

May 2014

QP Code : GJ-10286

(3 Hours)

[Total Marks : 80

N.B. (1) Question No. 1 is compulsory.

(2) Attempt any four questions out of the remaining questions.

(3) Answer to the questions should be grouped and written together.

(4) Figures to the right indicates full marks assigned to the question.

(a) What is Ratio Analysis ? Explain the advantages of Ratio Analysis. Enumerate 10 any two ratios under liquidity Ratios and Solvency Ratios.

(b) From the Following Trial Balance of Shri Deodhar and Sons prepare Trading 10 and Profit and Loss A/c. for the year 31st March, 2014 and Balance Sheet as on that date :—

Trial Balance as on 31/03/2014

Particulars	Debit Rs.	Credit Rs.
Opening Stock	12,000	
Purchases	40,000	
Wages	2,700	
Carriage	600	
Salaries	6,000	
Rent Rates & Taxes	1,200	
Insurance	800	
Discount	450	
Postage and telegram	520	
Bad Debts	700	
Travelling Expenses	250	
Drawings	1,500	
Machinery	30,000	
Furniture	15,000	
Patents	5,000	
Sundry Debtors	19,000	
Capital		60,000
Sales		30,000
Return outward		800
Sundry Creditors		18,000
Bills Payable		9,000
8% Loan (1-10-2013)		10,000
Bank Overdraft		7,920
Total	1,35,720	1,35,720

Adjustments :

- (i) Closing Stock-Cost Price Rs. 30,000 and Market Price Rs 32,000.
- (ii) Depreciate Machinery and furniture @ 10% and 5% respectively.
- (iii) Salaries Outstanding Rs. 1200.
- (iv) Insurance prepaid Rs. 200.
- (v) One of the debtors Mr. Dinesh became insolvent Rs. 1,000 was receivable from him.
- (vi) 5% RDD is to be maintained on Debtors.

2. (a) Journalise the following transactions in the Journal of Shri Kale for the month of January, 2014 :—

January, 2014	
1	Started business with cash of Rs. 2,00,000 and Computer Rs. 20,000
4	Paid into Dena Bank Rs. 1,00,000
8	Bought goods on credit from Mona Rs. 10,000 at 6% Trade Discount
12	Sold goods to Nayana Rs. 8,000 at 5% Trade Discount
14	Goods worth Rs. 1,050 burnt by fire
18	Received cash of Rs. 7,500 from Nayana in full settlement of her account
21	Withdrew from bank Rs. 5,000 for personal use
24	Paid postage Rs. 100
26	Paid life insurance premium on life of Mr. Kale Rs. 3,000
29	Paid office rent to Landlord Mr. Sujeet Rs. 1,000

- (b) Explain the types of Accounts. Give two examples of each and also state the rules of debit and credit for each type of account.

3. (a) Explain any five accounting concepts and conventions.

- (b) Explain the following :—

- (i) Bad Debts
- (ii) Capital
- (iii) Drawings
- (iv) Assets
- (v) Liabilities.

4. (a) From the following particulars prepare a Three Columnar Cash Book with Cash 10
Bank and Discount columns :—

December, 2013	
1	Started business with cash Rs. 55,000
2	Opened a current account with Bank of India and deposited Rs. 15,000
3	Purchased goods from X on credit Rs. 3,000
8	Paid to X Rs. 2,850 in full settlement
15	Purchased office furniture for Rs. 3,000 and paid by cheque
18	Sold goods for cash Rs. 2,000 at 10% trade discount
20	Paid insurance premium Rs. 750 by cheque and Rent Rs. 1,000 by cash
22	Withdrew from bank, cash for office use Rs. 3,000
25	Received commission Rs. 900
26	Paid salary Rs. 2,800 by cheque

- (b) Explain the process of preparing Trial balance. 5

5. (a) (i) Calculate capital gearing Ratio from the following information :— 10

Liabilities	Rs.
Equity Share Capital	3,00,000
Reserves	2,00,000
5% Debentures	5,00,000
6% Preference Share Capital	3,00,000

- (ii) The only current assets possessed by a firm are as below. Calculate Current Liabilities if the Current Ratio for the firm is 2 : 1.

Current Assets	Rs.
Cash	1,05,000
Inventories	5,60,000
Debtors	4,20,000

- (iii) Find out debtors turnover from the following data for the year 2012 and 2013 :—

Particulars	2012 Rs.	2013 Rs.
Annual Credit sales	5,00,000	6,00,000
Debtors in the beginning	80,000	90,000
Debtors at the end	90,000	1,10,000

- (b) Explain the advantages of cash flow statement. 5

6. (a) From the following data prepare a cash budget for six months from January to June:—

Month	Total Sales = (Cash Sales + Credit Sales) (Rs.)	Materials Purchases (Rs.)	Salaries and Wages (Rs.)	Production Overheads (Rs.)	Office and Selling Overheads (Rs.)
December	1,00,000	10,000	5,000	5,000	4,000
January	72,000	25,000	10,000	6,000	5,600
February	97,000	31,000	12,100	6,300	6,700
March	86,000	25,500	10,600	6,000	7,500
April	88,600	30,600	25,000	6,500	8,900
May	1,02,500	37,000	22,000	8,000	11,000
June	1,08,700	38,800	23,000	8,200	11,500

Additional Information :

- (i) Cash in bank on 1st January is expected to be Rs 1,72,500/-.
 - (ii) Assume that 50% of total sales are cash sales.
 - (iii) Assets are to be acquired in the months of February and April of Rs. 8,000 and Rs. 25,000 respectively.
 - (iv) An application has been made to the bank for the grant of a loan of Rs. 30,000 and the loan amount will be received in the month of May.
 - (v) It is anticipated that a dividend of Rs. 35,000 will be paid in the month of June.
 - (vi) Debtors are allowed one month's credit.
 - (vii) Creditors for materials purchased, Production Overheads and office and selling overheads grant one month's credit.
 - (viii) Sales commission at 3% on total sales is paid to the salesman each month.
 - (ix) Salaries and Wages are paid in the same month in which they are incurred.
- (b) Explain the contents of journal.

7. (a) Explain the Limitations of Financial Accounting.

(b) Write short notes on :—

- (i) Accounting Standards
- (ii) Advantages of Ledger.