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BENGALURU
School of Commerce

Mid - Term Examinations - November 2024

Semester: 1

Date: 06-11-2024

Course Code: BCH2001

Time: 09.30am to 11.00am

Course Name: Basics of Financial Accounting

Max Marks: 50

Program: B. Com

Weightage: 25%

Instructions:

(i) Read all questions carefully and answer accordingly.

(ii) Do not write anything on the question paper other than roll number.

Part A

Answer ALL the Questions. Each question carries 2 marks.

15Q x 2M=30M

1 Petty cash is controlled under an imprest system. The imprest amount is \$200. During a period, payments totalling \$103 have been made. **2 Marks R CO2**

How much needs to be reimbursed at the end of the period to restore petty cash to the imprest account?

a) \$200

b) \$103

c) \$97

d) \$100

2 In which book of prime entry will a business record credit notes sent in respect of goods which the business has received back from its customers? **2 Marks R CO2**

a) The sales returns day book

b) The cash book

c) The purchase returns day book

- d) The purchase day book
What steps would you take to copy a worksheet to a new workbook?
- 3** "Information is available promptly to be capable of influencing decisions". **2 Marks R C01**
- Identify the accounting concept described above.
- 4** Identify the financial statement that shows the performance of a company during a period. **2 Marks R C01**
- a) Income Statement
b) Balance Sheet
c) Statement of Cash Flows
d) Statement of Changes in Equity
- 5** Which form of business offers limited liability for its owners(investors)? **2 Marks R C01**
- a) Sole traders
b) Partnerships
c) Companies
d) None of the above
- 6** Which of the following statements about comparability and consistency is not correct? **2 Marks R C01**
- a) Financial statements must be consistent even if not comparable.
b) Consistency enhances comparability.
c) Financial statements must be comparable and consistent.
d) Both concepts help users to understand the financial performance better.
- 7** Which of the following statements is true about liability? **2 Marks R C01**
- a) It is often called as capital
b) May result in an economic inflow from the entity
c) May result in increases of assets
d) It always leads to forfeit of assets
- 8** Harris Hat's Enterprises had credit sales of \$1,200,000 during the current year. During the year, the company identified \$25,000 in accounts deemed uncollectible was written-off. Cash collections from credit customers during the year were \$1,150,000 and from cash sales were **2 Marks R C02**

\$2,000. The accounts receivable balance recorded is \$35,000 at year-end. Compute the accounts receivable balance at the beginning of the year.

- a) \$10,000
- b) \$12,000
- c) \$8,000
- d) \$35,000

- 9** A company recorded beginning balance of \$20,000 in the cashbook. Total sales during the month were \$480,000 out of which credit sales accounted for 70%. Beginning balance of receivables were \$200,000. Company usually receives 50% of the credit sales in the month of sale and the remaining in the following month. Total payments during the month amounted to \$220,000. **2 Marks R CO2**

Calculate the closing balance of Cash ledger at the month end.

- a) \$312,000
- b) \$112,000
- c) \$240,000
- d) \$280,000

- 10** Which of the following statements is true of financial statements? **2 Marks R CO1**

- a) The accounts of limited liability companies are always filed with the regulatory bodies.
- b) Employees always receive the company's accounts and an employee report.
- c) Banks frequently require less information than is supplied in the published accounts when considering applications for loans and overdraft facilities.
- d) The tax authorities will receive the published accounts but no supplementary detail as they need to assess the tax payable on profits.

- 11** Which of the following are books of prime entry? **2 Marks R CO2**

- 1) Cashbook
- 2) Supplier invoice
- 3) Bank reconciliation
- 4) Petty cash voucher

- a) 1 and 2 only
- b) 1, 2 and 4 only

- c) 1 only
- d) All of them

12 Which of the following best describes the accrual concept? **2 Marks R C01**

- a) The financial statements are normally prepared on the assumption that an entity will continue in operation for the foreseeable future.
- b) The effects of transactions and other events are recognized when they occur.
- c) The effects of transactions and other events are recognised when cash is received or paid.
- d) Information is available on time to be capable of influencing decisions.

13 Your junior accountant prepared the following ledger: **2 Marks R C02**

Trade Payables Ledger			
Beg. Bal	80000	Cash purchases	80000
Supplier Payments	68,000	Credit purchases	160000
		Credit sales	40,000
End. Bal	132000		
	280000		280000

What should be the correct payables ledger closing balance?

- a) \$132,000
- b) \$52,000
- c) \$172,000
- d) \$92,000

14 Companies should create provisions in times of company growth to be utilized in more difficult times, to smooth profits. Which accounting concept governs the above treatment? **2 Marks R C01**

- a) The fair representation concept
- b) The materiality concept
- c) The accruals concept
- d) None of the above

15 Sales revenue should be recognized when money is received; costs are incurred when payments are made. Which accounting concept is violated above? **2 Marks R C01**

- a) The business entity concept

- b) The materiality concept
- c) The accruals concept
- d) The duality concept

Part B

Answer ALL Questions. Each question carries 10 marks.

2Q X 10M=20M

Melis had the following transactions during March:

- (1) Introduced \$10,000 cash as capital
- (2) Purchased goods on credit from Harry, worth \$4,000
- (3) Paid rent for one month, \$800
- (4) Paid electricity for one month, \$500
- 16 (5) Purchased car for cash of \$2,000 for business purpose
- (6) Sold half of the goods on credit to Brook for \$3,500
- (7) Drew \$550 for her own expenses
- (8) Sold remaining goods for cash, \$4,200

16a Record the journal entries **4 Marks** **R** **CO2**

16b Prepare the trial balance **6 Marks** **R** **CO2**

17a Discuss how the companies decide on classifying assets and liabilities as current and non-current in Balance Sheet with examples. **4 Marks** **R** **CO1**

17 **17b** Various factors would have been considered by Deloitte in arriving at the decision to resign from Byju's. The most obvious reasons being delay in preparation of financial statements and disagreements over revenue recognition. **6 Marks** **R** **CO2**

Elaborate the above listed reasons and related effects for users of financial statements.