

**Presidency University, Bengaluru**  
School of Law

**Comprehensive Examination**

I Semester 2015-2016

Basics of Accounting

BBL A 103

(Closed Book)

Max Marks: 80 marks

Max Time 3hours

Weightage : 40%

09 January 2016

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**Instructions to Candidates:**

Write legibly, briefly and summarize/highlight the main points

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**Part A**

**(2 X 10=20)**

**Answer all questions**

1. State the Objectives of Accounting.
2. State the concept of "Dual Aspect" and state the Accounting Equation
3. Distinguish between "Ledger" and "Trial Balance".
4. State the various components found in the "Balance Sheet" of a Sole Proprietorship.
5. Distinguish between "Bills Receivable" and "Bills Payable" and state the Group under which it is disclosed in the Balance Sheet
6. Enumerate the different models for charging depreciation on assets.
7. State the causes for Depreciation
8. Distinguish between "Current Assets" and "Current Liabilities" in a Balance Sheet
9. Mention the major components of "Profit and Loss Account"
10. Define "Cost of Goods Sold"

**Part B**

**(2 X 10=20)**

**Answer all questions**

1. Discuss the term "Provision for Bad and Doubtful Debts". Show how the following transactions will be reflected in the Profit and Loss Account and the Balance Sheet as on December 31, 2015  
The following items are found in the Trial Balance of Ram and Co as on January 1, 2015

Head of Account	Debit [Rs]	Credit [Rs]
Provision for Bad and Doubtful Debts		12,500
Provision for Discount on Debtors		11,200
Sundry Debtors	87,000	
Bad Debts	13,000	
Discount on Debtors	6,000	

Other Information

- During the year additional Bad Debts to the extent of Rs 12,000 was recognised
- Additional Discount of Rs 4,000 offered
- Provision for Bad and Doubtful Debts to be kept at 10% as on the end of the year
- Provision for Discount on Debtors to be kept at 5% on Debtors

2. Differentiate between "Net Worth" and "Working Capital". Given the following information from the books of Mr. Smart & Co compute "Net Worth" and "Working Capital" as on December 31, 2015

Head of Accounts	Amount [Rs]
Cash Account	250
Sundry Debtors	40,500
Land and Buildings	26,000
Bank Account	4,000
Furniture and Fixtures	2,000
Sundry Creditors	45,000
Capital Account	3,22,000
Closing Stock	36,500
Plant and Machinery	20,000
Capital as at January 1, 2015	41,000
Net Profit for the year[2015]	45,350
Drawing	6,100
Bank Overdraft	4,000

3. Explain the different categories into which the accounting transactions can be classified. State the rule of Debit and Credit under each category. From the following information state the nature of account of each and state which account should be debited and which should be credited

- a. Rent Paid by Cash
- b. Furniture purchased by Cheque
- c. Cash Sales to Suresh
- d. Salary Outstanding

4. What is a "Trial Balance". Prepare a Trial Balance from the following Ledger Balances as extracted from the books of Mahesh & Co as on December 31, 2015

Head of Accounts	Amount [Rs]
Cash Account	2,19,800
Interest Income	75,000
Bank Account	2,50,000
Furniture and Fixtures	20,000
Due to Vijay Ceramics Ltd	1,10,000
Capital Account	3,22,000
Monies Due from Mohan	65,000
Purchase Account	5,32,000
Sales Account	7,04,000
Purchase Returns Account	22,000
Sales Return Account	12,200
Drawing	50,000
Salaries	46,000
Stationery	4,000
Communications	34,000

5. Define a "ledger". Post the following Journal Entries into the respective Ledger Accounts

Date	Particulars	Ledger Folio	Debit [Rs]	Credit [Rs]
2015 December 4	Cash Account ..... Dr. To Capital [Being Capital introduced]		2,00,000	2,00,000
10	Purchase Account..... Dr. To Lily & Co		1,60,000	1,60,000
24	Bank Account ..... Dr. To Cash [Being deposit of Cash into Bank]		50,000	50,000
30	Lily & Co ..... Dr To Purchase Returns [Being Goods returned to Lily & C]		30,000	30,000

6. Explain the following Accounting Concepts
- Money Measurement Concept
  - Separate Entity Concept
  - Accounting Period Concept

7. List the adjustment entries that have to be made before preparing Final Accounts. From the following information journalise the appropriate adjustments as on **December 31, 2015**

- a. Loan availed, in January 1, 2015, from Bank is Rs.10,00,000. Interest @ 10% for the year not recorded in the books.
- b. Machinery at Cost in the Trial Balance is Rs. 4, 00,000. Provide Depreciation @ 20% on Cost
- c. Rent for the Godown paid till June 2016 @ Rs. 10,000 per month
- d. Interest earned on Deposit with bank earned, Rs. 10,000 as on December 31, 2105, not recorded in books

8. State the most appropriate answer. Give one-line reasons

- a. Depreciation is the process of
  - i] apportionment of the cost of the asset over its useful life
  - ii] valuation of assets
  - iii] maintenance of the asset in a state of efficiency
- b. Basic function of Financial Accounting is to
  - i] record all business transactions
  - ii] interpret financial data
  - iii] assist in management of day to day operations
- c. The system of recording transactions based on the Dual Aspect
  - i] double accounting system
  - ii] single entry system
  - iii] double entry system
- d. The cash discount allowed to a debtor should be credited
  - i] Discount Account
  - ii] Sales Account
  - iii] Customer's Account
- e. Outstanding Salaries is shown as
  - i] an expense
  - ii] an asset
  - iii] Customer's Account

**Part C**

**(2 X 10=20)**

**Answer any two questions**

1. From the following particulars **prepare a 3- Columnar Cash Book of M/s Roshia & Co, for the month of December 2015**

Date	Transaction
<b>2015</b>	
December 1,	Balance of Cash on Hand- Rs. 20,000 and at Bank Rs. 1,00,000
December 5,	Received from Chetty & Co Rs. 20,000 and allowed him discount Rs. 600
December 7,	Deposited into Bank Rs. 35,000
December 15,	Paid to Govind by Cheque Rs. 5,200 in full settlement of debt of Rs. 5,500
December 20,	Received for Cash Sales Rs. 1750
December 22,	Paid Ram & Co by Cheque Rs. 12,000 and discount received is Rs. 450
December 25,	Paid by Cheque to Shanti Kumar Stores for private use of the Proprietor, Rs. 5250
December 28,	Drew for Office Use, Rs. 5,000
December 31,	Harish paid directly into the Bank Account , Rs. 6,000

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2. On January 2015, the following were the ledger balances of Rajan @ Co.

Particulars	Debit [Rs]	Credit [Rs]
Cash on hand	9,000	
Cash on Bank	2,10,000	
Soni		30,000
Zahir	24,000	
Stock	1,20,000	
Prasad		60,000
Sharma	45,000	
Lall		27,000

Transactions during the month of December 2015

Date	Transaction	Amount [Rs]
<b>2015</b>		
December 2,	Bought Goods of Prasad	27,000
December 3,	Sold to Sharma	30,000
December 5,	Bought goods from Lall paid by cheque at point of purchase	36,000
December 7,	Took goods for personal use	2,000
December 13,	Received from Zahir in full settlement	23,500
December 17,	Paid to Soni in full settlement	29,200
December 22,	Paid in cash for Stationery	500
December 29,	Paid to Prasad by Cheque, Discount received [Rs. 500]	26,500
December 30,	Provided interest on Capital	1,000
December 31,	Rent due to Landlord [ not paid as yet]	2,000

Journalise the above transactions and post them into their respective ledger accounts

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3. The following Trial Balance is extracted from the book of Buddi & Co as on March 31, 2015.

Particulars	Debit [Rs]	Credit [Rs]
Buddi's Capital		2,28,800
Buddi's Drawings	13,200	
Plant and Machinery	99,000	
Building	66,000	
Purchases	1,10,000	
Purchase Returns		1,100
Salaries	13,200	
Wages	35,200	
Stock as on April 1, 2014	38,500	
Sundry Creditors		44,000
Postage and Telegrams	1,540	
Insurance	1,760	
Gas and Fuel	2,970	
Bad Debts	660	
Office Expenses	2,750	
Office Furniture	5,500	
Discount Allowed	1,320	
Sundry Debtors	29,260	
Loans and Advances	44,000	
Cash at Bank	29,260	
Bills Payable		5,500
Office Rent	2,860	
Freight Inwards	9,900	
Loose Tools	2,200	
Factory Lighting	1,100	
Provision for Bad Debt		880
Cash in Hand	2,640	
Sales		2,32,540
<b>Total</b>	<b>512820</b>	<b>512820</b>

The following adjustments are to made

- Stock on hand as on March 31, 2015 was valued at Rs. 72,600
- Depreciate on Plant & Machinery @ 33.33 %, Furniture by 10% and Building by 5%
- Loose Tools were valued at Rs. 1,760 on March 31, 2105
- Of the Sundry Debtors, Rs. 600 are additional bad debts recognised and should be writted off
- Provide for Bad and Doubtful Debts @ 10 %.
- Insurance amounting to Rs. 100 is prepaid
- Manager is entitled for commision @ 10% of the net profits after charging such commission.

Prepare the Profit and Loss Account for the year ended March 31, 2015

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Presidency University  
School of Law

I Semester 2015-16

Test 2

Course: BBL A 103

**Basics in Accounting [Closed Book]**

Max. Marks 50

Max Time: 50 Min

Weightage: 25 %

21 December 2015

**Part A**

[5 X 2 = 10 Marks]

Answer all Questions.

1. Enumerate the different models for charging depreciation on assets.
2. Identify the major Account Groups that feature in a Profit and Loss Account.
3. State the components of "Current Assets" in a Manufacturing Company.
4. Differentiate between "Capital" and "Reserves and Surplus"
5. Distinguish between "Bills Receivable" and "Bills Payable" and state the Group under which it is disclosed in the Balance Sheet

**Part B**

[4 X 5 = 20 Marks]

1. State the reasons for the need of making adjustment entries before preparing Final Accounts. Give illustrative examples of any four adjustment entries
2. Differentiate between the following
  - a. Fixed Assets and Current Assets
  - b. Fixed Liabilities and Current Liabilities
  - c. Tangible Assets and Intangible Assets
3. Define the term "Cost of Goods Sold" State the components that make up the "Cost of Goods Sold"
4. Explain the term "Business Capital" and the adjustments that are made in the Capital Account after preparation of Profit & Loss Account and Balance Sheet.

Part C  
[2 X 10 = 20 Marks]

1. Show how the following transactions will be reflected in the Profit and Loss Account and the Balance Sheet as on March 31, 2015

The following items are found in the Trial Balance of Ram and Co as on April 1, 2014

Head of Account	Debit[\$]	Credit [\$]
Provision for Bad and Doubtful Debts		2,500
Provision for Discount on Debtors		1,200
Sundry Debtors	48,000	
Bad Debts	3,000	
Discount on Debtors	2,000	

Other Information

- During the year additional Bad Debts to the extent of \$ 2,000 was recognised
  - Additional Discount of \$ 1,600 offered
  - Provision for Bad and Doubtful Debts to be kept at 10% as on the end of the year
  - Provision for Discount on Debtors to be kept at 5% on Debtors
2. The following is a Profit and Loss Account of Ashok & Co. prepared by a untrained Accountant. It does not conform to the conventional Profit and Loss Account.

Expenditure	Rs	Income	Rs
Purchases	4,66,800	Sales	5,59,500
Closing Stock	55,110	Commission Received	47,070
Salaries	11,010	Interest on Capital	7,500
Drawings	19,170	Opening Stock	50,310
Wages	65,600	Discount Received	11,250
Office Rent	3,800	Discount Allowed	12,340
General Expenses	17,740	Purchase Returns	8,700
Interest on Loan	3,000	Sales Returns	12,400
Bad Debts	11,890		45,350
Net Profit	1,00,300		
	<b>7,54,420</b>		<b>7,54,420</b>

You are required to redraw the Profit and Loss Account in its proper form

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Presidency University  
School of Law

I Semester 2015-16

Test 1

Course: BBL A 103

Max. Marks 45 Max Time: 50 Min

Weightage: 15 %

*Basics of Accounting (CB)*  
26 October 2015

Instructions to Candidates

1. Write legibly, briefly and summarize. Highlight main points
2. Assume suitable data wherever necessary and justify same
3. Draw suitable diagrams if applicable

Part A

[5 X 1 = 5 Marks]

Answer all Questions.

1. State the components of the "Accounting Cycle"
2. List the end-users who use the accounting information offered by the accounting system
3. List at least five [5] Accounting Concepts
4. Distinguish between "Ledger" and "Trial Balance" [ basic difference only]
5. What is Cash Book?. List the different types of Cash Book

Part B

[6 X 5 = 30 Marks]

1. Explain the term "Suspense Account" Enumerate the steps in rectifying entries where the Trial Balance has been balanced through a Suspense Account.
2. Write short notes on
  - a. Dual Aspect Concept
  - b. Accounting Equation
  - c. Matching of "Cost to Revenue" Concept
3. Define a "Sales Journal". Record the following transactions in a Sales Day Book of Ramesh & Co and show how the Sales Account will be shown in the Ledger

Date	Transaction
January 1, 2015	Sold to Mukesh and Co. vide Invoice 00231 10 Heater Rods @ Rs. 30 each 10 Lamp Shades @ Rs. 30 each
January 10, 2015	Sold to Suresh and Bros. vide Invoice 00266 20 Table Fans @ Rs. 250 each 20 Tube lights @ Rs. 40 each
January 16, 2015	Sold to Ramesh and Co. vide Invoice 00284 10 Electronic Switches @ Rs. 50 each 20 Flashlights @ Rs. 20 each
January 31, 2015	Sold to Nissar and Sons vide Invoice 00291 20 Heater Rods @ Rs. 35 each 20 Lamp Shades @ Rs. 30 each

4. Explain the meaning of the term "Journal" Journalise the following transaction

Date	Transaction	Amount [Rs]
September 3, 2015	Arun commenced business with capital [in Cash]	3,00,000
September 5, 2015	Deposited cash into bank	1,50,000
September 8, 2015	Purchased Machinery in credit from Mona Lisa & Co	80,000
September 10, 2015	Credit Sales to Hari	25,000

5. Define a "ledger". Post the following Journal Entries into the respective Ledger Accounts

Date	Particulars	Ledger Folio	Debit [Rs]	Credit [Rs]
2015 April 4	Cash Account ..... Dr. To Capital		2,00,000	2,00,000
2015 April 6	Purchase Account..... Dr. To Cash		60,000	60,000
2015 April 8	Bank Account ..... Dr. To Cash		50,000	50,000

6. Briefly discuss any five [5] main objectives of Accounting

Part C  
[1 X 10 = 10 Marks]

1. Record the following transactions in a three-columnar Cash Book

Date	Nature of Transaction	Amount [Rs]
Sept. 1, 2015	Opening Balance : Cash	30,000
	Opening Balance : Bank	40,000
Sept. 10, 2015	Rent paid by Cheque	20,000
Sept. 12, 2015	Received on account of Cash Sales	30,000
Sept. 18, 2015	Paid to Mehta Bros, by cheque, earned discount of Rs. 2000	20,000
Sept. 21, 2015	Received from Suresh by Cheque and allowed him cash discount Rs. 1000	20,000
Sept. 23, 2015	Cash Sales	10,000
Sept. 25, 2015	Deposited cash into Bank	30,000
Sept. 28, 2015	Paid Salary by Cash	10,000
Sept. 30, 2015	Withdrew cash for personal use	10,000

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