

I Semester B.B.M. Examination, November/December 2008
(Semester Scheme)
BUSINESS MANAGEMENT

Paper – 1.4 : Fundamentals of Accounting

3 Hours

Max. Marks : 90

- Instructions :** 1) *Answers should be written in English.*
2) *Workings should be given wherever necessary.*

SECTION – A

Answer **any 10** of the following sub-questions. **Each** question carries **2** marks. **(2×10=20)**

- What is Accounting ?
- Give the meaning of an asset.
- What is a journal entry ?
- What is a Ledger ?
- Who is a Debtor ?
- Mention two objectives of preparing a Bank Reconciliation Statement.
- What are errors of Omission ?
- Why is a Profit and Loss Account prepared ?
- What is a Journal proper ?
- What is a petty cash book ?
- Give the meaning of Day book.
- How do you treat outstanding salaries of final account ?

SECTION – B

Answer **any 5** questions. **Each** question carries **5** marks. **(5×5=25)**

- Distinguish between Single entry and Double entry system of accounting.
- Briefly explain the advantages of accounting.



4. Journalise the following transactions in the books of Ram.

2007

- July 1st Started business with cash Rs. 4,000
- " 2nd Purchased machinery Rs. 2,000
- " 10th Bought furniture from Suresh Rs. 500
- " 12th Sold furniture Rs. 100
- " 15th Purchased goods from Srinivas on account Rs. 4,000
- " 18th Sold goods to Sridhar Rs. 2,000
- " 25th Returned damaged goods to Srinivas Rs. 50
- " 27th Received cheque from Sridhar Rs. 1,000.

5. Enter the following transaction in a Single Petty Cash Book :

2007

- March 1st Received a cheque for Rs. 100 to open the book
- " 3rd Wages paid Rs. 20
- " 5th Paid postage Rs. 4
- " 7th Purchased stationery Rs. 18
- " 10th Paid taxi hire Rs. 10
- " 12th Sent a telegram to Dharwad Rs. 5
- " 17th Settled the balance due to Ranjith Rs. 10
- " 20th Tiffin charges of customers Rs. 5
- " 28th Cart hire paid for goods bought Rs. 15

6. Enter the following transaction in the sales book of Kamath, a provision merchant

2007

- Feb. 1st Sold to Anand and Co., Bangalore, 10 bags of rice at Rs. 120 per bag.
- " 8th Sold to Shenoy, Bangalore, 10 bags of sugar at Rs. 250 per bag.
- " 10th Sold to Navinchand, Mumbai, 10 bags of wheat at Rs. 50 per bag.
- " 18th Sold to Avinash and Co., Cochin, 10 bags of groundnut at Rs. 100 per bag.
- " 28th Sold to Shetty and Co., Bangalore, 10 bags of wheat at Rs. 70 per bag cash
- " 28th Sold to Taj Mahal Hotel Ltd., Bangalore, 10 bags of wheat flour at Rs. 1 per bag.

Prepare a Trial Balance from the following :

| | | | |
|------------------|--------|-------------------|--------|
| Patent | 2,000 | Bank overdraft | 3,000 |
| Sales | 20,000 | General Expenses | 4,000 |
| Bills payable | 2,000 | Purchases | 30,000 |
| Capital | 12,000 | Outstanding wages | 1,000 |
| Returns outwards | 2,000 | Debtors | 4,000 |

From the following particulars, prepare Bank Reconciliation statement of Rajesh as on 31st December 2006.

- Balance as per cash book on 31st December 2006 Rs. 4,250.
- Cheques for Rs. 3,100 were issued during the month of December, but only cheques for Rs. 1,400 were presented for payment during December.
- Cheque and cash amounting to Rs. 5,900 were deposited in the bank during the month of December but credit was given only for Rs. 3,450.
- The bank paid during December 2006 a sum of Rs. 495 as life insurance premium.
- The bank credited Rs. 100 as interest and debited Rs. 45 as bank charges, for which there were no corresponding entries in the cash book.

9. Rectify the following errors :

- An amount of Rs. 600 withdrawn by the proprietor has been debited to salaries account.
- Furniture purchased Rs. 500 has been wrongly debited to purchases account.
- An amount of Rs. 300 spent on repairs to machinery has been wrongly debited to Machinery a/c.
- An amount of Rs. 400 received on sale of old machinery has been credited to sales account.
- A sum of Rs. 200 received from Rakesh has been credited to Rajesh.



SECTION - C

Answer **any 3** questions. **Each** question carries **15** marks.

(3×15=

10. Enter the following transactions in a three column Cash Book :

2007

- Jan. 1st Balance of cash in hand Rs. 4,000 and at bank Rs. 16,000
- " 2nd Paid Satish by cheque Rs. 9,500 in full settlement of his account for Rs. 9,600.
- " 4th Bought goods for Cash Rs. 800 and for cheque Rs. 3,000
- " 6th Drew cash for office use Rs. 3,000
- " 7th Paid wages in cash Rs. 2,500
- " 8th Paid Umesh Rs. 1,200 by cheque
- " 10th Sold goods for cash Rs. 8,000
- " 12th Received cheque from Bhaktha Rs. 3,200 in full settlement of his account for Rs. 3,250. Deposited Bhaktha's cheque into the bank.
- " 15th Bhaktha's cheque was returned dishonoured.
- " 20th Paid Rs. 9,200 into bank.
- " 24th Received cheque from Joseph Rs. 4,200 on account and deposited the same into the bank.
- " 27th Paid Henry Rs. 1,750 in full settlement of his account for Rs. 1,800.
- " 30th Received cheque from Jagadish Rs. 5,850 in full settlement of his account for Rs. 5,900.

From the following Trial Balance of Prasad and Sons as on 31st March 2007,
Prepare Final Accounts :

| Debit | Rs. | Credit | Rs. |
|--------------------|-----------------|-------------------------|-----------------|
| Stock (1-4-2006) | 1,500 | Sales | 78,000 |
| Purchases | 25,000 | Capital | 20,000 |
| Debtors | 6,000 | Returns outwards | 1,000 |
| Drawings | 5,000 | Bills Payable | 4,000 |
| Returns inwards | 800 | Creditors | 6,600 |
| Machinery | 15,000 | Provision for Bad Debts | 1,400 |
| Bills Receivable | 2,500 | | |
| Land and Buildings | 30,000 | | |
| Salaries and Wages | 12,000 | | |
| Trade Expenses | 7,000 | | |
| Rent | 1,200 | | |
| Stationery | 700 | | |
| Bad Debts | 300 | | |
| Furniture | 3,500 | | |
| Cash Balance | 500 | | |
| | 1,11,000 | | 1,11,000 |

Adjustments :

- Closing stock as on 31st March 2007 is Rs. 1,200.
- Accrued Expenses : Wages Rs. 400; Rent Rs. 50.
- Provision for bad and doubtful debts at 15% on Debtors.
- Depreciate machinery at 10% and land and buildings at 8%.



12. Enter following transactions in proper subsidiary books :

2007

- July. 1st Bought goods from Ashwini, Hubli Rs. 600
 " 2nd Bought goods from Rajesh, Bangalore Rs. 500
 " 4th Sold goods to Ramesh, Tumkur Rs. 400
 " 7th Sold goods to Murugan, Chennai Rs. 300
 " 9th Bought goods from Ranjith, Mysore Rs. 800
 " 12th Ramesh returned goods Rs. 100
 " 16th Bought goods from Govind, Bangalore Rs. 500
 " 20th Returned goods to Ashwini, Hubli Rs. 200
 " 22nd Returned goods to Rajesh, Bangalore Rs. 150
 " 26th Sold goods to Vinod, Mysore worth Rs. 2,000 subject to trade discount of 15%.
 " 28th Murugan returned goods Rs. 50
 " 30th Bought from David, Kolar goods worth Rs. 400.

13. Anand a retail trader, had no proper methods of accounting, but the following information is made available to you ;

| Particulars | 1-1-2006 Rs. | 31-12-2006 Rs. |
|------------------|-----------------|-------------------|
| Furniture | 3,000 | 3,000 |
| Motor Vans | 3,800 | 3,800 |
| Cash | 500 | 2,400 |
| Stock | 33,400 | 37,000 |
| Bank overdraft | 40,400 | 38,800 |
| Debtors | 22,400 | 21,000 |
| Bills Receivable | 30,100 | 28,400 |
| Creditors | 30,800 | 28,000 |

During the year he withdrew Rs. 5,200 for personal use.

Adjustments :

- a) Depreciate furniture by 10%.
- b) Write off Rs. 200 from Motor Vans.
- c) Debtors include Rs. 400 irrecoverable and a further reserve of 2% is to be made.
- d) A bill of Rs. 500 is considered doubtful.

Prepare a statement showing profit or loss for the year ended 31-12-2006 and a Revised Statement of Affairs as on that date.

Enter the following transactions in a Journal, and prepare only personal accounts in the Ledger.

2007

| | |
|------------------------|--|
| August 1 st | Gupta started business with the following assets : |
| | Cash Rs. 7,000 |
| | Machinery Rs. 10,000 |
| " 2 nd | Purchased goods from Peter Rs. 12,000 |
| " 3 rd | Sold goods for cash Rs. 6,000 |
| " 5 th | Paid Peter on account Rs. 10,000 |
| " 7 th | Returned goods to Peter Rs. 500 |
| " 10 th | Sold goods to Nelson Rs. 4,000 |
| " 11 th | Purchased goods from John Rs. 8,000 |
| " 14 th | John returned goods Rs. 400 |
| " 22 nd | Sold goods to Robert Rs. 2,000 |
| " 27 th | Paid John on account Rs. 5,000 |
| " 30 th | Paid wages Rs. 2,000 |