FINALTERM EXAMINATION
Fall 2008
MGT101- Financial Accounting (Session - 3)

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

Debenture is also named as:

- ► Share
- ► Bond
- ► Equity
- ► Reserve

Question No: 2 (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: 3 (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: 4 (Marks: 1) - Please choose one

Particulars	Rs.
Share capital of Rs. 10 each	1,000,000
Profit before tax	150,000
Taxes	10,000
Earning per share	**= ?**

- ► Rs. 1.50 per share
- ► Rs. 1.40 per share
- ► Rs. 1.15 per share
- ► Rs. 1.25 per share

Question No: 5 (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: 6 (Marks: 1) - Please choose one

Which of the following statement in **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: 7 (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: 8 (Marks: 1) - Please choose one

In which of the following interim dividend is treated?

► In profit and Loss account
► In profit and Loss appropriation account
► On the asset side of the Balance Sheet
► In trading account

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

The income statement of the Limited company is also known as:

► Manufacturing account
► Profit and Loss account
► Profit and Loss Appropriation account
► Current Account

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

In which of the following auditor's remuneration payable is shown?

► In balance sheet under the head of current liabilities only
► In balance sheet under the head of current assets only
► In income statement under the administrative expense only
► In both balance sheet under the head of current liabilities and income statement under the administrative expense

Question No: 11 (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: 12 (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 premium account
► Share holder account
► Share capital account
► Right share

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

The maximum amount with which the company is registered is called:

► Authorized Share Capital
► Issued Share Capital
► Paid up capital
► Called up capital

Question No: 14 (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: 15 (Marks: 1) - Please choose one

Which of the following is(are) type(s) of capital account in partnership?

- ► Fixed Capital
- ► Current Capital
- ► Fluctuating Capital
- ► Both Fixed Capital and Fluctuating Capital

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

Current accounts of the partners should be opened when the capitals are:

- ► Normal
- ► Floating
- ► Fixed
- ► Fluctuating

Question No: 17 (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: 18 (Marks: 1) - Please choose one

Fixed Assets (WDV) + Working Capital =?

- ► Total assets employed
- ► Total liabilities
- ► Total assets
- ► Current assets

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

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

- ► 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
- ► All of the given options are correct

Question No: 20 (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: 21 (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: 22 (Marks: 1) - Please choose one

Which of the following is a selling expense?

► Any tax/freight is paid on purchases
► General salaries paid to laborers
► Tax & freight paid on sale
► Interest on deposits

Question No: 23 (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: 24 (Marks: 1) - Please choose one

Which of the following accounts would be increased with a debit?

► Contributed Capital
► Retained Earnings
► Revenues
► Expenses

Question No: 25 (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: 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

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: 28 (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: 29 (Marks: 1) - Please choose one

If the provision for doubtful debts is not created, which of the following entry is passed to record the bad debts in control account?

► Bade debts (Dr) and Debtors Control A/c (Cr)
► Allowance for doubtful debts (Dr) and Debtors Control A/c (Cr)
► Allowance for doubtful debts (Dr) and Debtors A/c (Cr)
► Debtors Control A/c (Dr) and Allowance for doubtful debts (Cr)

Question No: 30 (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: 31 (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)	800
Sundry Debtors (Given in trial balance)	44,500
Provision for doubtful debts @ 5%	
What will be the amount of new provision	**?**

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

Question No: 32 (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 5%	

Requirement: Identify the Total amount which will deduct from Sundry debtors.

- ► Rs. 460
- ► Rs. 2,400
- ► Rs. 1,540
- ► Rs. 3,940

Question No: 33 (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: 34 (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: 35 (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: 36 (Marks: 1) - Please choose one

Particulars	Rs.
Opening written down value of machine	1,00,000
Cost of new machine purchased during the year	50,000
Depreciation during the year	21,000
Closing written down value (WDV)	?

► Rs. 1, 29,000
► Rs. 1, 50,000
► Rs. 1, 21,000
► Rs. 71,000

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

Depreciable value of an asset is equal to:

► Cost + scrap value
► Cost + market price
► Cost – scrap value
► None of the given options

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

If a business pays rent in advance for 12 months, it will be treated as:

► Prepaid expenses of business
► Long term liability of business
► Fixed assets of business
► Current liability of business

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

Which of the following asset is **NOT** depreciated?

► Factory Buildings
► Office Equipment
► Plant & Machinery
► Land

Question No: 40 (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: 41 (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: 42 (Marks: 1) - Please choose one

Expenditures incurred anually on renewal of patent are known as:

► Revenue Expenditures
► Capital Expenditures
► Financial Expenditures
► Operating Expenditures

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

Which of the following is **NOT** a type of voucher?

► Journal Voucher

► Receipt Voucher
► Payment Voucher
► Drawings Voucher

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

If cost of sales is Rs. 95,000, sales are Rs. 200,000 and operating expenses are Rs. 100,000. What will be the net result?

► Rs. 5,000 Loss
► Rs. 5, 000 Profit
► Rs.1, 95,000 Profit
► Rs.1, 95,000 Loss

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 Net Profit?

► Rs.15,000
► Rs. 35,000
► Rs. 55,000
► Rs. 60,000

Question No: 46 (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).

► Capital account
► Sundry creditors account
► Accounts payable account
► Cash account

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

Accounts Receivable & Inventory are the examples of:

► Liquid assets
► Current assets
► Fixed assets
► Capital assets

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

A summarized record of transactions related to individuals or things is called a/an _____.

► Account
► Voucher
► Journal
► Trial balance

Question No: 49 (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: 50 (Marks: 1) - Please choose one

What would be the affect on the components of the accounting equation, if goods are purchased on cash?

► Increase in cash and decrease in equity
► Increase in cash and increase in goods
► Increase in goods and decrease in cash
► Increase in equipment and increase in equity

Question No: 51 (Marks: 5)

Calculate net income with the help of given date for the year end of 2007 and show complete working of Cost of Goods sold.

Raw material Stocks on 1-1-2007	Rs. 30,000
Work in process on 1-1-2007	35,600
Finished Goods on 1-1-2007	35,400

Raw material Stocks 31-12-2007	Rs. 31,000
Work in process 31-12-2007	25,000
Finished Goods 31-12-2007	53,900
Total factory Cost	543,339

Additional data

- Other expenses for the year is Rs. 5,000.
- Operating expenses for the year Rs. 15,000
- Sale for the year Rs. 1,500,000

Solution:

Name of the Company
Income Statement

For the period of 2007

Particulars	Amount Rs	Amount Rs
Sales		1500000
Less Cost of Good Sold		(534439)
Gross Profit		965561
Less: Expenses:		
Other Expenses	5000	
Operating expenses	15000	(20000)
Net Income		945561

Working:
Calculate Cost of Good Sold:
Raw Material:
Opening Raw Material: 30000
- Closing Raw Material: 31000
Cost of Material Consumed: -1000
Conversion Cost:
Direct Labor: 0
FOH: 0
Total Factory Cost: 542339
Work in Process:
+Opening WIP: 35600
-Closing WIP: 25000
Cost of Goods Manufactured: 552939
Finish Goods:
+Opening FG: 35400
-Closing FG: 53900
Cost of Good Sold: 534439

Question No: 52 (Marks: 10)

Write down the at least ten distinguishing features of a limited company which differentiate it from sole proprietor business

Question No: 53 (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 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 @ 10%.

Required:

Show Journal entries and necessary accounts. Also show how the items will appear in Profit and Loss account and Balance sheet

Solution:
Entry#1

Provision for Doubtful Debts 32000

Debtors Control Account 32000

Make Ledgers of each account

Debtors Account							
Debit Side				Credit Side			
Date	No.	Particulars	Dr. Rs.	Date	No.	Particulars	Cr. Rs.
		Balance	32000			Provision for doubtful debts	32000
			32000				32000

Provision of Doubtful debts							
Debit Side				Credit Side			
Date	No.	Particulars	Dr. Rs.	Date	No.	Particulars	Cr. Rs.
		Debtors Account	32000			Balance	32000
			32000				32000

And you people already know to show these accounts in P n L and Balance Sheet.

IN PL Account = 32000+10000-12000=30000 on Debit Side
In Balance Sheet

Debtors = 320000-32000-12000-276000

Question No: 54 (Marks: 10)

Following information is extracted from the books of Arfan Ltd as on December 31st, 2007.

Particulars	Cost	Depreciation rate	Accumulated Depreciation On 01-01-2007
Vehicles 01-01-2007	1,90,000	10%	10,000
Building 01-01-2007	4,00,000	20%	12,500
Furniture & Fixture 01-01-2007	4,15,000	15%	34,500
Land 01-01-2007	1,58,000	--	---

You are required to calculate Written down value of each asset and show working of complete depreciation for the year ending on December 2007.

Particulars	Cost			Rate	Accumulated Depreciation			WDV
	As At 1-1-2007	Addition/ deletion	As At 31st-12-2007		As At 1-1-2007	For The Year	As At 31st-12-2007	
Vehicles	190000	0	190000	10%	10000	19000	29000	161000
Building	400000	0	400000	20%	12500	80000	92500	307500
Furniture	415000	0	415000	15%	34500	62250	96750	318250
Land	158000	0	158000	0	0	0	0	158000
Total	***1163000***	***0***	***1163000***		***57000***	***161250***	***218250***	***944750***