) - Please choose one

Which of the following can be distributed among the share holders?

- ▶ Capital reserve
- ▶ **General reserve**
- ▶ Revaluation reserve
- ▶ All of the given options

Question No: 48 (Marks: 1) - Please choose one

Which of the following capital is taken up by the general public?

- ▶ **Issued capital**
- ▶ Subscribed capital
- ▶ Authorized capital
- ▶ Reserve capital

Question No: 49 (Marks: 1) - Please choose one

All of the following have an effect on 'operating activities' while preparing the statement of cash flows except:

- ▶ Provision for doubtful debts
- ▶ Gain or loss on currency exchange rate
- ▶ Depreciation charged on fixed asset
- ▶ **Amount received for disposal of a fixed asset**

Question No: 50 (Marks: 1) - Please choose one

Primary purpose of the cash flows statement is to provide the information about:

- ▶ Errors or discrepancies between cash book and income statement

- ▶ Receipt and payment of cash in the period
- ▶ Non cash adjustment that effect the income statement
- ▶ Cash paid to the customers and creditors of the business

Question No: 51 (Marks: 1) - Please choose one

Which of the following financial statement is helpful for the investors and creditors to assess the cash and non cash aspects of operating, investing and financing transactions on an entity's financial position?

- ▶ Balance Sheet
- ▶ Income Statement
- ▶ Statement of cash flows
- ▶ Statement of changes in equity

Question No: 52 (Marks: 1) - Please choose one

According to the statement of cash flows following are the examples of investing activities except:

- ▶ Sales of machinery
- ▶ Capital invested by the owners
- ▶ Purchase of building for the business use
- ▶ Cash received from the disposal of equipment

Question No: 53 (Marks: 1) - Please choose one

Which of the following items of balance sheet are useful in evaluating a company's liquidity?

- ▶ Current assets and other assets
- ▶ Current liabilities and current assets correct
- ▶ Current liabilities and plant and equipment
- ▶ Non current liabilities and other assets

Question No: 54 (Marks: 1) - Please choose one

Which of the following is measured by debt ratio?

- ▶ Short-term liquidity
- ▶ Creditors' long term risk correct
- ▶ Short-term risk of the company
- ▶ All of the given options

Question No: 55 (Marks: 3)

If the capitals of the partners are fixed, Pass Journal Entries for the following:

- v Drawings made by partner
- v Excess drawn amount is returned by partner
- v Profit distribution among partner

Partner's Current A/c Dr.
Cash/Bank A/c Cr.

Cash/Bank Dr.
Partner's Current A/c Cr.

Profit & Loss A/c Dr.
Partner's Current A/c Cr.

Question No: 56 (Marks: 5)

ABC Company purchased goods of Rs.150,000 on credit from which goods of Rs.20,000 were defected and returned. Company received 2% discount at the time of payment from the supplier.

Required:

- What will be the amount of discount received by the company?
- Also show the journal entries

Purchases A/c 150,000
 Creditor A/c 150,000
Goods are being purchased

Creditor A/c 20,000
 Purchases A/c 20,000
Goods returned to supplier

Creditor A/c 130,000
 Discount Received A/c 2600
 Cash/Bank A/c 127400

Payment is being made to creditor and 2% discount is received.

Question No: 57 (Marks: 5)

Why are receipts and payment of interest classified as operating activities?

Question No: 58 (Marks: 10)

On 01-01-2007, the provision for doubtful debts a/c stood at Rs. 12,000 (credit balance). In 2007, the bad debts are amounted to Rs. 10,000. The debtors on 31-12-2007 are amounted to Rs. 3, 20,000 and a provision for doubtful debt to be maintained @ 5%.

Required:

Show Journal entries and also show how the items will appear in Profit and Loss account and Balance sheet. (Show complete working where it is necessary)

Question No: 59 (Marks: 10)

The accounting staff of ABC, Inc., has assembled the following information for the year ended December 31, 2007:

| | |
|--|-----------|
| Cash and cash equivalents, Jan. 1 | Rs.35,800 |
| Cash and cash equivalents, Dec. 31 | 74,800 |
| Cash paid to acquire plant assets | 21,000 |
| Proceeds from short-term borrowings | 10,000 |
| Loan made to borrowers | 5,000 |
| Collection on loans (excluding interest) | 4,000 |
| Interest and dividends received | 27,000 |
| Cash received from customers | 795,000 |
| Proceeds from sale of plant assets | 9,000 |
| Dividends paid | 55,000 |

| | |
|--------------------------------------|---------|
| Cash paid to suppliers and employees | 635,000 |
| Interest paid | 19,000 |
| Income taxes paid | 71,000 |

Using this information, prepare a statement of cash flows. Include a proper heading for the financial statement, and classify the given information into the categories of operating, investing and financing activities.

FINALTERM EXAMINATION
Fall 2009
MGT101- Financial Accounting (Session - 3)

Question No: 1 (Marks: 1) - Please choose one

Which of the following is correct according to the double entry system of book-keeping?

- ▶ **Debit = Credit**
- ▶ Debit > Credit
- ▶ Debit < Credit
- ▶ All of the given options

Question No: 2 (Marks: 1) - Please choose one

What is the nature of an expense account?

- ▶ **Debit**
- ▶ Credit
- ▶ Revenue
- ▶ None of the given options

Question No: 3 (Marks: 1) - Please choose one

Which of the following are the components of General Ledger?

- 1) Title of account
 - 2) Amount of transaction
 - 3) Date of transaction
- ▶ (1) & (2) only
 - ▶ (2) & (3) only
 - ▶ (1) & (3) only
 - ▶ **(1), (2) & (3)**

Question No: 4 (Marks: 1) - Please choose one

Which of the following organizations prepare Income & Expenditure account?

- ▶ Public libraries
- ▶ NGOs
- ▶ Labor unions
- ▶ **All of the given options**

Question No: 5 (Marks: 1) - Please choose one
Which of the following item will appear on the Balance Sheet as current assets?

- ▶ Prepaid expenses
- ▶ Accrued expenses
- ▶ Furniture and Equipment
- ▶ Unearned revenue

Question No: 6 (Marks: 1) - Please choose one
Accounts Receivable & Inventory are the examples of:

- ▶ Liquid assets
- ▶ Current assets
- ▶ Fixed assets
- ▶ Capital assets

Question No: 7 (Marks: 1) - Please choose one
Which of the following statement is NOT TRUE about Current liabilities?

- ▶ These are due within one year
- ▶ These are short-term loans
- ▶ These are consist of all debts, payable after 12 months
- ▶ In working capital, these are deducted from current assets

Question No: 8 (Marks: 1) - Please choose one
If the cost of sales is Rs. 60,000, sales are Rs. 95,000 and operating expenses are Rs. 20,000 during the year, what would be the value of Gross Profit?

- ▶ Rs. 15,000
- ▶ Rs. 35,000
- ▶ Rs. 55,000
- ▶ Rs. 60,000

Question No: 9 (Marks: 1) - Please choose one
Which of the following is an alternate term which can be used for "Capital"?

- ▶ Liability
- ▶ Owner's net worth
- ▶ Working capital
- ▶ Asset

Question No: 10 (Marks: 1) - Please choose one
In the cost of goods sold statement, Cost of direct material consumed + Direct labor=?

- ▶ Conversion cost

- ▶ Prime cost
- ▶ Total factory cost
- ▶ Cost of goods manufactured

Question No: 11 (Marks: 1) - Please choose one
The total of all costs incurred to convert raw material into finished goods is known as:

- ▶ Prime cost
- ▶ Conversion cost
- ▶ Sunk cost
- ▶ Opportunity cost

Question No: 12 (Marks: 1) - Please choose one
In cost of goods sold statement the 'total factory cost' is equal to:

- ▶ Cost of material consumed + Labor cost
- ▶ Cost of material consumed + Conversion cost
- ▶ Cost of material consumed + Total factory cost
- ▶ Cost of material consumed + Factory overhead

Question No: 13 (Marks: 1) - Please choose one
All the costs incurred on the incomplete assets up to the balance sheet date must be transferred to:

- ▶ Capital account
- ▶ Capital work in progress account
- ▶ Relevant asset account
- ▶ Owner's equity account

Question No: 14 (Marks: 1) - Please choose one
Which one of the following is NOT true about revenue expenditure?

- ▶ These are the running expenses of the business
- ▶ They improve the financial position of the business
- ▶ They reduce the profit of the concern
- ▶ They do not appear in the balance sheet

Question No: 15 (Marks: 1) - Please choose one
Which one of the following is NOT true for Profit & Loss Account?

- ▶ It shows whether a business has made a profit or loss over a financial year
- ▶ It shows the financial performance of a business for the period
- ▶ It shows revenues and expenses for the period
- ▶ It is used to calculate surplus/deficit for a particular period

Question No: 16 (Marks: 1) - Please choose one
Which of the following best describes unpresented cheques?

- ▶ Cheques received on behalf of the business by the bank
- ▶ **Cheques drawn but yet to be recorded in the bank records**
- ▶ Cheques issued by the bank not recorded in business records
- ▶ Cheques received but yet to be recorded in the bank records

Question No: 17 (Marks: 1) - Please choose one

Which of the following option is TRUE about the characteristic(s) of Bad Debt?

- ▶ It is a definite loss to the business
- ▶ It is not shown in Balance Sheet
- ▶ No provision is necessary for it
- ▶ **All of the given options**

Question No: 18 (Marks: 1) - Please choose one

Which of the following is (are) included in Creditors Control Account?

- ▶ Discount received from supplier
- ▶ Credit purchases
- ▶ Bills payable
- ▶ **All of the given options**

Question No: 19 (Marks: 1) - Please choose one

Which of the following is shown on credit side of creditors control account?

- ▶ Bills Receivable
- ▶ Return inwards
- ▶ **Credit purchases**
- ▶ Discount allowed

Question No: 20 (Marks: 1) - Please choose one

Which one of the following is CORRECT about subsidiary ledger?

- ▶ It is a special Ledger
- ▶ It is a supporting ledger
- ▶ **It provides detailed information about individual accounts**
- ▶ All of the given options

Question No: 21 (Marks: 1) - Please choose one

Amount by which the purchaser (buyer) receives a reduction in price from the seller is known as:

- ▶ Expense
- ▶ Discount Allowed
- ▶ **Discount Received**
- ▶ Liability

Question No: 22 (Marks: 1) - Please choose one

Which of the following entry will be passed to record discount received in control account?

- ▶ Discount Received (Dr) and Creditors Control A/c (Cr)
- ▶ Discount Received (Dr) and Creditors A/c (Cr)
- ▶ **Creditors Control A/c (Dr) and Discount Received (Cr)**
- ▶ Creditors A/c (Dr) and Discount Received (Cr)

Question No: 23 (Marks: 1) - Please choose one

Which of the following account(s) will be affected, while rectifying the error of sales to Rahim of Rs. 500 **were omitted to** record in books of accounts?

- ▶ Sales account
- ▶ Rahim's account
- ▶ Cash account
- ▶ **Both sales and Rahim's Account**

Question No: 24 (Marks: 1) - Please choose one

It is supposed that on 31st December, 2007, the sundry debtors are amounted to Rs. 40,000. On the basis of past experience, it is estimated that 10% of the sundry debtors are doubtful. Actual bad debts are Rs. 1600. What amount of new provision for doubtful debts will be credited in profit & loss account

- ▶ Rs. 3,600
- ▶ **Rs. 4,000**
- ▶ Rs. 1,600
- ▶ Rs. 2,400

Question No: 25 (Marks: 1) - Please choose one

The figure of cash received from debtors can be located either from cash book or:

- ▶ **Debtor's Control Account**
- ▶ Balance Sheet
- ▶ Profit & Loss Account
- ▶ Bills Payable Account

Question No: 26 (Marks: 1) - Please choose one

Which of the following would NOT be considered as a component of 'cost' of stock?

- ▶ **Salaries of selling staff**
- ▶ Transportation inward costs
- ▶ Import duties
- ▶ Purchase price

Question No: 27 (Marks: 1) - Please choose one

Capital account of sole proprietors is affected by which of the following items?

- a. Profit & Loss account
- b. Drawings account

c. Balances of capital account

- ▶ a,b
- ▶ b,c
- ▶ a,c
- ▶ a,b,c

Question No: 28 (Marks: 1) - Please choose one

Which of the following statement is TRUE about the partnership form of business?

- ▶ Partners must have to share their profits in equal proportion
- ▶ Partners are personally liable for the liabilities of the business
- ▶ Partnerships must make their accounts available to the general public
- ▶ Partnership agreement in writing is called Partnership deed

Question No: 29 (Marks: 1) - Please choose one

Which of the following represents the relationship between persons who have agreed to share the profit of business carried on by all or any of them acting for all?

- ▶ Sole-ownership
- ▶ Private limited company
- ▶ Public limited company
- ▶ Partnership

Question No: 30 (Marks: 1) - Please choose one

The Joint Stock Company is formed under the Companies Ordinance:

- ▶ 1984
- ▶ 1884
- ▶ 1948
- ▶ 1965

Question No: 31 (Marks: 1) - Please choose one

In which of the following, the Interest paid on debenture will be shown?

- ▶ Profit and loss account
- ▶ Profit and loss appropriation account
- ▶ Balance sheet asset side under the heading of "current assets"
- ▶ Trading Account

Question No: 32 (Marks: 1) - Please choose one

The primary purpose of preparing a cash flow statement for an entity is to provide information about:

- ▶ Its financial position at the end of an accounting period
- ▶ Its cash receipts and cash payments during an accounting period
- ▶ Its financial position at the start of an accounting period
- ▶ None of the given options

Question No: 33 (Marks: 1) - Please choose one

Which of the following business publishes the Financial Statements?

- ▶ Sole-Proprietorship
- ▶ Partnership
- ▶ Trust
- ▶ **Public Limited Company**

Question No: 34 (Marks: 1) - Please choose one
 If the Capitals of partners are fixed then, at the end of financial year a partner's drawings are transferred to the:

- ▶ Credit side of the partner's capital account
- ▶ **Credit side of the partner's current account**
- ▶ Debit side of partnership bank account
- ▶ Debit side of the partner's current account

Question No: 35 (Marks: 1) - Please choose one
 Wages outstanding given in the trial balance will be treated as a (an):

- ▶ Asset
- ▶ **Liability**
- ▶ Revenue
- ▶ Deferred expense

Question No: 36 (Marks: 1) - Please choose one
 In balance sheet fixed assets are shown at:

- ▶ Residual value
- ▶ Market value
- ▶ Fair value
- ▶ **Written down value (WDV)**

Question No: 37 (Marks: 1) - Please choose one
 Suppose a firm has 200 debtors, and each of them owes exactly Rs. 150 at the start of June. What is the total amount owed by all debtors?

- ▶ Rs. 2,000
- ▶ Rs. 3,000
- ▶ **Rs. 30,000**
- ▶ Rs. 150,000

Question No: 38 (Marks: 1) - Please choose one
 What will be obtained from the Purchases Returns Book?

- ▶ Discount received
- ▶ **Returns outward**
- ▶ Credit purchases
- ▶ Discount allowed

Question No: 39 (Marks: 1) - Please choose one
 In the heading of financial statement, _____ is not required?

- ▶ Title of financial statement
- ▶ **Name of the person who prepares financial statement**

- ▶ Period for which financial statement is prepared
- ▶ Name of business entity

Question No: 40 (Marks: 1) - Please choose one
Which of the following justifies when profit is earned?

- ▶ Assets exceed Expenditure
- ▶ Income exceeds Expenditure
- ▶ Cash Inflow exceeds Cash Outflow
- ▶ Income exceeds Liabilities

Question No: 41 (Marks: 1) - Please choose one

A and B entered in partnership in capital ratio of 2:3. They earned a profit of Rs.6,600 during the year. What will be the share of profit of Mr. A?

- ▶ Rs.1,320
- ▶ Rs.2,640
- ▶ Rs.3,960
- ▶ Rs.6,600

Question No: 42 (Marks: 1) - Please choose one

In a partnership of Mr. X and Mr. Y, the share of profit of Mr. X is Rs.3,840 and the share of profit of Mr. Y is Rs. 5,760. What will be the ratio of their share?

- ▶ 1:2
- ▶ 2:3
- ▶ 3:2
- ▶ 2:1

Question No: 43 (Marks: 1) - Please choose one

Which of the following is decreased when an asset is converted into expense in adjustment?

- ▶ Revenue
- ▶ Net income
- ▶ Expense
- ▶ Liability

Question No: 44 (Marks: 1) - Please choose one

Accumulated depreciation is a _____ account?

- ▶ Fixed asset
- ▶ Current asset
- ▶ Contra asset
- ▶ Liability

Question No: 45 (Marks: 1) - Please choose one

Adjusting entries are recorded in which of the following?

- ▶ Voucher
- ▶ General journal
- ▶ Ledger
- ▶ Trial balance

Question No: 46 (Marks: 1) - Please choose one

Expired costs in an accounting period should be reported on _____ statement for that time period.

- ▶ Cash in flow
- ▶ Cash out flow
- ▶ Income
- ▶ **Expense**

Question No: 47 (Marks: 1) - Please choose one

Interest expenses of Epler Corporation shows a debit balance of Rs.200 in its unadjusted trial balance and Rs.250 in adjusted trial balance. Which of the following account will be debited in adjusting entry?

- ▶ Interest expense
- ▶ **Interest payable**
- ▶ Prepaid interest
- ▶ Interest paid

Question No: 48 (Marks: 1) - Please choose one

Mr. A & B entered into a partnership with an equal investment and equal share in profit or loss. Markup on capital of Mr. A is Rs.2,500 and markup on drawings of Mr. B is Rs.2,800. The net income for the year is Rs.95,000. What will be the amount of distributable profit?

- ▶ Rs.89,700
- ▶ Rs.94,700
- ▶ **Rs.95,300**
- ▶ Rs.100,300

Question No: 49 (Marks: 1) - Please choose one

Which of the following can be distributed among the share holders?

- ▶ Capital reserve
- ▶ **General reserve**
- ▶ Revaluation reserve
- ▶ All of the given options

Question No: 50 (Marks: 1) - Please choose one

Which of the following capital is offered to the general public?

- ▶ **Issued capital**
- ▶ Subscribed capital
- ▶ Authorized capital
- ▶ Reserve capital

Question No: 51 (Marks: 1) - Please choose one

Which of the following value of the share is authorized by the memorandum of association?

- ▶ **Par value**
- ▶ Face value
- ▶ Nominal value
- ▶ All of the given options

Question No: 52 (Marks: 1) - Please choose one

Which of the following financial statement is helpful for the investors and creditors to assess the cash and non cash aspects of operating, investing and financing transactions on an entity's financial position?

- ▶ Balance Sheet
- ▶ Income Statement
- ▶ **Statement of cash flows**
- ▶ Statement of changes in equity

Question No: 53 (Marks: 1) - Please choose one

The financial statement that captures both the current operating result and the associated changes in the balance sheet is:

- ▶ Statement of retained earnings
- ▶ Statement of financial position
- ▶ **Statement of cash flows**
- ▶ Statement of changes in equity

Question No: 54 (Marks: 1) - Please choose one

In statement of cash flows, interest payment made on loan from bank is related to:

- ▶ Investing activity
- ▶ **Financing activity**
- ▶ Operating activity
- ▶ Net changes in working capital

Question No: 55 (Marks: 3)

Mr. Hassan is a partner in a partnership firm. His capital on July 1, 2001 was Rs. 400,000. He invested further capital of Rs. 150,000 on March 01, 2002. Markup rate is @6%p.a. The financial year of such a business is from 1st July to 30th June.

Required: You are required to calculate his markup on Capital at the end of 30th June 2002.

a) Capital invested on July 1 2001 = 400,000
Markup rate on 400,000 = 6% of 400,000 = 24,000

b) Further capital introduced / invested = 150,000 on March 1, 2002
Markup rate = 6% of 150,000 = 9,000 x 4/12 = 3,000

Total mark up rate = a + b = 24,000 + 3,000 = 27,000

Question No: 56 (Marks: 5)

Calculate cost of goods sold with the help of given data.

| Particulars | Rs. |
|----------------------|---------|
| Purchases | 418,000 |
| Carriage inwards | 7,900 |
| Discount Allowed | 750 |
| Debtors | 16,000 |
| Sales man commission | 2,000 |

| | |
|-------------------|--------|
| Office expenses | 2,000 |
| Carriage outwards | 1,700 |
| Salaries | 13,000 |
| Direct labor | 3,825 |
| FOH | 2,100 |
| Plant & Machinery | 53,000 |
| Buildings | 35,000 |
| Tools | 8,650 |

Helping data:

- d. Plant & Machinery depreciate @ 10% and charged to FOH
- e. Buildings depreciate @ 5% and 40% charged to Administrative expenses and balance to FOH
- f. 40% of salaries will be charge to office and balance to Selling expenses

Question No: 57 (Marks: 5)

X and Y were partners in a business sharing profits in the ratio of 3:1. Their capital were Rs.30,000 and Rs.10,000 respectively. They earned a net profit of Rs. 160,000. Mr. Y was entitled to a salary of Rs.200 p.m. Prepare Profit Distribution Account of X & Y Partnership.

X AND Y ARE SHARED WITH the ratio 3:1

X capital = 30000

Y capital = 10000

Net profit = 160,000

Mr. Y salary is = 200 p.m entitled

Total investment = X + Y capital = 30000 +10000 = 40000

X profit distribution = $30,000/40000 \times 160000 = 120,000$

Y profit distrubtion = $10,000/40000 \times 160000 = 40000$

Question No: 58 (Marks: 10)

Mention the effects of following on financial statements.

- g. Markup on debentures

Markupdebtire – Dr. while Debenture Cr

- h. Creation of reserves
- i. Payments of dividend
- j. Carriage inwards

- k. Current Assets are less than Current Liabilities

Question No: 59 (Marks: 10)

The following is the trial balance of Sikander's Photo Studio, Inc., dated December 31, 2007. The net income for the period is Rs.36,000. You are required to prepare Balance Sheet as on December 31, 2007.

Sikander's Photo Studio, Inc.

Trial balance

December 31, 2007

| | | |
|-------------------------------------|------------|----------|
| Cash | Rs.171,100 | |
| Accounts receivable | 9,400 | |
| Prepaid studio rent | 3,000 | |
| Unexpired insurance | 7,200 | |
| Supplies | 500 | |
| Equipment | 18,000 | |
| Accumulated depreciation: equipment | | Rs.7,200 |
| Notes payable | | 10,000 |
| Accounts payable | | 3,200 |
| Salaries payable | | 4,000 |
| Income tax payable | | 6,000 |
| Unearned revenue | | 8,800 |
| Capital stock | | 100,000 |
| Retained earnings | | 34,000 |
| Revenue earned | | 165,000 |
| Salary expense | 85,000 | |
| Supply expense | 3,900 | |
| Rent expense | 12,000 | |
| Insurance expense | 1,900 | |
| Advertising expense | 500 | |
| Depreciation expense: equipment | 1,800 | |
| Interest expense | 900 | |
| Income taxes expense | 23,000 | |
| | 338,200 | 338,200 |

Fall 2009

MGT101- Financial Accounting (Session - 2)

Time: 120 min Marks: 87

Question No: 1 (Marks: 1) - Please choose one

Which of the following is/are the **END** product of accounting cycle?

- ▶ **Financial Statements**
- ▶ General Journal
- ▶ General Ledger
- ▶ Voucher

Question No: 2 (Marks: 1) - Please choose one

An asset on the balance sheet which is expected to be sold or used within one year is known as:

- ▶ Tangible asset

- ▶ Beginning inventory + Purchases – Work in Process
- ▶ Beginning inventory + Purchases - Sales
- ▶ **Beginning inventory + Purchases - Ending inventory**
- ▶ Ending inventory + Purchases - Beginning Inventory

Question No: 9 (Marks: 1) - Please choose one

Under the straight line method of depreciation:

- ▶ Amount of depreciation increases every year
- ▶ **Amount of depreciation remains constant for every year**
- ▶ Amount of depreciation decreases every year
- ▶ None of the given options

Question No: 10 (Marks: 1) - Please choose one

Consider the following inventory record:

| Date | Item | Quantity | Cost/Unit | Total |
|------------|-------------------|----------|-----------|----------|
| 2007Jan. 2 | Opening Inventory | 100 | Rs.18.00 | Rs.1,800 |
| Mar. 4 | Purchase | 400 | 19.00 | 7,600 |
| May 8 | Purchase | 800 | 20.00 | 16,000 |
| Nov. 3 | Purchase | 500 | 21.00 | 10,500 |

Four hundred units are unsold, Use the FIFO method of inventory costing and determine the value assigned to the 400 units on hand at the end of the period.

- ▶ Rs.7, 500
- ▶ Rs.7, 978
- ▶ Rs.8, 000
- ▶ **Rs.8, 400**

Question No: 11 (Marks: 1) - Please choose one

While adjusting the cash balance of cash book, which of the following is **NOT** taken into account.

- ▶ Mistakes in the cash book
- ▶ **Mistakes in the pass book**
- ▶ Interest credited in the pass book but not entered in cash book
- ▶ Interest debited in the pass book but not entered in cash book

Question No: 12 (Marks: 1) - Please choose one

Consider the following data:

| Particulars | Rs. |
|----------------|----------|
| Assets | ? |
| Owner's equity | 1,50,000 |
| Liabilities | 1,00,000 |

- ▶ Rs. 49,000
- ▶ **Rs. 55,000**

▶ Rs. 50,000

▶ **Rs. 2, 50,000** **Assets = Liabilities + Owner's Equity**

Question No: 13 (Marks: 1) - Please choose one

In accounting accumulated depreciation is:

- ▶ Treated as a reserve
- ▶ **Treated as a contra asset**
- ▶ Treated as a surplus
- ▶ Treated as an expense

Question No: 14 (Marks: 1) - Please choose one

When the Bank Statement balance is more than the Cash Book balance, it is because of:

- ▶ **Unpresented cheques**
- ▶ Unrecorded bank charges
- ▶ Uncredited cheques
- ▶ None of the given options

Question No: 15 (Marks: 1) - Please choose one

Which of the following is an item of a debtors control account?

- ▶ Cash sale
- ▶ **Credit sales**
- ▶ Credit purchase
- ▶ Cash purchases

Question No: 16 (Marks: 1) - Please choose one

Which of the following is shown on credit side of creditors control account?

- ▶ Bills Receivable
- ▶ Return inwards
- ▶ Credit purchases
- ▶ **Discount allowed**

Question No: 17 (Marks: 1) - Please choose one

A sum of Rs. 200 written off as bad debt now received credited to the account of debtor would:

- ▶ **Increase the net profit by Rs.200**
- ▶ Decrease the profit by Rs.200
- ▶ Remains constant and no effect on net profit
- ▶ There is no relation between debtor and profit

Question No: 18 (Marks: 1) - Please choose one

Which of the following account(s) will be affected, while rectifying the error of an amount Rs.200 received from Mr."P" wrongly credited to Mr."Q's" account?

- ▶ Only Cash Account
- ▶ Only P's account
- ▶ Only Q's account
- ▶ **Both of Mr. P's & Mr.Q's Account**

Question No: 19 (Marks: 1) - Please choose one

When one or both aspects of a transaction are recorded in the wrong class or category of account, this is called:

- ▶ **Error of principle**
- ▶ Error of omission
- ▶ Error of commission
- ▶ Error of original entry

(Then there are errors in which an entry is recorded in the wrong class of account. For example a purchase of fixed asset, say, a vehicle is recorded in an expense account. These errors are called **ERRORS OF PRINCIPLE.**)

Question No: 20 (Marks: 1) - Please choose one

Consider the following data and identify the amount which will be shown in profit & loss account.

| Particulars | Rs. |
|------------------------------------|-------|
| Bad debts | 1,600 |
| Provision for doubtful debts (old) | 2,000 |
| Current year's provision (new) | 1,000 |

- ▶ **Rs. 600**
- ▶ Rs. 1,600
- ▶ Rs. 2,000
- ▶ Rs. 2,600

Question No: 21 (Marks: 1) - Please choose one

Consider the following data and identify the amount which will be deducted from Sundry Debtors in Balance Sheet.

| Particulars | Rs. |
|------------------------------------|-------|
| Bad debts (from trial balance) | 1,600 |
| Provision for doubtful debts (old) | 2,000 |
| Current year's provision (new) | 1,000 |

- ▶ Rs. 600
- ▶ **Rs. 1,000**
- ▶ Rs. 2,000
- ▶ Rs. 2,600

Question No: 22 (Marks: 1) - Please choose one

Which of the following is **NOT** an item of cost of goods sold statement?

- ▶ Purchase of raw material
- ▶ Any tax/freight paid on purchases

▶ **Salaries paid to accountant**

▶ Any expense incurred on carriage/transportation of raw material purchased items

Question No: 23 (Marks: 1) - Please choose one

Wages paid to laborers working in the manufacturing department is treated as an expense of:

- ▶ Administrative expenses
- ▶ Selling expenses
- ▶ Marketing expenses
- ▶ **Cost of goods sold**

Question No: 24 (Marks: 1) - Please choose one

Which of the following would **NOT** be considered as a component of 'cost' of stock?

- ▶ **Salaries of selling staff**
- ▶ Transportation inward costs
- ▶ Import duties
- ▶ Purchase price

Question No: 25 (Marks: 1) - Please choose one

Consider the following table:

| | Financial statement item | Classification |
|----|--------------------------|-----------------------|
| A. | Inventory | Current asset |
| B. | Tangible assets | Non-current asset |
| C. | Accrued expenses | Current asset |
| D. | Bonds payable | Long-term liabilities |

Identify the row above, showing an **INCORRECT** financial-statement classification?

- ▶ Row A
- ▶ Row B
- ▶ **Row C**
- ▶ Row D

Question No: 26 (Marks: 1) - Please choose one

Which of the following is **NOT** an operating expense?

- ▶ Salaries and wages expense
- ▶ **Rent expense**
- ▶ Interest expense
- ▶ Depreciation expense

Question No: 27 (Marks: 1) - Please choose one

The Balance Sheet item that represents the resources invested by the owner is known as:

- ▶ Accounts Receivable
- ▶ Cash

- ▶ Note Payable
- ▶ **Owner's Equity**

Question No: 28 (Marks: 1) - Please choose one

Which account is increased with a debit and decreased with a credit?

- ▶ **Cash**
- ▶ Accounts Payable
- ▶ Contributed Capital
- ▶ Retained Earnings

Question No: 29 (Marks: 1) - Please choose one

Which of the following is/are **TRUE** about the sole trader form of business?

- ▶ Sole traders do not need to consult accountants
- ▶ Sole traders must register the name of their business with the Registrar of Companies
- ▶ All of the given options
- ▶ **A sole trader is liable to pay income tax on his/her earnings**

Question No: 30 (Marks: 1) - Please choose one

Which of the following account is affected from the Drawings of cash in sole-proprietorship business?

- ▶ **Capital account**
- ▶ Shareholder account
- ▶ Liability account
- ▶ Expense account

Question No: 31 (Marks: 1) - Please choose one

Which of the following is **CORRECT** if depreciation is given in trial balance?

- ▶ **All of the given options are correct**
- ▶ It means depreciation has already been deducted from concerned asset account
- ▶ It will be shown as an expense in income statement only
- ▶ It will not be deducted from concerned asset in Balance Sheet

Question No: 32 (Marks: 1) - Please choose one

Which of the following statement is **TRUE** about the Accounts receivable?

- ▶ Accounts receivable arises when a company buys goods or services from another party on credit
- ▶ Accounts receivable is a miscellaneous category that may include loans to employees
- ▶ Accounts receivable are more formal than notes receivable
- ▶ **Accounts receivable are often called trade receivables**

Question No: 33 (Marks: 1) - Please choose one

The Joint Stock Company is formed under the Companies Ordinance:

- ▶ **1984**
- ▶ 1884
- ▶ 1948
- ▶ 1965

Question No: 34 (Marks: 1) - Please choose one

The amount received; in excess of the face value of the shares is transferred to which of the following?

- ▶ Share capital account
- ▶ Right share
- ▶ **Share premium account**
- ▶ Share holder account

Question No: 35 (Marks: 1) - Please choose one

Preliminary Expenses of the company may write off against:

- ▶ **Share premium account**
- ▶ Share holder account
- ▶ Debtors control account
- ▶ Creditor control account

Question No: 36 (Marks: 1) - Please choose one

The statement of changes in equity basically shows the movement of:

- ▶ share capital during the year
- ▶ Capital reserves during the year
- ▶ Revenue Reserves during the year
- ▶ **All of the given options**

Question No: 37 (Marks: 1) - Please choose one

| | Rs. |
|--|----------|
| Gross profit | 50,000 |
| Operating profit | 42,000 |
| Sales | 250, 000 |
| What is the amount of operating expenses | ? |

- ▶ **Rs. 8,000**
- ▶ Rs. 92,000
- ▶ Rs. 62,500
- ▶ Rs. 300,000

Question No: 38 (Marks: 1) - Please choose one

If company has distributable profit is Rs. 4, 90,000. Profit sharing share

ratio of Mr. A, Mr. B and Mr. C is 2:3:5 respectively what will be the Profit share for Mr. C in distributable profit.

- ▶ Rs. 98,000
- ▶ Rs. 1, 47,000
- ▶ **Rs. 2, 45,000**
- ▶ Rs. 3, 43,000

Question No: 39 (Marks: 1) - Please choose one

Mr." A" sold goods for Rs. 300,000 to Mr. "B", Rs. 300,000 will be treated as _____ for business of Mr. "A".

- ▶ **Revenue**
- ▶ Net profit
- ▶ Gross profit
- ▶ Operating profit

Question No: 40 (Marks: 1) - Please choose one

What would be the value of conversion cost, if the cost of material consumed during the month is Rs. 5,000, labor cost incurred is Rs. 2,000 and the factory over head cost is Rs. 1,000?

- ▶ **Rs. 3,000**
- ▶ Rs. 8,000
- ▶ Rs. 7,000
- ▶ Rs. 5,000

Question No: 41 (Marks: 1) - Please choose one

Mr. A provided the following information from his books of accounts at the end of the month.

| Particulars | Rs. |
|---------------------|-------|
| Cash | 100 |
| Accounts Receivable | 500 |
| Accounts Payable | 200 |
| Bank Loans | 1,000 |

Based on the information provided, what are Mr. A's total liabilities?

- ▶ Rs.200
- ▶ Rs. 900
- ▶ **Rs. 1,200**
- ▶ Rs. 1,700

Question No: 42 (Marks: 1) - Please choose one

When we close bad debt account, which of the following account is debited?

- ▶ **Profit and loss account**
- ▶ Bad debt account
- ▶ Debtor account
- ▶ Creditor account

Question No: 43 (Marks: 1) - Please choose one

Mr. Ali's bank book shows a debit balance of Rs. 36,000. He deposited a cheque of Rs.15,000 but not yet collected by the bank. What will be the balance of bank statement?

- ▶ Rs. 21,000
- ▶ Rs. 51,000
- ▶ **Rs. 36,000**
- ▶ Rs. 15,000

Question No: 44 (Marks: 1) - Please choose one

Suppose a firm has 100 debtors, and each of them owes exactly Rs.150 at the start of June. During June each debtor has paid-off exactly Rs.100 on their account, either by cash or by cheque. What should be the revised total debtors figure?

- ▶ **Rs. 5,000**
- ▶ Rs. 9,850
- ▶ Rs. 25,000
- ▶ Rs. 14,900

Question No: 45 (Marks: 1) - Please choose one

We usually allow the customer to deduct a certain amount from the invoice value for prompt payment. In doing so we are granting a:

- ▶ Commission
- ▶ Allowance
- ▶ **Discount**
- ▶ Rebate

Question No: 46 (Marks: 1) - Please choose one

The valuation of closing stock is at:

- ▶ Cost price
- ▶ Market price
- ▶ **Cost or market price, whichever is lower**
- ▶ Cost or market price, whichever is higher

Question No: 47 (Marks: 1) - Please choose one

Adjusting costs are reported as:

- ▶ Revenues
- ▶ **Expenses**
- ▶ Assets
- ▶ Net Income

Question No: 48 (Marks: 1) - Please choose one

Which of the following is also affected when an adjusting entry is passed to accrue an incurred expense?

- ▶ Total assets
- ▶ **Total liabilities**
- ▶ Current assets
- ▶ Total income

Question No: 49 (Marks: 1) - Please choose one

Which of the following is known as an asset account?

- ▶ Gains
- ▶ **Prepaid insurance**
- ▶ Unearned revenue
- ▶ Accounts payable

Question No: 50 (Marks: 1) - Please choose one

Mr. A & B entered into a partnership with an equal share in profit or loss. The agreement provides that Mr. A will receive Rs.10,000 and Mr. B will receive Rs.8,000 as salary allowance. The net income for the year is Rs.85,000. What will be the total share of Mr. B?

- ▶ Rs.52,500
- ▶ Rs.42,500
- ▶ **Rs.41,500**
- ▶ Rs.50,500

Question No: 51 (Marks: 1) - Please choose one

For which of the following share premium can not be utilized?

- ▶ **To write off preliminary expenses**
- ▶ To meet the expenses of issue of shares
- ▶ To issue bonus shares
- ▶ None of the given options

Question No: 52 (Marks: 1) - Please choose one

Which of the following capital is offered to the general public?

- ▶ **Issued capital**
- ▶ Subscribed capital
- ▶ Authorized capital
- ▶ Reserve capital

Question No: 53 (Marks: 1) - Please choose one

Which of the following is known as the charter of the company?

- ▶ Prospectus
- ▶ Articles of association
- ▶ **Memorandum of association**
- ▶ None of the given options

Question No: 54 (Marks: 1) - Please choose one

Statement of cash flows helps the stakeholders to assess:

- ▶ Ability to pay cash dividends in the future
- ▶ **All of the given options**
- ▶ The ability to generate future cash flows
- ▶ The liquidity of the business

Question No: 55 (Marks: 3)

How bad debts & provision for doubtful debts (new and old) are treated in profit and loss account.

Question No: 56 (Marks: 5)

You are required to pass rectifying entries of the following errors:

1. Received cash Rs. 500 from Mr. "B" entered as Rs. 300 in the cash book.
2. A cash sale of Rs. 600 has completely omitted to be recorded in the books.
3. Goods worth Rs. 200 were returned to Mr. Kamran but no entry was passed in the books.

Question No: 57 (Marks: 5)

The face value of the share of ABC public limited company is Rs.10. the share is sold at Rs.15. total shares traded in the market are 50,000. What will be the amount of share premium received and discuss for what it will be utilized?

Question No: 58 (Marks: 10)

On 31st December, 2006, a merchant has to receive Rs. 50,000 from sundry debtors and creates provision of 5 percent on this amount for doubtful debts. Actual bad debts during the year 2007 were Rs.1, 400. The debtors on 31st December, 2007, are Rs. 40,000 on which he again creates provision of 5 % for doubtful debts. During 2008 actual bad debts are Rs. 600 and the debtors at the end of 2008 totalled Rs. 25,000, on which a reserve a reserve of 5 % for doubtful debts is required to be maintained.

Required: Prepare provision for doubtful debts account with the help of

given data.

Question No: 59 (Marks: 10)

The following Trial balance is taken out from the books of Rahman & Sons as on 31st December, 2008.

| | Dr. | Cr. |
|-------------------------|---------|---------|
| | Rs. | Rs. |
| Sales | | 204,000 |
| Capital | | 120,000 |
| Bank overdraft | | 103,560 |
| Sundry Creditors | | 120,000 |
| Opening Stock | 60,400 | |
| Purchases | 231,600 | |
| Sundry Debtors | 109,660 | |
| Returns Inwards | 3,640 | |
| General Expenses | 6,980 | |
| Plant | 22,620 | |
| Wages & Salaries | 16,740 | |
| Building | 50,000 | |
| Cash in Hand | 680 | |
| Cash at bank | 8,720 | |
| Drawings | 16,960 | |
| Motive Power | 2,300 | |
| Dock & clearing Charges | 1,300 | |
| Coal, Gas, Water | 1,700 | |
| Salaries | 9,820 | |
| Interest on O/D | 4,440 | |
| Rent rates Taxes | 1,400 | |
| Discount Allowed | 2,000 | |
| Interest received | | 3,400 |
| | 550,960 | 550,960 |

Requirement:

Prepare The Trading and Profit & Loss account of the business for the year ended. Closing Stock is valued at Rs.40, 000.

MGT101- Financial Accounting (Session - 1)

Ref No: 1195799

Time: 120 min

Marks: 87

Question No: 1 (Marks: 1) - Please choose one

Shares for which amount is paid by public are called_____shares.

- ▶ Paid up
- ▶ Authorized
- ▶ Bonus shares

- ▶ All are correct options

Question No: 2 (Marks: 1) - Please choose one

Term "Credit" means_____by the business.

- ▶ Receiving of benefits
- ▶ It has no effect on business
- ▶ Providing of benefits
- ▶ It depends upon items

Question No: 3 (Marks: 1) - Please choose one

Which of the following is used to record financial transactions in chronological (day-to-day) order?

- ▶ Voucher
- ▶ **General Journal**
- ▶ General Ledger
- ▶ Trial balance

Question No: 4 (Marks: 1) - Please choose one

Which of the following is **CORRECT** about the flow of recording a transaction?

- ▶ Occurrence of event – voucher—Journal—Ledger—Trial Balance—profit and loss account—Balance Sheet
- ▶ Occurrence of event—Journal – voucher —Ledger—Trial Balance—profit and loss account—Balance Sheet
- ▶ Occurrence of event—Ledger – voucher—Journal—Trial Balance—profit and loss account—Balance Sheet
- ▶ Occurrence of event—Trial Balance – voucher—Journal—Ledger—profit and loss account—Balance Sheet

Question No: 5 (Marks: 1) - Please choose one

In an account, if credit side < debit side then the balance is known as:

- ▶ Negative Balance
- ▶ **Debit Balance**

- ▶ Positive Balance
- ▶ Credit Balance

Question No: 6 (Marks: 1) - Please choose one

Which one of the following is a type of General Ledger?

- ▶ Book of original entry
- ▶ 'T' Account
- ▶ Source document
- ▶ Day book

Question No: 7 (Marks: 1) - Please choose one

Which of the following is **NOT** considered a part of financial statements?

- ▶ General Ledger
- ▶ Balance Sheet
- ▶ Profit and Loss Account
- ▶ Cash Flow Statement

Question No: 8 (Marks: 1) - Please choose one

The difference between current Assets and current liabilities is known as:

- ▶ Working capital
- ▶ Opening stock
- ▶ Closing stock
- ▶ Owner's equity

Question No: 9 (Marks: 1) - Please choose one

If the Company ABC has current assets Rs. 100,000, current liabilities Rs. 75,000 and fixed assets Rs. 200,000, what would be the value of working capital?

- ▶ Rs. 25,000
- ▶ Rs. 1, 00,000
- ▶ Rs. 1, 75,000
- ▶ Rs. 3, 00,000

Question No: 10 (Marks: 1) - Please choose one

If, Cost of machine = Rs.400, 000

Useful life = 5 years

Residual value = Rs.25, 000

The depreciation of machine per year using straight line method is?

- ▶ Rs. 160,000
- ▶ Rs. 96,000
- ▶ Rs. 75,000
- ▶ Rs. 57,600

Question No: 11 (Marks: 1) - Please choose one

The cost of moving plant and machinery to a new site will be treated as:

- ▶ Revenue expense
- ▶ **Capital expense**
- ▶ Administrative expense
- ▶ Operating expense

Question No: 12 (Marks: 1) - Please choose one

Which of the following account balance is shown on credit side of Trial Balance? (It is assumed that all account balances are shown on normal balance)

- ▶ Cash account
- ▶ Furniture account
- ▶ Vehicle account
- ▶ **Capital account**

Question No: 13 (Marks: 1) - Please choose one

Find out the missing value of an Accounting Equation with the help of given data:

| | |
|-------------------|------------|
| Total Assets | Rs. 34,500 |
| Accounts payable | Rs. 1, 000 |
| Other liabilities | Rs. 11,500 |

- ▶ **Rs. 22,000 owner's equity**
- ▶ Rs. 23, 000 owner's equity
- ▶ Rs. 24,000 owner's equity
- ▶ Rs. 46,000 owner's equity

Question No: 14 (Marks: 1) - Please choose one

Consider the following data:

| Particulars | Rs. |
|----------------|----------|
| Assets | ? |
| Owner's equity | 1,50,000 |
| Liabilities | 1,00,000 |

- ▶ Rs. 49,000
- ▶ Rs. 55,000
- ▶ Rs. 50,000
- ▶ **Rs. 2, 50,000**

Question No: 15 (Marks: 1) - Please choose one

| Particulars | Rs. |
|---|--------------|
| Opening written down value of machine | Rs. 2,00,000 |
| Cost of new machine purchased during the year | Rs. 50,000 |
| Depreciation during the year | Rs. 25,000 |
| Closing written down value (WDV) of machines | ? |

- ▶ Rs. 2, 25,000
- ▶ Rs. 2, 50,000
- ▶ Rs. 2, 75,000
- ▶ Rs. 75,000

Question No: 16 (Marks: 1) - Please choose one

A debit balance in the Bank Statement indicates:

- ▶ Cash at bank
- ▶ Bank overdraft
- ▶ Overpayment to creditors
- ▶ Cash in hand

Question No: 17 (Marks: 1) - Please choose one

Which of the following best describes unpresented cheques?

- ▶ Cheques received on behalf of the business by the bank
- ▶ Cheques drawn but yet to be recorded in the bank records
- ▶ Cheques issued by the bank not recorded in business records
- ▶ Cheques received but yet to be recorded in the bank records

Question No: 18 (Marks: 1) - Please choose one

Consider the following data and identify the amount which will be shown in profit & loss account.

| Particulars | Rs. |
|------------------------------------|-------|
| Bad debts | 3,600 |
| Provision for doubtful debts (old) | 6,000 |
| Current year's provision (new) | 1,500 |

- ▶ Rs. (5,100)
- ▶ Rs. 5,100
- ▶ Rs. (900)
- ▶ Rs. 900

Question No: 19 (Marks: 1) - Please choose one

It is supposed that on 31st December, 2007, the sundry debtors are amounted to Rs. 40,000. On the basis of past experience, it is estimated that 5 % of the sundry debtors are doubtful. Actual bad debts are Rs. 1600. What amount of new provision for doubtful debts will be credited in profit & loss account.

- ▶ Rs. 3,600
- ▶ Rs. 2,000
- ▶ Rs. 1,600
- ▶ Rs. 400

Question No: 20 (Marks: 1) - Please choose one

Following information are extracted from books of Mr. XYZ

| Particulars | Rs. |
|-------------|-----|
|-------------|-----|

| | |
|--|--------|
| Closing value of stock | 40,000 |
| Bad Debts (Given in trial balance) | 500 |
| Old provisions (Given in trial balance) | 800 |
| Sundry Debtors (Given in trial balance) | 44,500 |
| Provision for doubtful debts @ 5% | |
| Which amount of new provision will be deducted from Sundry Debtors | ? |

- ▶ Rs. 2,225
- ▶ Rs. 2,525
- ▶ Rs. 1,925
- ▶ Rs. 3,025

Question No: 21 (Marks: 1) - Please choose one

It is supposed that on 31-12-2007, the sundry debtors are amounted to Rs. 40,000. On the basis of past experience, it is estimated that 5 % of the sundry debtors are doubtful. It is also suppose that during the year 2008 actual bad debts were Rs. 1,600. What entry will pass to create provision for doubtful debts?

- ▶ Profit & Loss a/c Rs. 2,000 (Dr) & Provision for doubtful debts a/c Rs. 2,000 (Cr)
- ▶ Provision for doubtful debts a/c Rs. 2,000 (Dr) & Profit & Loss a/c Rs. 2,000 (Cr)
- ▶ Provision for doubtful debts a/c Rs. 1,600 (Dr) & Profit & Loss a/c Rs. 1,600 (Cr)
- ▶ Profit & Loss a/c Rs. 1,600 (Dr) & Provision for doubtful debts a/c Rs. 1,600 (Cr)

Question No: 23 (Marks: 1) - Please choose one

Which of the following is an item of a debtors control account?

- ▶ Cash sale
- ▶ Credit sales
- ▶ Credit purchase
- ▶ Cash purchases

Question No: 24 (Marks: 1) - Please choose one

Which of the following entry is passed to record discount allowed in control account?

- ▶ Discount Allowed (Dr) and Debtors Control A/c (Cr)
- ▶ Discount Allowed (Dr) and Debtors A/c (Cr)
- ▶ Debtors Control A/c (Dr) and Discount Allowed (Cr)
- ▶ Debtors A/c (Dr) and Discount Allowed (Cr)

Question No: 25 (Marks: 1) - Please choose one

Transaction that has been completely forgotten to enter is called:

- ▶ Error of principle
- ▶ Error of omission
- ▶ Error of commission
- ▶ Error of original entry

Question No: 26 (Marks: 1) - Please choose one

Which of the following account will be credited when a typewriter is sold that has been used in the office?

- ▶ Cash Account
- ▶ Sales Account
- ▶ Purchase Account
- ▶ **Office Equipment Account**

Question No: 27 (Marks: 1) - Please choose one

Which of the following item must be recorded in the adjusted Cash Book in order to bring it in line with the entries in the Bank Statement?

- ▶ **Bank charges**
- ▶ An error on the Bank Statement
- ▶ An uncredited deposit
- ▶ An unrepresented cheque

Question No: 28 (Marks: 1) - Please choose one

It is supposed that on 31st December, 2007, the sundry debtors are amounted to Rs. 40,000. On the basis of past experience, it is estimated that 10% of the sundry debtors are doubtful. Actual bad debts are Rs. 1600. What amount of new provision for doubtful debts will be deducted from Sundry debtors?

- ▶ Rs. 3,600
- ▶ **Rs. 4,000**
- ▶ Rs. 1,600
- ▶ Rs. 2,400

Question No: 29 (Marks: 1) - Please choose one

Consider the following table:

| | Financial statement item | Classification |
|-----------|---------------------------------|-----------------------|
| A. | Inventory | Current asset |
| B. | Tangible assets | Non-current asset |
| C. | Accrued expenses | Current asset |
| D. | Bonds payable | Long-term liabilities |

Identify the row above, showing an **INCORRECT** financial-statement classification?

- ▶ Row A
- ▶ Row B
- ▶ **Row C**
- ▶ Row D

Question No: 30 (Marks: 1) - Please choose one

Which financial statement show what a business owes at a particular point in time?

- ▶ A cash flow statement
- ▶ The bank statement for the business

- ▶ A balance sheet
- ▶ A statement of retained earnings

Question No: 31 (Marks: 1) - Please choose one

Which of the following account is affected from the Drawings of cash in sole-proprietorship business?

- ▶ Capital account
- ▶ Shareholder account
- ▶ Liability account
- ▶ Expense account

Question No: 32 (Marks: 1) - Please choose one

Capital account of sole proprietors is affected by which of the following items?

- a. Profit & Loss account
- b. Drawings account
- c. Balances of capital account

- ▶ a,b
- ▶ b,c
- ▶ a,c
- ▶ a,b,c

Question No: 33 (Marks: 1) - Please choose one

When closing stock is given in trial balance, then it will effect:

- ▶ Trading account only
- ▶ Balance sheet only
- ▶ Owner's equity only
- ▶ Both Trading account and Balance sheet

Question No: 34 (Marks: 1) - Please choose one

Fixed Asset (WDV) + _____ = Total assets Employed

- ▶ Working capital
- ▶ Total liabilities
- ▶ Total assets
- ▶ Current assets

Question No: 35 (Marks: 1) - Please choose one

A, B, C are partners. Their profit sharing ratio is equal. Capital balance on July 1st of Partner A --- Rs. 40,000 Partner B --- Rs. 30,000 and Partner C--- Rs. 20,000. Their private property of Partner A is Rs. 15,000, Partner B is Rs. 7,000 and Partner C is Rs. 1,500. What is the level of their liabilities under the partnership firm?

- ▶ Partner A—Rs. 40,000, Partner B ----Rs. 30,000, Partner C – 20,000
- ▶ Partner A—Rs. 40,000, Partner B---- Rs. 30,000, Partner C – 21,500
- ▶ Partner A—Rs. 40,000, Partner B---- Rs. 37,000, Partner C – 20,000
- ▶ Partner A—Rs. 55,000, Partner B---- Rs. 37,000, Partner C – 21,500

Question No: 36 (Marks: 1) - Please choose one

Share premium account is used for what?

- ▶ Write off Preliminary Expenses of the company.

- ▶ Write off the balance amount, in issuing shares on discount.
- ▶ Issue fully paid Bonus Shares.
- ▶ All of the given options

Question No: 37 (Marks: 1) - Please choose one

Which of the following is the most important document of the company?

- ▶ Memorandum of Association
- ▶ Articles of Association
- ▶ Prospectus
- ▶ Annual Report

Question No: 38 (Marks: 1) - Please choose one

Which of the following documents contains rules and regulations for internal management of the company?

- ▶ Memorandum of Association
- ▶ Articles of Association
- ▶ Prospectus
- ▶ Statutory Declaration

Question No: 39 (Marks: 1) - Please choose one

A firm may earn profit during an accounting period but have less money in the bank at the end of the period than it had at the beginning. Which of the followings, on its own, could explain this?

- ▶ Not paying invoices received from creditors
- ▶ The sale of fixed assets during the period
- ▶ An increase in trade debtors over the course of the period
- ▶ An increase in the depreciation charge relative to the previous accounting period

Question No: 40 (Marks: 1) - Please choose one

Which of the following statement is **NOT TRUE** about the limited company form of business?

- ▶ The limited company form of business allows ownership of the business to be spread amongst many people
- ▶ Shareholders can appoint professionals
- ▶ Shareholders are personally liable for all the liabilities incurred by the business
- ▶ Regular filing of information about the affairs of the company is a legal requirement

Question No: 41 (Marks: 1) - Please choose one

Which of the following ratio tells about “How a company would repay its loans”

- ▶ Mark up cover ratio
- ▶ Acid test ratio
- ▶ Current ratio

- ▶ Debt Equity ratio

Question No: 42 (Marks: 1) - Please choose one

If Cost of asset=Rs. 100,000, Residual Value (RV) = Rs. 20,000 and Life = 3 years, what is the depreciation rate under reducing balance method?

- ▶ 10%
- ▶ 22%
- ▶ 42%
- ▶ 52%

Question No: 43 (Marks: 1) - Please choose one

Mr. "A" sold goods for Rs. 300,000 to Mr. "B", Rs. 300,000 will be treated as _____ for business of Mr. "A".

- ▶ Revenue
- ▶ Net profit
- ▶ Gross profit
- ▶ Operating profit

Question No: 44 (Marks: 1) - Please choose one

An uncollectible account receivable is also termed as:

- ▶ Asset
- ▶ Uncollectible asset
- ▶ Uncollectible accounts expense
- ▶ None of the given options

Question No: 45 (Marks: 1) - Please choose one

Payment is made of a company's purchases **on credit**, which of the following is correct:

- ▶ Debit stock account and credit creditors account
- ▶ Debit creditors account and credit cash account
- ▶ Debit cash account and credit creditors account
- ▶ Debit stock account and credit cash account

Question No: 46 (Marks: 1) - Please choose one

ABC company makes payment of Rs.50,000 to Mr. Ali Zafar, who is a debtor, is wrongly recorded in the account of Zafar Ali. The error is classified as:

- ▶ Error of commission
- ▶ Error of omission
- ▶ Error of original entry
- ▶ Error of principle

Question No: 47 (Marks: 1) - Please choose one

Deferred revenues will become revenue when they are:

- ▶ Realized
- ▶ Earned
- ▶ Incurred
- ▶ Paid

Question No: 48 (Marks: 1) - Please choose one

The weekly or biweekly compensation received by hourly-paid employees is called:

- ▶ Salary
- ▶ Wages
- ▶ Income
- ▶ Profit

Question No: 49 (Marks: 1) - Please choose one

Interest expenses of Epler Corporation shows a debit balance of Rs.200 in its unadjusted trial balance and Rs.250 in adjusted trial balance. Which of the following account will be credited in adjusting entry?

- ▶ Interest expense
- ▶ Interest payable
- ▶ Prepaid interest
- ▶ Interest paid

Question No: 50 (Marks: 1) - Please choose one

Insurance premiums paid in advance but not yet expired are reported in which of the following account?

- ▶ Insurance payable
- ▶ Prepaid insurance
- ▶ Advance payment account
- ▶ Insurance expense

Question No: 51 (Marks: 1) - Please choose one

Dillon Company sold marketable securities Costing Rs.60,000 for Rs.72,000 cash. In the company's income statement and statement of cash flows, respectively, this will appear as:

- ▶ A Rs.72,000 gain and a Rs.6,000 cash receipt
- ▶ A Rs.12,000 gain and a Rs.72,000 cash receipt
- ▶ A Rs.12,000 gain and a Rs.60,000 cash receipt
- ▶ A Rs.72,000 sale and a Rs.72,000 cash receipt

Question No: 52 (Marks: 1) - Please choose one

Mr. A & B entered into a partnership with an equal share in profit or loss. The agreement provides that Mr. A will receive Rs.10,000 and Mr. B will receive Rs.8,000 as salary allowance. The net income for the year is Rs.85,000. What will be the total share of Mr. B?

- ▶ Rs.52,500
- ▶ Rs.42,500
- ▶ Rs.41,500
- ▶ Rs.50,500

Question No: 53 (Marks: 1) - Please choose one

Which of the following is quoted company?

- ▶ Private Limited Company
- ▶ Public Limited Company
- ▶ Listed company
- ▶ Non Listed Company

Question No: 54 (Marks: 1) - Please choose one

Which of the following is one of the major factors affecting the market value of a company's shares?

- ▶ Current ratio
- ▶ **Earning per share**
- ▶ Return on investment
- ▶ Return on asset

Question No: 55 (Marks: 3)

You are required to pass rectifying entries of the following errors:

1. Sales of old furniture has been credited to sales account for Rs. 200.
2. Salaries paid Rs. 20,000 were wrongly debited to rent a/c.

Question No: 56 (Marks: 5)

3. **Discuss share premium with an example.**
4. **If dividend is announced in percentage by the directors of the company how it will be calculated.**

Question No: 57 (Marks: 5)

ABC Company purchased goods of Rs.150,000 on credit from which goods of Rs.20,000 were defected and returned. Company received 2% discount at the time of payment from the supplier.

Required:

5. What will be the amount
of discount received by the company?
6. Also show the journal
entries

Question No: 58 (Marks: 10)

The following Trial balance is taken out from the books of Rahman & Sons as on 31st December, 2008.

| | Dr. | Cr. |
|------------------|------------|------------|
| | Rs. | Rs. |
| Sales | | 204,000 |
| Capital | | 120,000 |
| Bank overdraft | | 103,560 |
| Sundry Creditors | | 120,000 |
| Opening Stock | 60,400 | |
| Purchases | 231,600 | |
| Sundry Debtors | 109,660 | |
| Returns Inwards | 3,640 | |
| General Expenses | 6,980 | |
| Plant | 22,620 | |
| Wages & Salaries | 16,740 | |
| Building | 50,000 | |

| | | |
|-------------------------|----------------|----------------|
| Cash in Hand | 680 | |
| Cash at bank | 8,720 | |
| Drawings | 16,960 | |
| Motive Power | 2,300 | |
| Dock & clearing Charges | 1,300 | |
| Coal, Gas, Water | 1,700 | |
| Salaries | 9,820 | |
| Interest on O/D | 4,440 | |
| Rent rates Taxes | 1,400 | |
| Discount Allowed | 2,000 | |
| Interest received | | 3,400 |
| | 550,960 | 550,960 |

Requirement:

Prepare The Trading and Profit & Loss account of the business for the year ended. Closing Stock is valued at Rs.40, 000.

Question No: 59 (Marks: 10)

Adil and Bilal make up their accounts annually to 31st December and have been in partnership for some years. Interest is charged on drawings at the rate of 10% per annum and is allowed on capitals also at 10% per annum. Bilal receives salary Rs. 4,000 per annum. The balance of profits or losses is to be shared: Adil 2/3, Bilal 1/3. At 1st January, 2007, the following balances appeared in the firm's books:

| | |
|-----------------------|----------------|
| Capital account: Adil | Rs. 10,000 |
| Bilal | Rs. 6,000 |
| Current Account: Adil | Rs. 5,000 (Cr) |
| Bilal | Rs. 3,000 (Cr) |

The net profit for that year was amounted to Rs. 15,000. At that date the balances on partners' drawings accounts were: Adil Rs. 6,000 and Bilal Rs. 5,000. It is assumed that no capital introduced during the year

Required:

- (1) The profit & Loss Appropriation account of the partnership for the year ended 31st December, 2007.
- (2) Show Partners' current accounts and capital accounts in Balance sheet of Adil and Bilal as on 31st December 2007

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Question No: 1 (Marks: 1) - Please choose one

Shares for which amount is paid by public are called _____ shares.

- ▶ Paid up
- ▶ Authorized

- ▶ Bonus shares
- ▶ All are correct options

Question No: 2 (Marks: 1) - Please choose one

Which of the following account/s will be affected under the rule of accrual accounting, when furniture is purchased on cash?

- ▶ Only Cash Account
- ▶ Only Furniture Account
- ▶ **Cash & Furniture Account**
- ▶ Only Purchases Account

Question No: 3 (Marks: 1) - Please choose one

A book, in which receipts and payments are recorded, is known as:

- ▶ Pass Book
- ▶ **Cash Book**
- ▶ Purchase Book
- ▶ Sales Book

Question No: 4 (Marks: 1) - Please choose one

Which of the following shows summary of a company's financial position at a specific date?

- ▶ Profit & Loss Account
- ▶ Cash Flow Statement
- ▶ **Balance Sheet**
- ▶ Income & Expenditure Account

Question No: 5 (Marks: 1) - Please choose one

Which of the following is **NOT** an example of intangible assets?

- ▶ Franchise rights
- ▶ Goodwill
- ▶ Patents
- ▶ **Land**

Question No: 6 (Marks: 1) - Please choose one

Which of the following account will be credited in the books of ABC Co. Ltd., if furniture is purchased on cash?

- ▶ Furniture account
- ▶ **Cash account**
- ▶ Business account
- ▶ Bank account

Question No: 7 (Marks: 1) - Please choose one

If the working capital and the current assets of company XYZ are Rs. 5,000 and Rs.15,000 respectively, calculate the current liabilities.

- ▶ Rs. 5,000
- ▶ **Rs. 10,000**
- ▶ Rs. 15,000
- ▶ Rs. 20,000

Question No: 8 (Marks: 1) - Please choose one

Cost of Goods Sold = ?

- ▶ Beginning inventory + Purchases – Work in Process
- ▶ Beginning inventory + Purchases - Sales
- ▶ **Beginning inventory + Purchases - Ending inventory**
- ▶ Ending inventory + Purchases - Beginning Inventory

Question No: 9 (Marks: 1) - Please choose one

The total of all costs incurred to convert raw material into finished goods is known as:

- ▶ Prime cost
- ▶ **Conversion cost**
- ▶ Sunk cost
- ▶ Opportunity cost

Question No: 10 (Marks: 1) - Please choose one

In cost of goods sold statement the 'cost of goods manufactured' is equal to:

- ▶ Total factory cost + Opening work in process + Ending work in process
- ▶ **Total factory cost + Opening work in process – Ending work in process**
- ▶ Total factory cost - Opening work in process + Ending work in process
- ▶ Ending work in process + Total factory cost – Opening work in process

Question No: 11 (Marks: 1) - Please choose one

Fixed assets are also called:

- ▶ **Depreciable assets**
- ▶ Current assets
- ▶ Liquid assets
- ▶ Floating assets

Question No: 12 (Marks: 1) - Please choose one

Consider the following inventory record:

| Date | Item | Quantity | Cost/Unit | Total |
|------------|-------------------|----------|-----------|----------|
| 2007Jan. 2 | Opening inventory | 100 | Rs.18.00 | Rs.1,800 |

| | | | | |
|--------|----------|-----|-------|--------|
| Mar. 4 | Purchase | 400 | 19.00 | 7,600 |
| May 8 | Purchase | 800 | 20.00 | 16,000 |
| Nov. 3 | Purchase | 500 | 21.00 | 10,500 |

Four hundred units are unsold, Use the FIFO method of inventory costing and determine the value assigned to the 400 units on hand at the end of the period.

- ▶ Rs.7, 500
- ▶ Rs.7, 978
- ▶ Rs.8, 000
- ▶ **Rs.8, 400**

Question No: 13 (Marks: 1) - Please choose one

Increase in an asset is recorded on the:

- ▶ Left or credit side of the account
- ▶ Right or debit side of the account
- ▶ **Left or debit side of the account**
- ▶ Right or credit side of the account

Question No: 14 (Marks: 1) - Please choose one

The allocation of the cost of a tangible plant asset to expense in the periods, in which services are received from the asset, is termed as:

- ▶ Appreciation
- ▶ **Depreciation**
- ▶ Fluctuation
- ▶ None of the given options

Question No: 15 (Marks: 1) - Please choose one

Consider the following data:

| Particulars | Rs. |
|----------------|----------|
| Assets | ? |
| Owner's equity | 1,50,000 |
| Liabilities | 1,00,000 |

- ▶ Rs. 49,000
- ▶ Rs. 55,000
- ▶ Rs. 50,000
- ▶ **Rs. 2, 50,000**

Question No: 16 (Marks: 1) - Please choose one

Consider the following data:

| Particulars | Rs. |
|----------------|----------|
| Assets | 8,20,000 |
| Owner's equity | 3,80,000 |
| Liabilities | ? |

- ▶ Rs. 1, 98,000
- ▶ Rs. 49,000
- ▶ Rs. 55,000
- ▶ **Rs. 4, 40,000**

Question No: 17 (Marks: 1) - Please choose one

A debit balance in the Bank Statement indicates:

- ▶ Cash at bank
- ▶ **Bank overdraft**
- ▶ Overpayment to creditors
- ▶ Cash in hand

Question No: 18 (Marks: 1) - Please choose one

Bank Statement is a record of transactions between the bank and the holder of:

- ▶ A foreign currency account
- ▶ A current account
- ▶ A saving account
- ▶ **All of the given options**

Question No: 19 (Marks: 1) - Please choose one

Consider the following data and identify the amount which will be deducted from Sundry Debtors in Balance Sheet.

| Particulars | Rs. |
|------------------------------------|-------|
| Bad debts (from trial balance) | 1,600 |
| Provision for doubtful debts (old) | 2,000 |
| Current year's provision (new) | 800 |

- ▶ Rs. 400
- ▶ **Rs. 800**
- ▶ Rs. 2,000
- ▶ Rs. 2,400

Question No: 20 (Marks: 1) - Please choose one

It is supposed that on 31-12-2007, the sundry debtors are amounted to Rs. 40,000. On the basis of past experience, it is estimated that 5 % of the sundry debtors are doubtful. It is also suppose that during the year 2008 actual bad debts were Rs. 1,600. What entry will pass to create provision for doubtful debts?

▶ **Profit & Loss a/c Rs. 2,000 (Dr) & Provision for doubtful debts a/c Rs. 2,000 (Cr)**

▶ Provision for doubtful debts a/c Rs. 2,000 (Dr) & Profit & Loss a/c Rs. 2,000 (Cr)

- ▶ Provision for doubtful debts a/c Rs. 1,600 (Dr) & Profit & Loss a/c Rs. 1,600 (Cr)
- ▶ Profit & Loss a/c Rs. 1,600 (Dr) & Provision for doubtful debts a/c Rs. 1,600 (Cr)

Question No: 21 (Marks: 1) - Please choose one

Which of the following is/are the item/s of a Control Account?

- ▶ Credit sale only
- ▶ Cash sale only
- ▶ Credit purchase only
- ▶ **Both Credit sales and Credit purchase**

Question No: 22 (Marks: 1) - Please choose one

Control account tells about:

- ▶ Details of loyal clients
- ▶ Customer attitude of payments
- ▶ Complete history of transactions of business clients
- ▶ **Picture collectively instead of individually**

Question No: 23 (Marks: 1) - Please choose one

Which of the following account(s) will be affected, while rectifying the error of purchases return of Rs. 200 to "Mr.P" mistakenly entered in sales book?

- ▶ P's account
- ▶ Purchases return account
- ▶ Sales account
- ▶ **Purchases returns account and sales account**

Question No: 24 (Marks: 1) - Please choose one

Which of the following account(s) will be affected, while rectifying the error of a purchase return of Rs.200 to Mr. "A" entered in sales book instead of purchase return book?

- ▶ A's account only
- ▶ Sales account only
- ▶ **Purchase returns account and sales account**
- ▶ Purchases account only

Question No: 25 (Marks: 1) - Please choose one

Which of the following account(s) will be affected, while rectifying the error of an amount Rs.200 received from Mr."P" wrongly credited to Mr."Q's" account?

- ▶ Only Cash Account
- ▶ Only P's account
- ▶ Only Q's account
- ▶ **Both of Mr. P's & Mr.O's Account**

Question No: 26 (Marks: 1) - Please choose one

Which of the following entry will be recorded, if a cheque deposited is dishonored by bank?

- ▶ Bank Account (Dr.) and Debtor's Account (Cr.)
- ▶ **Debtor's Account (Dr.) and Bank Account (Cr.)**
- ▶ Dishonored Cheque Account (Dr.) and Bank Account (Cr.)
- ▶ Creditor's Account (Dr.) and Bank Account (Cr.)

Question No: 27 (Marks: 1) - Please choose one

Following information are extracted from books of Mr. XYZ

| Particulars | Rs. |
|--|--------|
| Closing value of stock | 40,000 |
| Write off Bad debts (given in adjustments) | 2,400 |
| Sundry Debtors (given in trial balance) | 33,200 |
| Provision is created on Debtors at 10% | |

Identify the Total amount deducted from Sundry debtors.

- ▶ Rs. 460
- ▶ Rs. 2,400
- ▶ Rs. 3,080
- ▶ **Rs. 5,480**

Question No: 28 (Marks: 1) - Please choose one

Following information are extracted from books of Mr. XYZ

| Particulars | Rs. |
|---|--------|
| Closing value of stock | 40,000 |
| Bad Debts (Given in trial balance) | 500 |
| Old provisions (Given in trial balance) | 700 |
| Sundry Debtors (Given in trial balance) | 44,500 |
| Provision for doubtful debts be increases by 5% | |
| What will be the amount of new provision | ? |

- ▶ **Rs. 2,225**
- ▶ Rs. 2,425
- ▶ Rs. 1,925
- ▶ Rs. 3,025

Question No: 29 (Marks: 1) - Please choose one

Following information are extracted from books of Mr. XYZ

| Particulars | Rs. |
|---|--------|
| Bad Debts (Given in trial balance) | 500 |
| Old provisions (Given in trial balance) | 700 |
| Sundry Debtors (Given in trial balance) | 44,800 |

If the Provision for doubtful debts has been increased by 5%, which amount of new provision will be shown in Profit & Loss Account?

- ▶ **Rs. 2,240**
- ▶ Rs. 2,425
- ▶ Rs. 1,925
- ▶ Rs. 3,025

Question No: 30 (Marks: 1) - Please choose one

Wages paid to laborers working in the manufacturing department is treated as an expense of:

- ▶ Administrative expenses
- ▶ Selling expenses
- ▶ Marketing expenses
- ▶ **Cost of goods sold**

Question No: 31 (Marks: 1) - Please choose one

Which of the following represents the relationship between persons who have agreed to share the profit of business carried on by all or any of them acting for all?

- ▶ Sole-ownership
- ▶ Private limited company
- ▶ Public limited company
- ▶ **Partnership**

Question No: 32 (Marks: 1) - Please choose one

In Income Statement, both beginning inventory and ending inventory appear in the section of:

- ▶ **Cost of good sold**
- ▶ Indirect cost
- ▶ Selling cost
- ▶ Factory over head cost

Question No: 33 (Marks: 1) - Please choose one

If dividend is proposed by directors of the company @ 30% for the year, it will be calculated on:

- ▶ Capital Reserve
- ▶ **Authorized share capital**
- ▶ **Paid up share capital**
- ▶ Share premium

Question No: 34 (Marks: 1) - Please choose one

A company is said to have been registered when:

- ▶ **It gets certificate of incorporation from registrar of Companies**
- ▶ It gets certificate of commencement of business from registrar of Companies
- ▶ It actually starts its business
- ▶ It filed with the Registrar of Companies articles certain documents, like memorandum and articles of association

Question No: 35 (Marks: 1) - Please choose one

6% Debentures Account Rs. 3, 00,000. What amount of interest on debentures should be shown in profit and loss account?

- ▶ Rs. 6,000
- ▶ Rs. 3, 00,000
- ▶ **Rs. 18,000**
- ▶ Rs. 3, 18,000

Question No: 36 (Marks: 1) - Please choose one

What are the effects on financial statements, if provision for Income Tax to be made Rs. 12,000 is given in adjustment?

- ▶ It will be deducted in Income Statement only
- ▶ It will be treated as current liability in balance sheet only
- ▶ It will be treated as current asset in balance sheet only
- ▶ **Both it will be deducted in income statement and it will be treated as current liability in balance sheet**

Question No: 37 (Marks: 1) - Please choose one

When the current Ratio is 2: 5 and the amount of Current Liabilities is Rs. 25,000. What will be the amount of Current Assets?

- ▶ Rs. 62,500
- ▶ Rs. 12,500
- ▶ **Rs. 10,000** ($25000 * 2/5 = 10000$)
- ▶ Cannot be calculated with the help of given data

Question No: 38 (Marks: 1) - Please choose one

Prepaid interest given in the Trial Balance will be treated as a (an):

- ▶ **Asset**
- ▶ Liability
- ▶ Revenue
- ▶ Deferred expense

Question No: 39 (Marks: 1) - Please choose one

Which one of the following is another name of carrying cost of an asset?

- ▶ **Book Value**
- ▶ Residual Value
- ▶ Fair Value
- ▶ Break up Value

Question No: 40 (Marks: 1) - Please choose one

An overdraft will appear as:

- ▶ A debit balance in both the bank statement and the cash book
- ▶ A credit balance in the bank statement but as a debit balance in the cash book
- ▶ **A credit balance in the cash book but as a debit balance in the bank statement**
- ▶ A credit balance in both the bank statement and the cash book

Question No: 41 (Marks: 1) - Please choose one

Recovery of bad debts is treated as:

- ▶ Profit
- ▶ Revenue
- ▶ Expense
- ▶ Asset

Question No: 42 (Marks: 1) - Please choose one

The amount owed by debtors at the end of a month appears on the _____ side of the control account.

- ▶ Left side or debit
- ▶ Left side or credit
- ▶ Right side or debit
- ▶ Right side or credit

Question No: 43 (Marks: 1) - Please choose one

The amount owed by debtors at the start of a month appears on the _____ side of the individual debtors account.

- ▶ Left side or credit
- ▶ Left side or debit
- ▶ Right side or debit
- ▶ Right side or credit

Question No: 44 (Marks: 1) - Please choose one

Ahmad Industries want to make payment to its supplier in the form of a pay order. The bank deducted Rs.160 as service charges without its knowledge. The error is known as:

- ▶ Error of commission
- ▶ Error of omission
- ▶ Error of original entry
- ▶ Error of principle

Question No: 45 (Marks: 1) - Please choose one

Which of the given statement is **CORRECT** if both sides of trial balance are equal?

- ▶ It is proof that no transaction was completely omitted from the ledger during the posting process
- ▶ It is proof that the correct debit or credit balance has been computed for each account
- ▶ It is proof that the ledger is in balance
- ▶ It is proof that transactions have been correctly analyzed and recorded in the proper accounts

Question No: 46 (Marks: 1) - Please choose one

Which of the following justifies when profit is earned?

- ▶ Assets exceed Expenditure
- ▶ Income exceeds Expenditure
- ▶ Cash Inflow exceeds Cash Outflow

- ▶ Income exceeds Liabilities

Question No: 47 (Marks: 1) - Please choose one

In a partnership of Mr. A and Mr. B, the share of profit of Mr. A is Rs.75,375 and the share of profit of Mr. B is Rs. 25,125. What will be the ratio of their share?

- ▶ 1:2
- ▶ 2:3
- ▶ **3:2**
- ▶ 3:1

Question No: 48 (Marks: 1) - Please choose one

Income tax expense of Eden Corporation shows a debit balance of Rs.7,000 in its unadjusted trial balance and Rs.7,600 in adjusted trial balance. Which of the following account will be credited in adjusting entry?

- ▶ **Income tax payable**
- ▶ Prepaid income tax
- ▶ Income tax expense
- ▶ Income tax paid

Question No: 49 (Marks: 1) - Please choose one

Sanders Construction sold a plant asset that originally cost Rs.80,000 for Rs.52,000 cash. If Sanders correctly reports a Rs.5,000 gain on this sale, the accumulated depreciation on the asset at the date of sale must have been:

- ▶ Rs.23,000
- ▶ Rs.28,000
- ▶ **Rs.33,000**
- ▶ Some other amount

Question No: 50 (Marks: 1) - Please choose one

Which of the following is responsible to register the companies?

- ▶ State Bank of Pakistan
- ▶ **Security and Exchange Commission of Pakistan**
- ▶ Supreme Court
- ▶ Stock Exchange

Question No: 51 (Marks: 1) - Please choose one

Which of the following can be utilized to set off any loss on revaluation?

- ▶ Capital reserve
- ▶ General reserve
- ▶ **Revaluation reserve**
- ▶ None of the given options

Question No: 52 (Marks: 1) - Please choose one

Which of the following is known as the charter of the company?

- ▶ Prospectus
- ▶ Articles of association
- ▶ **Memorandum of association**
- ▶ None of the given options

Question No: 53 (Marks: 1) - Please choose one

Statement of cash flows helps the stakeholders to assess:

- ▶ Ability to pay cash dividends in the future
- ▶ **All of the given options**
- ▶ The ability to generate future cash flows
- ▶ The liquidity of the business

Question No: 54 (Marks: 1) - Please choose one

Short term investments in marketable securities and treasury bills that will mature within ninety days from the date of acquisition, must be classified as:

- ▶ Receivables
- ▶ Receipts from Capital
- ▶ Current and intangible assets
- ▶ **Cash equivalents**

Question No: 55 (Marks: 3)

Give four reasons, why capital might change.

1. The entrance or exit of some (new) partner
2. Withdraw by partner(s)
3. Additional Investment by the partner(s)
4. Profit/Loss

Question No: 56 (Marks: 5)

Write down the five advantages of Limited Company.

1. It is a legal entity created by law and hence has its own recognition, good will and brand equity etc.
2. It is a wide form of business and hence a formal approach for various partners/investors to come and work for the same objectives in an organized form.
3. Liability limited to company assets only. Investors/partners do not personally liable for any loss or in state of bankruptcy.
4. Being a legal entity, easy to get loans or gather funds from public (for public limited companies only) or financial institutes.
5. Being a legal entity, it can enjoy more opportunities for mega projects and trade/operations opportunities in international markets on its on behalf.

Question No: 57 (Marks: 5)

ABC Company purchased goods of Rs.150,000 on credit from which goods of Rs.20,000 were defected and returned. Company received 2% discount at the time of payment from the supplier.

Required:

What will be the amount of discount received by the company?

Also show the journal entries

Solution:

(A)

Discount Received= $(150,000-20,000) \times (2/100) = 2600$

(B)

| | Particulars | Dr. | Cr. |
|---|-----------------|---------|---------|
| Entry for Purchase | | | |
| | Goods | 150,000 | |
| | A/P | | 150,000 |
| Entry for Return | | | |
| | A/P | 20,000 | |
| | Goods | | 20,000 |
| While making Payment (@ 2% discount = 2600) | | | |
| | A/P | 130,000 | |
| | Discount income | | 2,600 |
| | Cash | | 127,400 |

Question No: 58 (Marks: 10)

State clearly how you will deal with Bad Debts Account, Provision for Bad Debts Account, Profit & Loss account and Balance Sheet in the following case:

The items appearing in the trial balance are bad debts Rs. 300, provision for bad debts Rs. 350 and sundry debtors Rs. 12,000. It is required to increase the provision for bad debts to 5% on sundry debtors.

Question No: 59 (Marks: 10)

The unadjusted and adjusted trial balances for Tinker Corporation on December 31, 2007, are shown below:

| Tinker Corporation Trial Balances December 31, 2007 | | | | |
|---|--------------|---------------|--------------|---------------|
| | Unadjusted | | Adjusted | |
| | Debit Rs. | Credit Rs. | Debit Rs. | Credit Rs. |
| Cash | 35,200 | | 35,200 | |
| Accounts receivable | 29,120 | | 29,120 | |
| Unexpired insurance | 1,200 | | 600 | |
| Prepaid rent | 5,400 | | 5,400 | |
| Office supplies | 680 | | 380 | |
| Equipment | 60,000 | | 60,000 | |
| Accumulated depreciation: equipment | | 49,000 | | 50,000 |
| Accounts payable | | 900 | | 900 |
| Notes payable | | 5,000 | | 5,000 |
| Interest payable | | 200 | | 200 |
| Salaries payable | | - | | 2,100 |
| Income taxes payable | | 1,570 | | 1,570 |

| | | | | |
|---------------------------------|----------------|----------------|----------------|----------------|
| Unearned revenue | | 6,800 | | 3,800 |
| Capital stock | | 25,000 | | 25,000 |
| Retained earnings | | 30,000 | | 30,000 |
| Fees earned | | 91,530 | | 94,530 |
| Advertising expense | 1,500 | | 1,500 | |
| Insurance expense | 6,600 | | 7,200 | |
| Rent expense | 19,800 | | 19,800 | |
| Office supplies expense | 1,200 | | 1,500 | |
| Repairs expense | 4,800 | | 4,800 | |
| Depreciation expense: equipment | 11,000 | | 12,000 | |
| Salaries expense | 26,300 | | 28,400 | |
| Interest expense | 200 | | 200 | |
| Income taxes expense | 7,000 | | 7,000 | |
| | 210,000 | 210,000 | 213,100 | 213,100 |

Journalize the five adjusting entries that the company made on December 31, 2007.

Solution:

| Date | Particular | Dr. | Cr. |
|-------------|---|------------|------------|
| Dec 31 | Insurance expense to Unexpired insurance | 600 | 600 |
| Dec 31 | Office Supplies Expense to Office Supplies | 300 | 300 |
| Dec 31 | Depreciation Expense-Equip. to Accumulated depreciation-Equip. | 1000 | 1000 |
| Dec 31 | Salaries Expense to Salaries Payable | 2100 | 2100 |
| Dec 31 | Unearned revenue to Fee Earned | 3000 | 3000 |

FINAL TERM EXAMINATION
Fall 2009
MGT101- Financial Accounting (Session - 4)

Ref No: 1195888

Time: 120 min

Marks: 8

Question No: 1 (Marks: 1) - Please choose one

Shares for which amount is paid by public are called _____ shares.

- ▶ Paid up
- ▶ Authorized

- ▶ Bonus shares
- ▶ All are correct options

Question No: 2 (Marks: 1) - Please choose one

The area of accounting concerned with reporting financial information to the interested parties is called:

- ▶ Cost Accounting
- ▶ **Financial Accounting**
- ▶ Management Accounting
- ▶ Tax Accounting

Question No: 3 (Marks: 1) - Please choose one

An organization operating with the objective of making profit from the sale of goods or services is called:

- ▶ Transaction
- ▶ **Business**
- ▶ Society
- ▶ Trust

Question No: 4 (Marks: 1) - Please choose one

Which of the following essentials are shown in Bank Book?

- (1) Date of transaction
- (2) Narration of transaction
- (3) Cheque number

- ▶ (1) & (2) only
- ▶ (2) & (3) only
- ▶ (1) & (3) only
- ▶ **(1), (2) & (3)**

Question No: 5 (Marks: 1) - Please choose one

Which of the following summarizes the cash movements during a specified period?

- ▶ Trading account
- ▶ Profit & Loss account
- ▶ **Receipts & Payments account**
- ▶ Balance Sheet

Question No: 6 (Marks: 1) - Please choose one

What type of expenses are paid out of Gross Profit?

- ▶ Selling Expenses
- ▶ General Expenses
- ▶ Financial Expenses
- ▶ **All of the given options**

Question No: 7 (Marks: 1) - Please choose one

Following are the inventories of Manufacturing Concern **EXCEPT**:

- ▶ Raw material
- ▶ Work in process
- ▶ Finished goods
- ▶ **Merchandise inventory**

Question No: 8 (Marks: 1) - Please choose one

In cost of goods sold statement, the 'cost of material consumed' is equal to:

- ▶ **Opening raw material inventory + Purchases – Ending raw material inventory**
- ▶ Opening raw material inventory - Purchases + Ending raw material inventory
- ▶ Ending raw material inventory + Opening raw material inventory - Purchases
- ▶ Ending raw material inventory + Opening raw material inventory + Purchases

Question No: 9 (Marks: 1) - Please choose one

If, Cost of machine = Rs.400, 000
Useful life = 5 years
Residual value = Rs.25, 000

The depreciation of machine per year using straight line method is?

- ▶ Rs. 160,000
- ▶ Rs. 96,000
- ▶ **Rs. 75,000**
- ▶ Rs. 57,600

Question No: 10 (Marks: 1) - Please choose one

The Primary objective of providing depreciation is:

- ▶ **To calculate true profit**
- ▶ To show the asset on market value
- ▶ To reduce tax Burdon
- ▶ To provide funds for replacement

Question No: 11 (Marks: 1) - Please choose one

Consider the following:

| | |
|---------------------|----------------------------|
| Beginning inventory | 10 units @ Rs. 10 per unit |
| First purchase | 35 units @ Rs. 11 per unit |
| Second purchase | 40 units @ Rs. 12 per unit |
| Third purchase | 20 units @ Rs. 13 per unit |

Eighty-five units were sold, what is the value of the ending inventory using the FIFO method of inventory costing?

- ▶ **Rs.260**
- ▶ Rs.232
- ▶ Rs.284
- ▶ Rs.268

Question No: 12 (Marks: 1) - Please choose one

Accounting is the language of:

- ▶ Business
- ▶ School
- ▶ Proprietor
- ▶ Management

Question No: 13 (Marks: 1) - Please choose one

Find out the missing value of an Accounting Equation with the help of given data:

| | |
|-------------------|------------|
| Owner's equity | Rs. 22,500 |
| Total Liabilities | Rs. 80,385 |
| Cash in hand | Rs. 1,000 |
| Cash at bank | Rs. 2,000 |
| Debtors | Rs. 500 |

- ▶ Rs. 1,02,885 other assets
- ▶ Rs. 1,02,885 other liabilities
- ▶ Rs. 99,885 current liabilities
- ▶ Rs. 99,385 other assets

Question No: 14 (Marks: 1) - Please choose one

A Bank Reconciliation Statement is prepared to:

▶ Ascertain that the difference between the Cash Book balance and the Bank Statement balance has been accounted for

- ▶ Correct errors in the Cash Book or errors in the Bank Statement
- ▶ Amend the balance of the Bank Statement of the firm
- ▶ Amend the balance in the Cash Book of the firm

Question No: 15 (Marks: 1) - Please choose one

Consider the following data and identify the amount which will be deducted from Sundry Debtors in Balance Sheet.

| Particulars | Rs. |
|------------------------------------|-------|
| Bad debts (from trial balance) | 1,600 |
| Provision for doubtful debts (old) | 2,000 |
| Current year's provision (new) | 800 |

- ▶ Rs. 400
- ▶ Rs. 800
- ▶ Rs. 2,000
- ▶ Rs. 2,400

Question No: 16 (Marks: 1) - Please choose one

It is supposed that on 31-12-2007, the sundry debtors are amounted to Rs. 40,000. On the basis of past experience, it is estimated that 5 % of the sundry debtors are

doubtful. It is also suppose that during the year 2008 actual bad debts were Rs. 1,600. What entry will pass to create provision for doubtful debts?

- ▶ Profit & Loss a/c Rs. 2,000 (Dr) & Provision for doubtful debts a/c Rs. 2,000 (Cr)
- ▶ Provision for doubtful debts a/c Rs. 2,000 (Dr) & Profit & Loss a/c Rs. 2,000 (Cr)
- ▶ Provision for doubtful debts a/c Rs. 1,600 (Dr) & Profit & Loss a/c Rs. 1,600 (Cr)
- ▶ Profit & Loss a/c Rs. 1,600 (Dr) & Provision for doubtful debts a/c Rs. 1,600 (Cr)

Question No: 18 (Marks: 1) - Please choose one

Which of the following is an item of a debtors control account?

- ▶ Cash sale
- ▶ Credit sales
- ▶ Credit purchase
- ▶ Cash purchases

Question No: 19 (Marks: 1) - Please choose one

Which of the following is an item of a creditors control account?

- ▶ Cash purchases
- ▶ Cash sales
- ▶ Credit sales
- ▶ Credit purchase

Question No: 20 (Marks: 1) - Please choose one

Which of the following is (are) benefit/s of subsidiary ledger accounts to business?

- ▶ It tells about customer attitude of payments
- ▶ It can be checked against the control account to pick up recording errors
- ▶ It tells about the complete history of transactions of business client
- ▶ All of the given options

Question No: 21 (Marks: 1) - Please choose one

Which of the following rectifying entry will be recorded, if sales to Mr. "A" of Rs.336 have been debited to Mr. "B" account?

- ▶ A's account (Dr.) and B's account (Cr.)
- ▶ B's account (Dr.) and A's account (Cr.)
- ▶ Sales account (Dr.) and B's account (cr.)
- ▶ B's account (Dr.) and Sales account (Cr.)

Question No: 22 (Marks: 1) - Please choose one

Which of the following item must be recorded in the adjusted Cash Book in order to bring it in line with the entries in the Bank Statement?

- ▶ Bank charges

- ▶ An error on the Bank Statement
- ▶ An uncredited deposit
- ▶ An unpresented cheque

Question No: 23 (Marks: 1) - Please choose one

It is supposed that on 31st December, 2007, the sundry debtors are amounted to Rs. 40,000. On the basis of past experience, it is estimated that 10% of the sundry debtors are doubtful. Actual bad debts are Rs. 1600. What amount of new provision for doubtful debts will be credited in profit & loss account

- ▶ Rs. 3,600
- ▶ Rs. 4,000
- ▶ Rs. 1,600
- ▶ **Rs. 2, 400**

Question No: 24 (Marks: 1) - Please choose one

Which of the following is the first phase of the typical operating cycle?

- ▶ Sell goods and services to customers
- ▶ **Purchase goods and services**
- ▶ Receive cash from customers
- ▶ Pay cash to suppliers

Question No: 25 (Marks: 1) - Please choose one

Which one of the following is **TRUE** about provisions?

- ▶ It is necessary to prepare for showing true picture of balance sheet
- ▶ It is a reduction from assets
- ▶ It is prepared for specific purposes
- ▶ **All of the given options**

Question No: 26 (Marks: 1) - Please choose one

Which of the following is/are **NOT** shown in balance sheet of sole proprietor?

- ▶ Fixed assets
- ▶ Current liabilities
- ▶ **Profit sharing ratio**
- ▶ Long term assets

Question No: 27 (Marks: 1) - Please choose one

When closing stock is given in trial balance, then it will effect:

- ▶ Trading account only
- ▶ **Balance sheet only**
- ▶ Owner's equity only
- ▶ Both Trading account and Balance sheet

Question No: 28 (Marks: 1) - Please choose one

Which of the following is (are) **NOT** example(s) of distributable profit?

- ▶ None of the given options
- ▶ General reserve
- ▶ Accumulated profit and loss (credit balance)
- ▶ **Revaluation reserves**

Question No: 29 (Marks: 1) - Please choose one

Which of the following is **NOT** a cash inflow?

- ▶ Sale of fixed asset
- ▶ Issue of debentures
- ▶ Cash from business operation
- ▶ **Purchase of fixed asset**

Question No: 30 (Marks: 1) - Please choose one

Which of the following business publishes the Financial Statements?

- ▶ Sole-Proprietorship
- ▶ Partnership
- ▶ Trust
- ▶ **Public Limited Company**

Question No: 31 (Marks: 1) - Please choose one

| Particulars | |
|-----------------------------|---------------|
| Nominal value of each share | Rs.10 |
| No of shares issued | 10,000 shares |
| Net profit | Rs. 20,000 |
| Dividend paid | 10% |
| What is the EPS | ? |

- ▶ Rs. 1.00
- ▶ **Rs. 2.00**
- ▶ Rs. 3.00
- ▶ Rs. 4.00

Question No: 32 (Marks: 1) - Please choose one

When income exceeds expenses in a specific time period is known as:

- ▶ Savings
- ▶ **Net profit**
- ▶ Gross profit
- ▶ Operating profit

Question No: 33 (Marks: 1) - Please choose one

Which of the following transaction have **NO** affect on stockholders' equity?

- ▶ **Purchase of building on credit**
- ▶ Dividends to stockholders
- ▶ Net loss
- ▶ Investment in cash by stockholders

Question No: 34 (Marks: 1) - Please choose one

In balance sheet fixed assets are shown at:

- ▶ Residual value

- ▶ Market value
- ▶ Fair value
- ▶ **Written down value (WDV)**

Question No: 35 (Marks: 1) - Please choose one

Firms charge depreciation each year:

- ▶ To ensure that there is enough money in the firm to replace the asset
- ▶ **To spread the cost of the asset over its working life**
- ▶ To reduce the profit and thus reduce the dividends they can pay to share holders
- ▶ Because the law states they must be reduced

Question No: 36 (Marks: 1) - Please choose one

Which of the following is(are) **CORRECT** for Doubtful Debt?

- ▶ **It is shown in balance sheet**
- ▶ It is a definite loss to the business
- ▶ No provision is necessary for it
- ▶ All of the given option

Question No: 37 (Marks: 1) - Please choose one

Which of the following is not a cause of difference in balances as per pass book and cash book?

- ▶ Error in cash book
- ▶ Error in pass book
- ▶ Direct deposit
- ▶ Un credited cheques

Question No: 38 (Marks: 1) - Please choose one

Stock account is debited and creditors account is credited, which of the following is reflecting the statement?

- ▶ Discount received
- ▶ Goods returned
- ▶ **Purchase of goods on credit**
- ▶ Payment of goods

Question No: 39 (Marks: 1) - Please choose one

A bad debt affects the Balance Sheet because it is a (an):

- ▶ Liability
- ▶ Asset
- ▶ **Expense**
- ▶ Income

Question No: 40 (Marks: 1) - Please choose one

The financial year of Atif Brothers & Co. is closed on June 30, 2009. Total cash sales

are Rs. 150,000, credit sales are Rs. 180,000 and total receipts are Rs. 250,000. Credit receipts will be:

- ▶ Rs. 150,000
- ▶ **Rs. 100,000**
- ▶ Rs. 220,000
- ▶ Rs. 280,000

Question No: 41 (Marks: 1) - Please choose one

Which of the following statement is correct? If a company fails to record estimated bad debts expense,

- ▶ Net realizable value is understated
- ▶ **Expenses are understated**
- ▶ Revenues are understated
- ▶ Receivables are understated

Question No: 42 (Marks: 1) - Please choose one

In the heading of financial statement, _____ is not required?

- ▶ Title of financial statement
- ▶ **Name of the person who prepares financial statement**
- ▶ Period for which financial statement is prepared
- ▶ Name of business entity

Question No: 43 (Marks: 1) - Please choose one

Sunset tours has Rs.3,500 account receivable from the Del Mar Rotary. On January 20, the Rotary makes a partial payment of Rs.2,100 to Sunset Tours. The journal entry made on January 20 by Sunset Tours to record this transaction includes:

- ▶ A debit to the Cash Received account of Rs. 3,500
- ▶ **A credit to the Accounts Receivable account of Rs.2,100**
- ▶ A debit to the Cash account of Rs.1,400
- ▶ A debit to the Accounts Receivables account of Rs.1,400

Question No: 44 (Marks: 1) - Please choose one

A and B entered in partnership in capital ratio of 2:3. They earned a profit of Rs.6,600 during the year. What will be the share of profit of Mr. B?

- ▶ Rs.1,320
- ▶ Rs.2,640
- ▶ **Rs.3,960**
- ▶ Rs.6,600

Question No: 45 (Marks: 1) - Please choose one

The amount of prepaid insurance that expired in the current accounting period should be reported as _____.

- ▶ Prepaid insurance
- ▶ **Insurance expense**
- ▶ Insurance payable
- ▶ Insurance paid

Question No: 46 (Marks: 1) - Please choose one

Unexpired costs are reported as:

- ▶ Revenues

- ▶ Expenses
- ▶ **Assets**
- ▶ Income

Question No: 47 (Marks: 1) - Please choose one

Insurance premiums paid in advance but not yet expired are reported in which of the following account?

- ▶ Insurance payable
- ▶ **Prepaid insurance**
- ▶ Advance payment account
- ▶ Insurance expense

Question No: 48 (Marks: 1) - Please choose one

Profits earned by partnerships compensate the owners for which of the following?

- ▶ Personal services rendered to the business
- ▶ Capital invested in the business
- ▶ **Assuming the risks of ownership**
- ▶ All of the given options

Question No: 49 (Marks: 1) - Please choose one

Which of the following can be utilized to issue bonus shares?

- ▶ Reserves
- ▶ Debentures
- ▶ **Share premium**
- ▶ Term finance certificate

Question No: 50 (Marks: 1) - Please choose one

Which of the following value of the share is authorized by the memorandum of association?

- ▶ Par value
- ▶ Face value
- ▶ Nominal value
- ▶ **All of the given options**

Question No: 51 (Marks: 1) - Please choose one

All of the following have an effect on 'operating activities' while preparing the statement of cash flows except:

- ▶ Provision for doubtful debts
- ▶ Gain or loss on currency exchange rate
- ▶ **Depreciation charged on fixed asset**
- ▶ Amount received for disposal of a fixed asset

Question No: 52 (Marks: 1) - Please choose one

According to the statement of cash flows following are the examples of investing activities except:

- ▶ Sales of machinery
- ▶ **Capital invested by the owners**
- ▶ Purchase of building for the business use
- ▶ Cash received from the disposal of equipment

Question No: 53 (Marks: 1) - Please choose one

The financial statement that captures both the current operating result and the associated changes in the balance sheet is:

- ▶ Statement of retained earnings
- ▶ Statement of financial position
- ▶ **Statement of cash flows**
- ▶ Statement of changes in equity

Question No: 54 (Marks: 1) - Please choose one

What is the reason that some short term creditors prefer quick ratio over current ratio as a measure of short-term liquidity?

- ▶ **Short operating cycle of the company**
- ▶ Long operating cycle of the company
- ▶ Liquidity is not affected by operating cycle
- ▶ It is the creditor's choice

Question No: 55 (Marks: 3)

Differentiate between salaries & wages and wages & salaries? Also mention in which financial statements are treated

Question No: 56 (Marks: 5)

What is bank overdraft? Mention an example for this. Why companies have to pay mark up on it. Under which head mark up paid on overdraft is shown in financial statement.

Question No: 57 (Marks: 5)

Prepare Bank Reconciliation Statement with the help of given data

| Particulars | Rs. |
|------------------------------------|-------|
| Balance as per Bank statement (Cr) | 600 |
| Unpresented cheques | 1,440 |
| Uncredited cheques | 260 |

Question No: 58 (Marks: 10)

The following is the trial balance of Sikander's Photo Studio, Inc., dated December 31, 2007. You are required to prepare the Profit and Loss account.

Sikander's Photo Studio, Inc.
Trial balance
December 31, 2007

| | | |
|---------------------|------------|--|
| Cash | Rs.171,100 | |
| Accounts receivable | 9,400 | |
| Prepaid studio rent | 3,000 | |

| | | |
|-------------------------------------|----------------|----------------|
| Unexpired insurance | 7,200 | |
| Supplies | 500 | |
| Equipment | 18,000 | |
| Accumulated depreciation: equipment | | Rs.7,200 |
| Notes payable | | 10,000 |
| Accounts payable | | 3,200 |
| Salaries payable | | 4,000 |
| Income tax payable | | 6,000 |
| Unearned revenue | | 8,800 |
| Capital stock | | 100,000 |
| Retained earnings | | 34,000 |
| Revenue earned | | 165,000 |
| Salary expense | 85,000 | |
| Supply expense | 3,900 | |
| Rent expense | 12,000 | |
| Insurance expense | 1,900 | |
| Advertising expense | 500 | |
| Depreciation expense: equipment | 1,800 | |
| Interest expense | 900 | |
| Income taxes expense | 23,000 | |
| | 338,200 | 338,200 |

Question No: 59 (Marks: 10)

Internet Consulting Service, Inc., adjusts its accounts every month. Following is the company's year end unadjusted trial balance dated December 31, 2007. (Bear in mind that adjusting entries already have been made for the first 11 months of 2007, but not for December.)

Internet Consulting Service, Inc.
Unadjusted Trial balance
December 31, 2007

| | | |
|-------------------------------------|------------|---------|
| Cash | Rs. 49,100 | Rs. |
| Consulting fees receivable | 23,400 | |
| Prepaid office rent | 6,300 | |
| Prepaid dues and subscriptions | 300 | |
| Supplies | 600 | |
| Equipment | 36,000 | |
| Accumulated depreciation: equipment | | 10,200 |
| Notes payable | | 5,000 |
| Income tax payable | | 12,000 |
| Unearned consulting fees | | 5,950 |
| Capital stock | | 30,000 |
| Retained earnings | | 32,700 |
| Dividends | 60,000 | |
| Consulting fees earned | | 257,180 |
| Salary expense | 88,820 | |
| Telephone expense | 2,550 | |

| | | |
|---------------------------------|----------------|----------------|
| Rent expense | 22,000 | |
| Income taxes expense | 51,000 | |
| Dues and subscriptions expense | 560 | |
| Supplies expense | 1,600 | |
| Depreciation expense: equipment | 6,600 | |
| Miscellaneous expenses | 4,200 | |
| | 353,030 | 353,030 |

Other Data:

1. The useful life of the equipment has been estimated at five years (60 months) from date of acquisition.
2. Consulting services valued at Rs.2,850 were rendered during December to clients who had made payment in advance.
3. Salaries earned by employees but not paid as of December 31 amounted Rs.1,700.
4. An estimate of supplies on hand was made at December 31; the estimated cost of the unused supplies was Rs.450.

Instructions:

Determine the amounts to be reported in the company's year end adjusted trial balance for each of the following accounts:

Consulting fees earned
 Salaries expense
 Depreciation expense: equipment
 Supplies expense
 Income tax expense

FINALTERM EXAMINATION

Spring 2010

MGT101- Financial Accounting (Session - 2)

Time: 90 min

Marks: 69

Question No: 1 (Marks: 1) - Please choose one

Which of the following is correct according to the double entry system of book-keeping?

- ▶ Debit = Credit
- ▶ Debit > Credit
- ▶ Debit < Credit
- ▶ All of the given options

Question No: 2 (Marks: 1) - Please choose one

An Asset that is NOT physical in nature is called _____.

- ▶ Intangible Asset

- ▶ Liquid Asset
- ▶ Current Asset
- ▶ Fixed Asset

Question No: 3 (Marks: 1) - Please choose one

Which of the following account balance will be shown on debit side of Trial Balance? (It is assumed that all account balances are shown on normal balance)

- ▶ Cash account
- ▶ Furniture account
- ▶ Vehicle account
- ▶ All of the given options

Question No: 4 (Marks: 1) - Please choose one

Bank Reconciliation Statement is:

- ▶ A memorandum statement
- ▶ A ledger account
- ▶ A part of cash book
- ▶ A part of journal

Question No: 5 (Marks: 1) - Please choose one

| Particulars | Rs. |
|--|---------------------|
| Opening written down value of machine | Rs. 2,00,000 |
| Cost of new machine purchased during the year | Rs. 50,000 |
| Depreciation during the year | Rs. 25,000 |
| Closing written down value (WDV) of machines | ? |

- ▶ Rs. 2, 25,000
- ▶ Rs. 2, 50,000
- ▶ Rs. 2, 75,000
- ▶ Rs. 75,000

Question No: 6 (Marks: 1) - Please choose one

Following information are extracted from books of Mr. XYZ

| Particulars | Rs. |
|--|---------------|
| Closing value of stock | 40,000 |
| Bad Debts (Given in trial balance) | 500 |
| Old provisions (Given in trial balance) | 700 |
| Sundry Debtors (Given in trial balance) | 44,500 |
| Provision for doubtful debts be increases by 5% | |
| What will be the amount of new provision | |
| | ? |

- ▶ Rs. 2,225
- ▶ Rs. 2,425
- ▶ Rs. 1,925
- ▶ Rs. 3,025

Question No: 7 (Marks: 1) - Please choose one

Which of the following is a selling expense?

- ▶ Interest on deposits
- ▶ Any tax/freight is paid on purchases
- ▶ General salaries paid to laborers
- ▶ **Tax & freight paid on sale PG26**

Question No: 8 (Marks: 1) - Please choose one

Which account is increased with a debit and decreased with a credit?

- ▶ **Cash**
- ▶ Accounts Payable
- ▶ Contributed Capital
- ▶ Retained Earnings

Question No: 9 (Marks: 1) - Please choose one

Which of the following journal entry will be recorded, if cash is drawn by a Proprietor?

- ▶ **Proprietor's drawings a/c (Dr.) and Cash a/c (Cr.)**
- ▶ Cash a/c (Dr.) and Proprietor's drawings a/c (Cr.)
- ▶ Proprietor's Capital (Dr.) and Proprietor's drawings a/c (Cr.)
- ▶ Proprietor's drawings (Dr.) and Proprietor's Capital a/c (Cr.)

Question No: 10 (Marks: 1) - Please choose one

When the capitals are fixed, which of the following account will be debited for drawings made by a partner?

- ▶ **Individual Partner's Current Account**
- ▶ Partner's Cash Account
- ▶ Partner's Bank Account
- ▶ Partners Capital Account

Question No: 11 (Marks: 1) - Please choose one

Authorized share capital is also known as:

- ▶ **Registered capital**
- ▶ Issued capital
- ▶ Paid up capital
- ▶ Called up capital

Question No: 12 (Marks: 1) - Please choose one

When goods are acquired from the supplier the gross cost of such goods is recorded in:

- ▶ Debtor Account
- ▶ **Purchases Account**
- ▶ Factory overhead account
- ▶ Sales Account

Question No: 13 (Marks: 1) - Please choose one

Which of the following is NOT a cash inflow?

- ▶ Sale of fixed asset
- ▶ Issue of debentures
- ▶ Cash from business operation
- ▶ Purchase of fixed asset

Question No: 14 (Marks: 1) - Please choose one

In cash flow statements, which of the following would appear as an inflow of cash?

- ▶ The repayments of a bank loan
- ▶ Dividend issue in the current year
- ▶ Money received as result of selling fixed assets
- ▶ The difference between the valuations of old and new fixed assets

Question No: 15 (Marks: 1) - Please choose one

In cash flow statements, which of the following would appear as a cash outflow?

- ▶ The payments for purchases made during the year
- ▶ A decrease in trade debtors over the course of an accounting period
- ▶ Money received as a result of issuing new shares
- ▶ Money received as result of selling fixed assets

Question No: 16 (Marks: 1) - Please choose one

When we close bad debt account, which of the following account is debited?

- ▶ Profit and loss account
- ▶ Bad debt account
- ▶ Debtor account
- ▶ Creditor account

Question No: 17 (Marks: 1) - Please choose one

Subsidiary ledgers are maintained for:

- ▶ Debtors
- ▶ Creditors
- ▶ Stock
- ▶ All of the given options

Question No: 18 (Marks: 1) - Please choose one

ABC Company received discount on its credit purchases, which of the following will be credited while entering in journal?

- ▶ Cash
- ▶ Discount received
- ▶ Creditors
- ▶ Bank

Question No: 19 (Marks: 1) - Please choose one

Mr. Ali's bank book shows a debit balance of Rs. 36,000. He deposited a cheque of Rs.15,000 but not yet collected by the bank. What will be the balance of bank statement?

- ▶ Rs. 21,000
- ▶ Rs. 51,000
- ▶ Rs. 36,000
- ▶ Rs. 15,000

Question No: 20 (Marks: 1) - Please choose one

Which of the following indicates cash discount received?

- ▶ Discount in paying debt earlier
- ▶ Discount in receiving debt earlier
- ▶ Discount in purchasing huge goods
- ▶ Discount in selling huge goods

Question No: 21 (Marks: 1) - Please choose one

Mr. A & B entered into a partnership invested Rs.50,000 and Rs.65,000 with an equal share in profit or loss. Markup on drawings of Mr. A is Rs.1,500 and of Mr. B is Rs.1,800. The net income for the year is Rs.85,000. What will be the profit share of Mr. B?

- ▶ Rs.42,350
- ▶ Rs.44,150
- ▶ Rs.41,600
- ▶ Rs.40,850

Question No: 22 (Marks: 1) - Please choose one

Mr. A & B entered into a partnership invested Rs.50,000 and Rs.65,000 with an equal share in profit or loss. Markup on drawings of Mr. A is Rs.1,500 and of Mr. B is Rs.1,800. The net income for the year is Rs.85,000. What will be the amount of distributable profit?

- ▶ Rs.81,700
- ▶ Rs.88,300
- ▶ Rs.131,700
- ▶ Rs.146,700

Question No: 23 (Marks: 1) - Please choose one

Which of the following value of the share is authorized by the memorandum of association?

- ▶ Par value
- ▶ Face value
- ▶ Nominal value
- ▶ All of the given options

Question No: 24 (Marks: 1) - Please choose one

Which of the following statement is not true regarding the objective of statement of cash flows?

- ▶ It is helpful for decision making by management
- ▶ It is used for reporting the net profit of the period
- ▶ It can be used for estimations for cash flows in future
- ▶ It is used to determine the liquidity of the business

Question No: 25 (Marks: 1) - Please choose one

Statement of cash flows helps the stakeholders to assess:

- ▶ Ability to pay cash dividends in the future
- ▶ All of the given options
- ▶ The ability to generate future cash flows
- ▶ The liquidity of the business

Question No: 26 (Marks: 1) - Please choose one

According to the statement of cash flows following are the examples of investing activities except:

- ▶ Sales of machinery
- ▶ Capital invested by the owners
- ▶ Purchase of building for the business use
- ▶ Cash received from the disposal of equipment

Question No: 27 (Marks: 1) - Please choose one

The cash book in book-keeping records:

- ▶ All cash and credit purchase of goods
- ▶ Only cash payments
- ▶ All receipts and payments in cash
- ▶ All cash and credit sale of goods

Question No: 28 (Marks: 1) - Please choose one

What will be the effect of decrease in closing stock on gross profit?

- ▶ Gross profit increased
- ▶ Gross profit decreased
- ▶ No effect on Gross profit
- ▶ Gross profit will become positive

Question No: 29 (Marks: 1) - Please choose one

If:

- Direct Material Cost is Rs. 20,000
- Direct labour cost is Rs. 10,000
- Manufacturing Cost is Rs. 45,000

Then:

What is the amount of Factory Overhead?

- ▶ Rs. 15,000
- ▶ Rs. 30,000
- ▶ Rs. 35,000
- ▶ Rs. 25,000

Question No: 30 (Marks: 1) - Please choose one

Which one of the following methods for inventory valuation may overstate the income during the periods of rising prices?

- ▶ Specific Identification Method
- ▶ FIFO Method
- ▶ LIFO Method
- ▶ Weighted Average Method

Question No: 31 (Marks: 1) - Please choose one

Which of the following is NOT a method of calculating depreciation?

- ▶ Straight Line Method
- ▶ Written Down Value Method
- ▶ Diminishing Balance Method
- ▶ Specific Identification Method

Question No: 32 (Marks: 1) - Please choose one

What is the treatment of Depreciation in accounting?

- ▶ Written in balance sheet under the head of fixed assets
- ▶ Charged to profit and loss account
- ▶ Written in balance sheet under the head of current assets
- ▶ Written in balance sheet under the head of liabilities

Question No: 33 (Marks: 1) - Please choose one

Which of the following is TRUE?

- ▶ Gain on revaluation is credited to Revaluation Reserve Account.
- ▶ Gain on revaluation is debited to Revaluation Reserve Account.
- ▶ Gain on revaluation is credited to Profit & Loss Account.
- ▶ Gain on revaluation is debited to Profit & Loss Account.

Question No: 34 (Marks: 1) - Please choose one

The loss on the sale of fixed assets is a:

- ▶ Normal loss
- ▶ Ordinary loss
- ▶ Capital loss
- ▶ Revenue loss

Question No: 36 (Marks: 1) - Please choose one

Which of the following is NOT included in Debtors Control Account?

- ▶ Cash sale
- ▶ Credit sale
- ▶ Bills receivable
- ▶ Discount allowed

Question No: 37 (Marks: 1) - Please choose one

If cash sale is the missing figure, it can be ascertained by the construction of:

- ▶ Creditors Control Accounts
- ▶ Debtors Control Accounts
- ▶ Cash Account
- ▶ None of the given options

Question No: 38 (Marks: 1) - Please choose one

Which of the following is/are the Classification of Current Assets?

- ▶ Cash Balance
- ▶ Loans and Advances
- ▶ Bank Balance
- ▶ All of the given options

Question No: 39 (Marks: 1) - Please choose one

Depreciation expense is charged to which of the following head?

- ▶ **Administrative expenses**
- ▶ **Selling expenses**
- ▶ **Cost of sales**
- ▶ **It depends on the nature of expense**

Question No: 40 (Marks: 1) - Please choose one

Inventory is always considered as:

- ▶ **Current asset**
- ▶ **Current liability**
- ▶ **Long-term asset**
- ▶ **Stockholders' equity**

Question No: 41 (Marks: 1) - Please choose one

If:

- Ø **Capital at the start Rs. 100,000**
- Ø **Profit during the year Rs. 50,000**
- Ø **Withdrawal during the year Rs. 25,000**

What would be the closing balance of capital?

- ▶ **Rs. 175,000**
- ▶ **Rs. 150,000**
- ▶ **Rs. 125,000**
- ▶ **Rs. 75,000**

Question No: 42 (Marks: 1) - Please choose one

Which of the following Legal Documents of a company contain(s) the rules and regulations framed for the internal management of the company?

- ▶ **Memorandum of Association**
- ▶ **Articles of Association**
- ▶ **Both Memorandum of Association and Articles of Association**
- ▶ **Prospectus**

Question No: 43 (Marks: 1) - Please choose one

Which one of the following refers to the allotment of shares to the existing shareholders by capitalizing the reserves into additional capital?

- ▶ **Reserve funds**
- ▶ **Accumulated profit**
- ▶ **Right issue**
- ▶ **Bonus issue**

Question No: 44 (Marks: 1) - Please choose one

When a share having a face value of Rs.100 issued at Rs.90 then which one of the following options is correct under this situation?

- ▶ **Share issued at premium**
- ▶ **Share issued at discount**
- ▶ **Share issued at nominal value**
- ▶ **Share issued at market value**

Question No: 47 (Marks: 1) - Please choose one

Which of the following would be a suitable head for short term advances from customers in Balance Sheet?

- ▶ **Current asset**

- ▶ Intangible asset
- ▶ Tangible asset
- ▶ Current liability

Question No: 48 (Marks: 1) - Please choose one

If there is a portion of long term loan of Rs. 30,000 payable in the current accounting period. Where it will be shown in financial statement?

- ▶ Current liability
- ▶ Long term liability
- ▶ Current asset
- ▶ Owner's equity

Question No: 49 (Marks: 3)

- Ø Rent expenses Rs. 20,000
- Ø Insurance expenses Rs. 30,000
- Ø Bad debts Rs. 35,000

In addition rent payable is Rs. 5,000; calculate the amount of operating expenses to be shown in profit and loss account.

Question No: 50 (Marks: 3)

If:

- Ø Retain earning at the beginning Rs. 1,000
- Ø Dividend paid 500
- Ø Retain earning at the end 2,500

Then:

You are required to prepare statement of Retain earnings to find the amount of Net income

Question No: 51 (Marks: 5)

Given the following data:

Purchases Rs. 4,500, Returns outwards Rs.300, Returns inwards Rs.150, Carriage outwards Rs.830, Carriage inwards Rs.260, Opening stock Rs.935, and closing stock Rs. 1,100.

What would be the value of the cost of goods sold?

Question No: 52 (Marks: 5)

Mr. Bilal is a member of partnership firm. He drew some amounts from the business on following dates.

- Ø July Rs. 2,500
- Ø November 1,500
- Ø December 3,000
- Ø March 5,000

All drawings were made on the 1st day of the month @ rate of 10 %. It is assumed that financial year starts at July 1st and ends on 30th June.

Required:

Calculate mark up on drawing.

Question No: 53 (Marks: 5)

| Particulars | Rs. |
|------------------------------|--------|
| Raw Material - Opening Stock | 10,000 |

| | |
|---|--------------|
| Raw Material – Purchases | 2,000 |
| Raw Material - Closing Stock | 3,000 |
| Packing Material - Opening Stock | 4,000 |
| Packing Material – Purchases | 5,000 |
| Packing Material - Closing Stock | 6,000 |

Based on the above information you are required to calculate the following:

- Ø Cost of Raw Material Consumed
- Ø Cost of Packing Material Consumed

FINAL TERM EXAMINATION
Spring 2009
MGT101- Financial Accounting (Session - 4)

Time: 120 min

Marks: 85

Question No: 1 (Marks: 1) - Please choose one

What will be the effect on accounting equation, when payment is made to the creditor of the business?

- ▶ Increase in an asset, increase in owner's equity
- ▶ Increase in an asset, increase in a liability
- ▶ Decrease in an asset, decrease in owner's equity
- ▶ **Decrease in an asset, decrease in a liability Correct**

Question No: 2 (Marks: 1) - Please choose one

Which one of the following is a type of General **Ledger**?

- ▶ Book of original entry
- ▶ **'T' Account Correct**
- ▶ Source document
- ▶ Day book

Question No: 3 (Marks: 1) - Please choose one

Which of the following summarizes the cash movements during a specified period?

- ▶ Trading account
- ▶ Profit & Loss account
- ▶ **Receipts & Payments account**
- ▶ Balance Sheet

Question No: 4 (Marks: 1) - Please choose one

Which of the following is/are the **END** product of accounting cycle?

- ▶ **Financial Statements**
- ▶ General Journal
- ▶ General Ledger

- ▶ Voucher

Question No: 5 (Marks: 1) - Please choose one

Which of the following shows summary of a company's financial position at a specific date?

- ▶ Profit & Loss Account
- ▶ Cash Flow Statement
- ▶ **Balance Sheet**
- ▶ Income & Expenditure Account

Question No: 6 (Marks: 1) - Please choose one

Accounts Receivable & Inventory are the examples of:

- ▶ Liquid assets
- ▶ **Current assets**
- ▶ Fixed assets
- ▶ Capital assets

Question No: 7 (Marks: 1) - Please choose one

Which of the following is an alternate term which can be used for "Capital"?

- ▶ Liability
- ▶ **Owner's net worth**
- ▶ Working capital
- ▶ Asset

Question No: 8 (Marks: 1) - Please choose one

Which of the following particular is **NOT** included in the specimen of a payment voucher?

- ▶ Name of organization
- ▶ Cash payment amount
- ▶ Date of transaction
- ▶ **Bank receipt**

Question No: 9 (Marks: 1) - Please choose one

The total of all costs incurred to convert raw material into finished goods is known as:

- ▶ Prime cost
- ▶ **Conversion cost**
- ▶ Sunk cost
- ▶ Opportunity cost

Question No: 10 (Marks: 1) - Please choose one

All the costs incurred on the incomplete assets up to the balance sheet date must be transferred to:

- ▶ Capital account
- ▶ **Capital work in progress account**
- ▶ Relevant asset account
- ▶ Owner's equity account

Question No: 11 (Marks: 1) - Please choose one

| Particulars | Rs. |
|---|----------|
| Opening stock of raw material | 100,000 |
| Closing stock of raw material | 80,000 |
| Purchases of raw material during the period | 200, 000 |
| Cost of Material Consumed | ? |

- ▶ Rs. 205,000
- ▶ Rs. 215,000
- ▶ **Rs. 220,000**
- ▶ Rs. 225,000

Question No: 12 (Marks: 1) - Please choose one

Which one of the following is **NOT** true about Capital Expenditure?

- ▶ Creates future benefits
- ▶ Incurred to acquire fixed assets
- ▶ Incurred to increase the economic life of existing fixed assets
- ▶ **Reduce the profit of the concern**

Question No: 13 (Marks: 1) - Please choose one

Find out the missing value of an Accounting Equation with the help of given data:

| | |
|-------------------|------------|
| Total Assets | Rs. 34,500 |
| Accounts payable | Rs. 1, 000 |
| Other liabilities | Rs. 11,500 |

- ▶ **Rs. 22,000 owner's equity**
- ▶ Rs. 23, 000 owner's equity
- ▶ Rs. 24,000 owner's equity
- ▶ Rs. 46,000 owner's equity

Question No: 14 (Marks: 1) - Please choose one

Depreciation arises because of:

- ▶ Fall in the market value of an asset
- ▶ Fall in the value of money
- ▶ **Physical wear and tear**
- ▶ All of the given options

Question No: 15 (Marks: 1) - Please choose one

When the Bank Statement balance is more than the Cash Book balance, it is because of:

- ▶ **Unpresented cheques**
- ▶ Unrecorded bank charges
- ▶ Uncredited cheques
- ▶ None of the given options

Question No: 16 (Marks: 1) - Please choose one

Which of the following account would be credited, when the bad debts are recovered?

- ▶ Allowance for bad debts a/c
- ▶ **Bad debts recovered a/c**
- ▶ Doubtful debts a/c
- ▶ Cash a/c

Question No: 17 (Marks: 1) - Please choose one

Which of the following is/are the item/s of a Control Account?

- ▶ Credit sale only
- ▶ Cash sale only
- ▶ Credit purchase only
- ▶ **Both Credit sales and Credit purchase**

Question No: 18 (Marks: 1) - Please choose one

Which of the following is NOT included in Debtors Control Account?

- ▶ **Cash sales**
- ▶ Credit sales
- ▶ Bills receivable
- ▶ Discount allowed

Question No: 19 (Marks: 1) - Please choose one

Which of the following is (are) included in Creditors Control Account?

- ▶ Discount received from supplier
- ▶ Credit purchases
- ▶ Bills payable
- ▶ **All of the given options**

Question No: 20 (Marks: 1) - Please choose one

Which of the following account(s) will be affected, while rectifying the error of Sale to Mr."A" Rs. 336 was not recorded at all?

- ▶ Only sales account
- ▶ Only A's account
- ▶ Only cash account
- ▶ **Both sales account and A's account**

Question No: 21 (Marks: 1) - Please choose one

Which of the following account(s) will be affected, while rectifying the error of an amount Rs.200 received from Mr."P" wrongly credited to Mr."Q's" account?

- ▶ Only Cash Account
- ▶ Only P's account
- ▶ Only Q's account
- ▶ **Both of Mr. P's & Mr.O's Account**

Question No: 22 (Marks: 1) - Please choose one

Which of the following item must be recorded in the adjusted Cash Book in order to bring it in line with the entries in the Bank Statement?

- ▶ **Bank charges**
- ▶ An error on the Bank Statement
- ▶ An uncredited deposit
- ▶ An unrepresented cheque

Question No: 23 (Marks: 1) - Please choose one

Consider the following data and identify the amount which will be deducted from Sundry Debtors in Balance Sheet.

| Particulars | Rs. |
|------------------------------------|-------|
| Bad debts (from trial balance) | 1,600 |
| Provision for doubtful debts (old) | 2,000 |
| Current year's provision (new) | 1,000 |

- ▶ Rs. 600
- ▶ **Rs. 1,000**
- ▶ Rs. 2,000
- ▶ Rs. 2,600

Question No: 24 (Marks: 1) - Please choose one

It is supposed that on 31st December, 2007, the sundry debtors are amounted to Rs. 40,000. On the basis of past experience, it is estimated that 10% of the sundry debtors are doubtful. Actual bad debts are Rs. 1600. What amount of new provision for doubtful debts will be deducted from Sundry debtors?

- ▶ Rs. 3,600
- ▶ **Rs. 4,000**
- ▶ Rs. 1,600
- ▶ Rs. 2, 400

Question No: 26 (Marks: 1) - Please choose one

Which of the following is normally treated as the last expense listed in the income statement of a company?

- ▶ Interest expense
- ▶ General and administrative expenses
- ▶ Salaries and wages expense
- ▶ **Income tax expense**

Question No: 27 (Marks: 1) - Please choose one

Which of the following accounts would be increased with a debit?

- ▶ Contributed Capital
- ▶ Retained Earnings
- ▶ Revenues
- ▶ **Expenses**

Question No: 28 (Marks: 1) - Please choose one

Which of the following is **NOT** an operating expense?

- ▶ Salaries and wages expense
- ▶ **Rent expense**
- ▶ Interest expense
- ▶ Depreciation expense

Question No: 29 (Marks: 1) - Please choose one

An asset is considered to be a current asset if:

- ▶ It has been bought recently and was bought new and not used
- ▶ **It can be realized in cash or sold or consumed in the business within one year**
- ▶ It is a piece of new machinery that is expected to last for at least ten years
- ▶ All of the given options

Question No: 30 (Marks: 1) - Please choose one

Which of the following item will be shown on debit side of capital account of sole proprietor?

- ▶ Cash
- ▶ **Drawings**
- ▶ Debtors
- ▶ Profit

Question No: 31 (Marks: 1) - Please choose one

Which of the following is/are **NOT** shown in balance sheet of sole proprietor?

- ▶ Fixed assets
- ▶ Current liabilities
- ▶ **Profit sharing ratio**
- ▶ Long term assets

Question No: 32 (Marks: 1) - Please choose one

When closing stock is given in trial balance, then it will effect:

- ▶ Trading account only
- ▶ **Balance sheet only**
- ▶ Owner's equity only
- ▶ Both Trading account and Balance sheet

Question No: 33 (Marks: 1) - Please choose one

What will the effects on financial statements, if machinery is depreciated @ 10%?

- ▶ It will be treated as an expense in income statement only
- ▶ It will be subtracted from concerned asset only
- ▶ It will be treated as a current asset only
- ▶ **It will be treated as an expense in income statement and subtracted from concerned assets in Balance Sheet**

Question No: 34 (Marks: 1) - Please choose one

Which of the following statement is **TRUE** about the Accounts receivable?

- ▶ Accounts receivable arises when a company buys goods or services from another party on credit
- ▶ Accounts receivable is a miscellaneous category that may include loans to employees
- ▶ Accounts receivable are more formal than notes receivable
- ▶ **Accounts receivable are often called trade receivables**

Question No: 35 (Marks: 1) - Please choose one

Fixed Asset (WDV) + _____ = Total assets Employed

- ▶ **Working capital**
- ▶ Total liabilities
- ▶ Total assets
- ▶ Current assets

Question No: 36 (Marks: 1) - Please choose one

Identify the selling expenses of manufacturing concern with the help of given data.

| Particulars | Rs. |
|---------------------|--------|
| Salesman's salary | 70,000 |
| Commission on sales | 28,000 |
| Carriage outward | 10,000 |
| Carriage inward | 5,000 |

- ▶ Rs. 80,000
- ▶ Rs. 60,000
- ▶ Rs. 38,000
- ▶ **Rs. 1, 08,000**

Question No: 37 (Marks: 1) - Please choose one

Which of the following statement is **TRUE** about the partnership form of business?

- ▶ Partners must have to share their profits in equal proportion
- ▶ Partners are personally liable for the liabilities of the business
- ▶ Partnerships must make their accounts available to the general public
- ▶ **Partnership agreement in writing is called Partnership deed**

Question No: 38 (Marks: 1) - Please choose one

By which if the following Act/ Ordinance, a company is allowed to issue shares at a higher price than their face value.

- ▶ **Companies ordinance 1984**
- ▶ Contract act 1872

- ▶ Sales of Goods act 1930
- ▶ None of the given options

Question No: 39 (Marks: 1) - Please choose one

Preliminary Expenses of the company may write off against:

- ▶ **Share premium account**
- ▶ Share holder account
- ▶ Debtors control account
- ▶ Creditor control account

Question No: 40 (Marks: 1) - Please choose one

Which of the following document(s) define the relation of company with outside world?

- ▶ Prospectus
- ▶ Statutory Declaration
- ▶ **Memorandum of Association**
- ▶ Articles of Association

Question No: 41 (Marks: 1) - Please choose one

What are the effects on financial statements, if provision for Income Tax to be made Rs. 12,000 is given in adjustment?

- ▶ It will be deducted in Income Statement only
- ▶ It will be treated as current liability in balance sheet only
- ▶ It will be treated as current asset in balance sheet only
- ▶ **Both it will be deducted in income statement and it will be treated as current liability in balance sheet**

Question No: 42 (Marks: 1) - Please choose one

What are the effects on financial statements, if Rs. 6,000 transfer to general reserve is given in adjustment?

- ▶ **it will be treated in both profit and loss appropriation account and in the balance sheet**
- ▶ It will be treated in Income Statement only
- ▶ It will be treated as current liability in balance sheet only
- ▶ It will be treated in profit and loss appropriation account only

Question No: 43 (Marks: 1) - Please choose one

In cash flow statements, which of the following would appear as a cash outflow?

- ▶ **The payments for purchases made during the year**
- ▶ A decrease in trade debtors over the course of an accounting period
- ▶ Money received as a result of issuing new shares
- ▶ Money received as result of selling fixed assets

Question No: 44 (Marks: 1) - Please choose one

Which of the following is **CORRECT**?

- ▶ A cash inflow means increase total cash only
- ▶ A cash inflow means increase in cash equivalent only

- ▶ A cash inflow means increase in cash and decrease in cash equivalent
- ▶ **A cash inflow means increase in both cash and cash equivalent**

Question No: 45 (Marks: 1) - Please choose one

When opening stock is Rs. 50,000, closing stock Rs. 60,000 and cost of goods sold Rs. 220,000. What will be stock turnover ratio?

- ▶ 2 times
- ▶ 3 times
- ▶ **4 times**
- ▶ 5 times

Question No: 46 (Marks: 1) - Please choose one

| | Rs. |
|---|------------|
| Gross profit | 50,000 |
| Operating profit | 42,000 |
| Sales | 250,000 |
| What is the amount of operating expenses | ? |

- ▶ **Rs. 8,000**
- ▶ Rs. 92,000
- ▶ Rs. 62,500
- ▶ Rs. 300,000

Question No: 47 (Marks: 1) - Please choose one

What types of changes (is) are made at the admission of partner in partnership?

- ▶ Assets of old business will be revalued
- ▶ Liabilities of old business will be revalued
- ▶ Good will of business will be revalued
- ▶ **All of the given options**

Question No: 48 (Marks: 1) - Please choose one

In which situation(s) Partnership is dissolved?

- ▶ In case of death of partner
- ▶ At the admission of new partner
- ▶ If any partner resigned from partnership
- ▶ **All of the given options**

Question No: 49 (Marks: 1) - Please choose one

If one partner receives a salary which is credited to him at the end of the year, the share of profit available for distribution will be:

- ▶ Increased
- ▶ **Decreased**
- ▶ Unchanged
- ▶ Changed and become negative

Question No: 51 (Marks: 5)

What is the Purpose of Control Accounts?

A business needs to have accounts created for individual creditors and debtors in its general ledger. Creditors are people/entity to whom company owes money and debtors are entities/people who owe money to the business. But when a business grows then the number of creditors and debtors also grows. We know that trial balance can give us the mathematical accuracy of accounts and if there is any difference in trial balance we can know it from the general ledger by actually checking each and every transaction for the year. But it is a very time consuming job to check each and every transaction if the business of the company is huge because it will have many many transaction to check. So in this control accounts are maintained in general one for total creditors and one for total debtors. Debtor's account is called debtor's control account and creditor's account is called creditor's control account. These accounts will not get hit by individual purchase, purchase returns, payments to creditor in case of creditor's control account and by sales, sales return, receipts in case of debtor's control account. Periodically this summarized data will be posted from individual ledgers which will be created for each type of transaction e.g a sales subsidiary ledger, purchase subsidiary ledger etc which will contain actual details of transactions with invoice number and periodically the amounts will be summarized from these subsidiary ledgers and posted to the control accounts at a single time. This way the transactions in general ledger will decrease and will become easy to manage and can be easily checked against creditor's or debtor's details in total creditor's ledger and total debtor's ledger for accuracy.

Question No: 52 (Marks: 10)

What is the effect of given adjustments on Trading & Profit & Loss account and Balance Sheet?

1. Accrued Expenses or Outstanding Expenses
2. Prepaid Expenses or Unexpired Expenses
3. Accrued Revenue or Revenue Receivable
4. Unearned Revenue or Revenue Received in Advance
5. Depreciation of Asset

1. **Accrued Expenses or Outstanding Expenses**

Trading and profit and loss account effect

These expenses will be shown in profit and loss account under administrative expenses and will and be deducted from gross profit. They will be used to calculate net profit

Balance sheet effect

These expenses will be shown as expense payable or accrued expenses in balance sheet as current liabilities and will be shown under current liabilities section of liabilities as they have to be paid by business..

2. **Prepaid Expenses or Unexpired Expenses**

Trading and profit and loss account effect

These will be deducted from relevant expense account to get the actual expenses for the period and that actual amount of expense will be deducted from gross profit to arrive at net profit. This amount of prepaid expenses will not be included in profit and loss account as an expense itself but its effect will be on current expenses for the period for which profit and loss is being calculated.

Balance sheet effect

These prepaid expenses will be show and current assets in balance sheet and will be shown under the section of current assets in balance sheet.

3. **Accrued Revenue or Revenue Receivable**

Trading and profit and loss account effect

These will be added to sales in trading account in profit and loss statement and will be treated as a revenue in the calculation of gross profit by subtracting cost of goods sold from net sales. This will affect gross profit in trading account.

Balance sheet effect

In balance sheet this revenue will be shown under current assets as receivables from debtors and will be shown under the section of current assets of the business.

4. **Unearned Revenue or Revenue Received in Advance**

Trading and profit and loss account effect

This will not be added to the sales as sales is recognized when the actual services have been provided or when goods have been shipped irrespective of whether payment has been received or not. So this will not affect profit and loss account as it is still not recognized as sales/revenue.

Balance sheet effect

This is a liability for the company because the company has to give goods or services to the buyer for the advance payment done by the buyer and will be shown as a liability in the balance sheet under the current liability section of balance sheet. Also the same amount will be shown in the bank or cash as current

asset to offset the liability because the cash or cheque has been received for goods not given or services not rendered yet.

5. **Depreciation of Asset**

Trading and profit and loss account effect

The depreciation of asset is an operating expense for the business and will affect profit and loss account. It will be added to the administrative expense and will appear in the administrative expense section of profit and loss account and will be deducted from gross profits to arrive at net profits along with other expenses.

Balance sheet effect

In balance sheet it will appear as deduction from the fixed asset as the fixed assets in balance sheet will be shown at written down value. So this will be added to previous balance of accumulated depreciation and will be deducted from the total cost of the fixed assets and will appear in the assets section under the heading of fixed asset. It might appear in notes as sometimes in balance sheet summarized figure of fixed asset at WDV will be shown. In any case it is deducted from fixed asset in balance sheet and affects the total assets side

Question No: 53 (Marks: 10)

Prepare profit & loss Appropriation account with the help of given data and show capital accounts and current account in balance sheet for XY Z & Sons

| Particulars | Rs. |
|------------------------------------|--|
| Net profit for the year | 600,000 |
| Opening balance of Capital | X:400,000 Y: 250,000 Z: 300,000 |
| Drawings during the year | X: 100,000 Y: 150,000 Z: 125,000 |
| Salaries are to be paid | X: 12,000 Y:20,000 Z:15,000 |
| Opening Balance of current account | X: 50,000 Y: 60,000 Z: 45,000 |
| Mark up rate on capital | 5% |
| Mark up rate on drawings | 5% |
| Profit sharing ratio for X:Y:Z | 30: 25:45 |

It is assumed that no capital introduced during the year.

ANSWER

XYZ Sons

Profit and Loss Appropriation account for the period ending ----

| Particulars | | Amount Rs | Amount Rs |
|---|------------------------------|-----------|------------------|
| <u>Net Rrofit for the year</u> | | | 600,000 |
| <u>Less Salaries for partners</u> | Partner X | (12,000) | (47,000) |
| | Partner Y | (20,000) | |
| | Partner Z | (15,000) | |
| <u>Less Interest on Capital(5%)</u> | 5 % on 400,000 for partner X | (20,000) | (47,500) |
| | 5 % on 250,000 for partner Y | (12,500) | |
| | 5 % on 300,000 for partner Z | (15,000) | |
| <u>Add : Markup on drawings(5%)</u> | Partner X's drawing 100,000 | 5,000 | 18,750 |
| | Partner Y's drawing 150,000 | 7,500 | |
| | Partner Z's drawing 125,000 | 6,250 | |
| <u>Net Profit avaiable for distribution</u> | | | 524,250 |
| <u>Profit distributed to partners</u> | X's share 30% | (157,275) | (524,250) |
| | Y's share 25% | (131,063) | |
| | Z's share 45% | (235,913) | |
| <u>Total</u> | | | 0 |

ANSWER PART 2**CURRENT ACCOUNTS OF PARTNERS**

| XYZ LTD | | Partner's X Current Account | | Account Code -- | | | |
|------------|------|-----------------------------|---------|-----------------|------|-------------------------|--------|
| DEBIT SIDE | | | | CREDIT SIDE | | | |
| Date 2002 | Vr.# | Narration / Particulars | Dr. Rs | Date 2002 | Vr.# | Narration / Particulars | Cr. Rs |
| | | Drawing | 100,000 | | | Opening balance | 50,000 |

| | | | | | | | |
|--|--|-------------------|----------------|--|--|---------------------|----------------|
| | | Markup on drawing | 5,000 | | | Salary | 12,000 |
| | | | | | | Interest on capital | 20,000 |
| | | | | | | Profit paid | 157,275 |
| | | Balance c/d | 134,275 | | | | |
| | | | | | | | |
| | | TOTAL | 239,275 | | | TOTAL | 239,275 |

| XYZ LTD | | Partner's Y Current Account | | Account Code -- | | | |
|------------|------|-----------------------------|----------------|-----------------|------|-------------------------|----------------|
| DEBIT SIDE | | | | CREDIT SIDE | | | |
| Date 2002 | Vr.# | Narration / Particulars | Dr. Rs | Date 2002 | Vr.# | Narration / Particulars | Cr. Rs |
| | | Drawing | 150,000 | | | Opening balance | 60,000 |
| | | Markup on drawing | 7,500 | | | Salary | 20,000 |
| | | | | | | Interest on capital | 12,500 |
| | | | | | | Profit paid | 131,063 |
| | | Balance c/d | 66,063 | | | | |
| | | | | | | | |
| | | TOTAL | 223,563 | | | TOTAL | 223,563 |

| XYZ LTD | | Partner Z Current Account | | Account Code -- | | | |
|------------|------|---------------------------|----------------|-----------------|------|-------------------------|----------------|
| DEBIT SIDE | | | | CREDIT SIDE | | | |
| Date 2002 | Vr.# | Narration / Particulars | Dr. Rs | Date 2002 | Vr.# | Narration / Particulars | Cr. Rs |
| | | Drawing | 125,000 | | | Opening balance | 45,000 |
| | | Markup on drawing | 6,250 | | | Salary | 15,000 |
| | | | | | | Interest on capital | 15,000 |
| | | | | | | Profit paid | 235,913 |
| | | Balance c/d | 179,663 | | | | |
| | | | | | | | |
| | | TOTAL | 310,913 | | | TOTAL | 310,913 |

Question No: 54 (Marks: 10)

Following is information of Shumile Ltd for the year ended December 31st, 2006

| Particular | Rs. |
|---|---------|
| Current Asset | 160,850 |
| Current Liability | 72,500 |
| Plant & Machinery | 171,000 |
| Furniture | 30,000 |
| Land | 100,000 |
| Accumulated profit & Loss c/f (credit balance) on 31 st December,2006 | 7,250 |
| Gross Profit on 31 st December,2006 | 125,000 |
| Issued capital | 150,000 |
| General Reserve | 12,000 |
| Authorized Capital Rs. 10/each | 500,000 |
| Long term investment | 200,000 |

Other information:

Depreciation is charged on all Fixed Assets (except Land) @ 10%.

Prepare Balance Sheet as on 31st December, 2006.

Answer :

| Shumile Lts Balance sheet as on date Dec 31st 2006 | | |
|---|-----------|-----------------------|
| Particulars | Amount Rs | <u>Amount Rs</u> |
| <u>Assets</u> | | |
| <u>Fixed Assets</u> | | |
| Fixed Assets at WDV Note 1 | | 280,900 |
| <u>Current Assets</u> | | |
| Current Assets | | 160,850 |
| <u>Current Liability</u> | | |
| Current Liability | | 72,500 |
| <u>Working Capital</u> | | 88,350 |
| <u>Net Assets employed</u> Note 2 | | <u>369,250</u> |
| <u>Financed by</u> | | |
| - | | |

| | | |
|--|--|-----------------------|
| Authorized share capital (50,000 shares at Rs 10 each) | | 500,000 |
| <u>Share Holder's Equity</u> | | |
| Issued Capital | | 150,000 |
| General Reserve | | 12,000 |
| Accumulated profit and loss | | 7,250 |
| <u>Net Shareholder's Equity</u> | | <u>169,250</u> |
| <u>Long Term Liability</u> | | |
| Long Term Investment | | 200,000 |
| Total | | <u>369,250</u> |

NOTES TO BALANCE SHEET

| Particulars | Cost of Item | Rate | Opening Balance | Depreciation | | |
|---------------------|--------------|------|-----------------|---------------------------|--------------------------------|--------------------|
| | | | | Depreciation for the year | Total Accumulated Depreciation | |
| | | | | | | Written Down Value |
| Land | 100,000 | 0 | 0 | 0 | 0 | 100,000 |
| Plant and machinery | 171,000 | 0.10 | 0 | 17,100 | 17,100 | 153,900 |
| Furniture | 30,000 | 0.10 | 0 | 3,000 | 3,000 | 27,000 |
| TOTAL | | | | 20,100 | 20,100 | 280,900 |

| Particular | Amount |
|--|-----------|
| Working Capital | 883,850 |
| Fixed assets | 280,900 |
| Net Assets employed = Working Capital + Fixed assets | 1,164,750 |

FINAL TERM EXAMINATION

Fall 2008
MGT101- Financial Accounting (Session - 1)

Question No: 1 (Marks: 1) - Please choose one

Wages outstanding given in the trial balance will be treated as a (an):

- ▶ Asset
- ▶ **Liability** Correct
- ▶ Revenue
- ▶ Deferred expense

Question No: 2 (Marks: 1) - Please choose one

Prepaid interest given in the Trial Balance will be treated as a (an):

- ▶ **Asset**
- ▶ Liability
- ▶ Revenue
- ▶ Deferred expense

Question No: 3 (Marks: 1) - Please choose one

If company has distributable profit is Rs. 4, 90,000. Profit sharing share ratio of Mr. A, Mr. B and Mr. C is 2:3:5 respectively what will be the Profit share for Mr. C in distributable profit.

- ▶ Rs. 98,000
- ▶ Rs. 1, 47,000
- ▶ **Rs. 2, 45,000**
- ▶ Rs. 3, 43,000

$2+3+5 = 10$

Mr. A

$490000 * 2/10$

Mr. A = 98000

Mr. B

$490000 * 3/10$

Mr. B = 147000

Question No: 4 (Marks: 1) - Please choose one

If the Capitals of partners are fixed then, at the end of financial year a partner's drawings are transferred to the:

- ▶ Credit side of the partner's capital account
- ▶ Credit side of the partner's current account
- ▶ Debit side of partnership bank account
- ▶ **Debit side of the partner's current account**

Question No: 5 (Marks: 1) - Please choose one

If company has distributable profit of Rs. 490,000, Profit sharing share ratio of Mr. A, Mr. B and Mr. C is 2:3:5 respectively. What will be the share of profit for Mr. A in distributable profit?

- ▶ **Rs. 98,000**
- ▶ Rs. 147,000
- ▶ Rs. 245,000
- ▶ Rs. 343,000

Question No: 6 (Marks: 1) - Please choose one

In which situation(s) Partnership is dissolved?

- ▶ In case of death of partner
- ▶ At the admission of new partner
- ▶ If any partner resigned from partnership
- ▶ **All of the given options**

Question No: 7 (Marks: 1) - Please choose one

In calculating earning per share (EPS), the net profit is divided by which of the following?

- ▶ **Number of ordinary shares**
- ▶ Number of preference shares
- ▶ Paid up capital
- ▶ Authorized capital

Question No: 8 (Marks: 1) - Please choose one

Which of the following statement is **NOT TRUE** about the limited company form of business?

- ▶ The limited company form of business allows ownership of the business to be spread amongst many people
- ▶ Shareholders can appoint professionals
- ▶ **Shareholders are personally liable for all the liabilities incurred by the business** **Correct**
- ▶ Regular filing of information about the affairs of the company is a legal requirement

Question No: 9 (Marks: 1) - Please choose one

A private limited company can commence its business:

- ▶ **Immediately on receiving a certificate of incorporation**
- ▶ Without receiving a certificate of incorporation
- ▶ Only when it receives certificate of commencement of business
- ▶ Only when it receives both, the certificate of incorporation as well as certificate of commencement of business

Question No: 10 (Marks: 1) - Please choose one

An example of financing activities in the context of cash flow statement is:

- ▶ Capital expenditures on purchase of fixed assets
- ▶ Long-term deposit
- ▶ Financial charges paid

▶ **Dividend paid**

Question No: 11 (Marks: 1) - Please choose one

A firm may earn profit during an accounting period but have less money in the bank at the end of the period than it had at the beginning. Which of the followings, on its own, could explain this?

- ▶ Not paying invoices received from creditors
- ▶ The sale of fixed assets during the period
- ▶ **An increase in trade debtors over the course of the period**
- ▶ An increase in the depreciation charge relative to the previous accounting period

Question No: 12 (Marks: 1) - Please choose one

The primary purpose of preparing a cash flow statement for an entity is to provide information about:

- ▶ Its financial position at the end of an accounting period
- ▶ **Its cash receipts and cash payments during an accounting period**
- ▶ Its financial position at the start of an accounting period
- ▶ None of the given options

Question No: 13 (Marks: 1) - Please choose one

Which of the following option(s) is **TRUE** about the Sales returns?

- ▶ Sales returns reduce the Gross sales of the firm
- ▶ Sales returns affect the Net income of the firm
- ▶ Sales returns affect the flow of cash
- ▶ **All of the given options**

Question No: 14 (Marks: 1) - Please choose one

The persons who sign articles and memorandum of the company and contribute in the initial share capital of the company are called:

- ▶ **Subscribers**
- ▶ Shareholders
- ▶ Managers
- ▶ Directors

Question No: 15 (Marks: 1) - Please choose one

The charter of a company which defines the limitations and powers of the company is called:

- ▶ **The memorandum of association**
- ▶ Articles of association
- ▶ Statutory report
- ▶ Certificate of commencement

Question No: 16 (Marks: 1) - Please choose one

Which of the following can offer its share to general public at large?

- ▶ A private limited company
- ▶ **A listed company**
- ▶ A partnership firm
- ▶ A trust

Question No: 17 (Marks: 1) - Please choose one

Which of the following are the owners of a company?

- ▶ Proprietors
- ▶ Partners
- ▶ **Shareholders**
- ▶ Managers

Question No: 18 (Marks: 1) - Please choose one

Current accounts of the partners should be opened when the capitals are:

- ▶ Normal
- ▶ Floating
- ▶ **Fixed**
- ▶ Fluctuating

Question No: 19 (Marks: 1) - Please choose one

Rent receivable (given in trial balance) is an item of _____.

- ▶ **Balance Sheet**
- ▶ Profit & Loss Account
- ▶ Trading Account
- ▶ Both Balance Sheet and Profit & Loss Account

Question No: 21 (Marks: 1) - Please choose one

Which of the following account is affected from the Drawings of cash in sole-proprietorship business?

- ▶ **Capital account**
- ▶ Shareholder account
- ▶ Liability account
- ▶ Expense account

Question No: 22 (Marks: 1) - Please choose one

An asset is considered to be a current asset if:

- ▶ It has been bought recently and was bought new and not used
- ▶ **It can be realized in cash or sold or consumed in the business within one year**
- ▶ It is a piece of new machinery that is expected to last for at least ten years
- ▶ All of the given options

Question No: 23 (Marks: 1) - Please choose one

General office expenses are charged to which of the following head:

- ▶ **Administrative expenses**
- ▶ Marketing expenses
- ▶ Selling expenses
- ▶ Financial expenses

Question No: 24 (Marks: 1) - Please choose one

Which of the following would **NOT** be considered as a component of 'cost' of stock?

- ▶ **Salaries of selling staff**
- ▶ Transportation inward costs
- ▶ Import duties
- ▶ Purchase price

Question No: 27 (Marks: 1) - Please choose one

Following information are extracted from books of Mr. XYZ

| Particulars | Rs. |
|--|--------|
| Closing value of stock | 40,000 |
| Write off Bad debts (given in adjustments) | 2,400 |
| Sundry Debtors (given in trial balance) | 33,200 |
| Provision is created on Debtors at 10% | |

Identify the Total amount deducted from Sundry debtors.

- ▶ Rs. 460
- ▶ Rs. 2,400
- ▶ Rs. 3,080
- ▶ **Rs. 5,480**

Question No: 28 (Marks: 1) - Please choose one

If (Amount of new provision + Amount of bad debts) < Amount of old provision then amount will be shown on:

- ▶ Debit side of P & L account
- ▶ **Credit side of P & L account**
- ▶ Asset side of Balance Sheet
- ▶ Liability side of Balance Sheet

Question No: 29 (Marks: 1) - Please choose one

Which of the following rectifying entry will be recorded, if sales to Mr. "A" of Rs.336 have been debited to Mr. "B" account?

- ▶ **A's account (Dr.) and B's account (Cr.)**
- ▶ B's account (Dr.) and A's account (Cr.)
- ▶ Sales account (Dr.) and B's account (cr.)
- ▶ B's account (Dr.) and Sales account (Cr.)

Question No: 30 (Marks: 1) - Please choose one

Which of the following account(s) will be affected, while rectifying the error of sales Rs.100 to Mr. "A" recorded in the purchases book?

- ▶ Sales account
- ▶ Purchase account
- ▶ A's account and Sales account
- ▶ **Sales account, purchase account and A's account**

Question No: 31 (Marks: 1) - Please choose one

Which of the following is shown on credit side of creditors control account?

- ▶ Bills Receivable
- ▶ **Return inwards**
- ▶ Credit purchases
- ▶ Discount allowed

Question No: 32 (Marks: 1) - Please choose one

Sales are calculated by adding:

- ▶ Cash sales and cash received from debtors
- ▶ Credit sales and cash received from debtors
- ▶ **Cash sales and credit sales**
- ▶ Cash sales and credit purchases

Question No: 33 (Marks: 1) - Please choose one

Which of the following is **NOT** based on the concept of double entry book keeping system?

- ▶ **Subsidiary Ledgers**
- ▶ Creditors Control Accounts
- ▶ Debtors Control Accounts
- ▶ All of the given options

Question No: 34 (Marks: 1) - Please choose one

If Bad Debts written off are given in adjustment, then which of the following entry for bad debts written off is **CORRECT**?

- ▶ Bad debts a/c (Dr) and Trading a/c (Cr)
- ▶ Provision for Bad and Doubtful debts a/c (Dr) and Bad debts a/c(Cr)
- ▶ **Bad debts a/c (Dr) and debtors a/c (Cr)**
- ▶ Trading a/c (Dr) and Bad debts a/c (Cr)

Question No: 35 (Marks: 1) - Please choose one

Consider the following data:

| | |
|--|-----------|
| Provision created in 2006 | Rs. 2,500 |
| Bad debts in 2007 | Rs. 1,500 |
| Sundry debtors on 31-12- 2007 were Rs. 40,000 and provision is created @ 5%. | |
| Which journal entry is Correct for the provision for doubtful debts for the year 2007. | |

▶ Provision for doubtful debts a/c Rs. 1,000 (Dr) & Profit & Loss a/c Rs. 1,000 (Cr)

▶ **Profit & Loss a/c Rs. 2,000 (Dr) & Provision for doubtful debts a/c Rs. 2,000 (Cr)**

▶ Provision for doubtful debts a/c Rs. 2,000 (Dr) & Profit & Loss a/c Rs. 2,000 (Cr)

▶ Profit & Loss a/c Rs. 1,000 (Dr) & Provision for doubtful debts a/c Rs. 1,000 (Cr)

Question No: 36 (Marks: 1) - Please choose one

| Particulars | Rs. |
|--|----------|
| Opening written down value of machine | 4,00,000 |
| Cost of machine purchased during the year | 50,000 |
| Depreciation during the year | 20,000 |
| closing written down value (WDV) of the Machines | ? |

▶ **Rs. 4, 30,000**

▶ Rs. 4, 50,000

▶ Rs. 4, 70,000

▶ Rs. 70,000

Question No: 37 (Marks: 1) - Please choose one

In accounting accumulated depreciation is:

▶ Treated as a reserve

▶ **Treated as a contra asset**

▶ Treated as a surplus

▶ Treated as an expense

Question No: 38 (Marks: 1) - Please choose one

Find out the missing value of an Accounting Equation with the help of given data:

| | |
|-------------------|------------|
| Cash | Rs. 22,500 |
| Debtors | Rs. 500 |
| Total Assets | Rs. 80,385 |
| Accounts payable | Rs. 1,000 |
| Total liabilities | Rs. 20,000 |

▶ **Rs. 60,385 owner's equity**

▶ Rs. 61,385 owner's equity

▶ Rs. 99,885 owner's equity

▶ Rs. 99,385 owner's equity

Question No: 39 (Marks: 1) - Please choose one

Stock of Trading concern consists of:

▶ Raw material

▶ Work in process

▶ **Merchandise inventory**

- ▶ All of the given options

Question No: 40 (Marks: 1) - Please choose one

Consider the following inventory record:

| Date | Item | Quantity | Cost/Unit | Total |
|------------|-------------------|----------|-----------|----------|
| 2007Jan. 2 | Opening inventory | 100 | Rs.18.00 | Rs.1,800 |
| Mar. 4 | Purchase | 400 | 19.00 | 7,600 |
| May 8 | Purchase | 800 | 20.00 | 16,000 |
| Nov. 3 | Purchase | 500 | 21.00 | 10,500 |

Four hundred units are unsold, Use the FIFO method of inventory costing and determine the value assigned to the 400 units on hand at the end of the period.

- ▶ Rs.7, 500
- ▶ Rs.7, 978
- ▶ Rs.8, 000
- ▶ **Rs.8, 400**

Question No: 41 (Marks: 1) - Please choose one

| Particulars | Rs. |
|---|----------|
| Opening stock of raw material | 100,000 |
| Closing stock of raw material | 85,000 |
| Purchases of raw material during the period | 200, 000 |
| Cost of Material Consumed | ? |

- ▶ Rs. 205,000
- ▶ **Rs. 215,000**
- ▶ Rs. 220,000
- ▶ Rs. 225,000

Question No: 42 (Marks: 1) - Please choose one

In cost of goods sold statement the 'cost of goods manufactured' is equal to:

- ▶ Total factory cost + Opening work in process + Ending work in process
- ▶ **Total factory cost + Opening work in process – Ending work in process**
- ▶ Total factory cost - Opening work in process + Ending work in process
- ▶ Ending work in process +Total factory cost – Opening work in process

Question No: 43 (Marks: 1) - Please choose one

What would be the value of total factory cost, if the cost of material consumed during the month is Rs. 6,000, labor cost incurred is Rs. 2,000 and the factory over head cost is Rs. 2,500?

- ▶ Rs. 6,000
- ▶ Rs. 8,000

- ▶ Rs. 4,500
- ▶ **Rs. 10,500**

Question No: 44 (Marks: 1) - Please choose one

Which of the following item appears in Trading Account of a business?

- ▶ Interest expenses
- ▶ **Wages and salaries**
- ▶ Depreciation expenses
- ▶ Discount Allowed

Question No: 45 (Marks: 1) - Please choose one

If the cost of sales is Rs. 60,000, sales are Rs. 95,000 and operating expenses are Rs. 20,000 during the year, what would be the value of Gross Profit?

- ▶ Rs. 15,000
- ▶ **Rs. 35,000**
- ▶ Rs. 55,000
- ▶ Rs. 60,000

Question No: 46 (Marks: 1) - Please choose one

Identify that which of the following particular(s) would **NOT** be shown in the format of a Cash Book?

- (1) Cheque number
- (2) Date of transaction
- (3) Amount of transaction

- ▶ **(1) only**
- ▶ (1) & (2) only
- ▶ (1) & (3) only
- ▶ (2) & (3) only

Question No: 47 (Marks: 1) - Please choose one

The process of transferring journal entry information to the ledger is called:

- ▶ Journalizing
- ▶ **Posting**
- ▶ Balancing
- ▶ Analyzing

Question No: 48 (Marks: 1) - Please choose one

Which one of the following is a type of General Ledger?

- ▶ Book of original entry
- ▶ **'T' Account**
- ▶ Source document
- ▶ Day book

Question No: 49 (Marks: 1) - Please choose one

Which of the following is **CORRECT** about the flow of recording a transaction?

▶ Occurrence of event – voucher—Journal—Ledger—Trial Balance— profit and loss account—Balance Sheet

▶ Occurrence of event—Journal – voucher —Ledger—Trial Balance—profit and loss account—Balance Sheet

▶ Occurrence of event—Ledger – voucher—Journal—Trial Balance—profit and loss account—Balance Sheet

▶ Occurrence of event—Trial Balance – voucher—Journal—Ledger—profit and loss account—Balance Sheet

Question No: 50 (Marks: 1) - Please choose one

Economic resources owned by a business and expected to benefit for the future operations are called:

- ▶ Expenses
- ▶ **Assets**
- ▶ Capital
- ▶ Liabilities

Question No: 51 (Marks: 5)

With the help of given data prepare Capital account of a sole trader and calculate closing balance of capital.

| | Rs. |
|-------------------------------|------------|
| Balance b/f | 550,000 |
| Drawings | 50,000 |
| Profit & Loss (debit balance) | 45,000 |

| CAPITAL ACCOUNT | | | |
|--------------------|----------------|--------------|----------------|
| DEBIT SIDE | | CREDIT SIDE | |
| PARTICULARS | AMOUNT | PARTICULARS | AMOUNT |
| Profit and loss | 45000 | Balance b/f | 550,000 |
| Drawings | 50,000 | | |
| Balance c/f | 455,000 | | |
| TOTAL | 550,000 | TOTAL | 550,000 |

Question No: 52 (Marks: 10)

Briefly explain the financial statements prepared by the organization. Why these are important for manufacturing concern?

ANSWER: The financial statements prepared by any organization are as follows:

- 1. Profit and loss account:** It shows the performance of the business in a given period. It shows the profitability of business which shows the success or failure of the business.

2. **Balance sheet:** Balance sheet shows the position of business at a given point. It shows the resources available by the business and the resources invested by the owner and other loans.
3. **Cash flow statements:** Cash flow statements show the generation of cash and its usage over a given period.

IMPORTANCE OF FINANCIAL STATEMENTS FOR MANUFACTURING CONCERN: These financial statements are important for manufacturing concern organization as they provide information related to financial affairs of the organization. The profitability and liquidity, the resources available to the company and the generation of cash and its usage over a given period which provides reasonable information to the management to take decisions.

Question No: 53 (Marks: 10)

The comparative financial statement data for XYZ Company is given below:

| Assets: | December 31 | |
|---|-----------------------|-----------------------|
| | 2007 | 2006 |
| | Rs. | Rs. |
| Cash | 4,000 | 7,000 |
| Accounts receivable | 36,000 | 29,000 |
| Inventory | 75,000 | 61,000 |
| Plant and equipment | 210,000 | 180,000 |
| Accumulated depreciation | (40,000) | (30,000) |
| Total Assets | <u>285,000</u> | <u>247,000</u> |
| Liabilities & Stockholder's equity: | | |
| Accounts payable | 45,000 | 39,000 |
| Common stock | 90,000 | 70,000 |
| Retain earnings | 150,000 | 138,000 |
| Total liabilities & Stockholder's equity | <u>285,000</u> | <u>247,000</u> |

For 2007, the company reported net income as follows:

XYZ Company
Income Statement
For the year ended 31st December, 2007

| | |
|--------------------------|----------------|
| | Rs. |
| Sales | 500,000 |
| Less: Cost of goods sold | <u>300,000</u> |
| Gross margin | 200,000 |
| Less Operating expenses | <u>180,000</u> |
| Net Income | <u>20,000</u> |

Required:

Prepare a Statement of Cash Flows if dividend of Rs. 8,000 was declared and paid during the year 2007. There were no sales of plant and equipment during the year.

ANSWER:

| | |
|--|---------------|
| Starting balance: | |
| Net income | 20,000 |
| Add: adjustment for non cash items | |
| Depreciation | 38,000 |
| Operating profit before working capital changes: | 58,000 |
| Working capital changes: | |
| Add: cash | 3,000 |
| Less: accounts receivable | (7,000) |
| Add: accounts payable | 7,000 |
| Cash generated from operations | 61,000 |
| Cash flow from investing activities | |
| Cash flow from financing activities: | |
| Common Stock | 20,000 |
| Net decrease in cash | 3,000 |
| Net cash flow | 78,000 |

Question No: 54 (Marks: 10)

Write a note on legal documents required for the formation of company.

ANSWER:

LEGAL DOCUMENTS REQUIRED FOR FORMATION OF COMPANY:

MEMORENDUM OF ASSOCIATION: It contains the following information

1. Name of company.
2. Place of registered office
3. Objective
4. Amount of share capital with which company registers.

ARTICLES OF ASSOCIATION: It contains the following information

A document that contains all the policies and other matters necessary to run the business of the company. It is signed by all the members of the company.