

## **K.J. Somaiya Institute of Management Studies & Research**

COURSE: PG-IB- Batch 2018-20 – 1<sup>ST</sup> TRIMESTER END TERM EXAMINATION

SUBJECT: FINANCIAL ACCOUNTING

Date of Exam: 17<sup>th</sup> September 2018

Time: 3 Hours

Marks: 50 Marks

- Note: 1. All questions are compulsory.  
2. Marks to the right indicate full marks.

### **Q. 1. Case study**

**(20)**

For past 10 years Sunita has been working as a Delivery Manager at Ajay Plastics Ltd, a private limited company engaged in manufacturing and selling of plastic items. Though the environment at her office was cordial and sociable, Sunita was not very happy as the job left her with very less time to pursue her dream of having a clothing shop with her own fashion label.

After lot of contemplation and introspection, she finally decided to have a discussion with her husband Amit, a web designer, about quitting the job and starting her own business. Initially her husband was reluctant as it has been very long since Sunita has done a course in clothing and fashion designing; however he decided to support her.

With her husband's support, Sunita went ahead. She had identified a place for running her business some time back and wished to buy the same place for her shop. The place was not available for sale though the owner was ready to give the same place on rental for Rs.15000 per month.

She decided to accept the offer of the owner as the place was at a prominent location and easily accessible. She contacted Shaikh, a local cloth merchant whom she knew since her designing course and discussed about the availability of cloth for her business. Shaikh agreed to provide her cloth on credit of 15 days in the initial period. Shaikh accidentally introduced Sunita to Sheela another customer of his who was looking out for partnership in her clothing business.

Sunita and Sheela agreed upon the terms of partnership – Equal partners, Equal Capital, Shop on Rent of Rs.15000 per month and the date of opening of their store on 15<sup>th</sup> June 2017. The store was actually opened on 1<sup>st</sup> July 2017.

To set the ball rolling, both of them worked day and night; and had the shop ready with Furniture worth Rs.2, 50,000 (life 5 years), Computers Rs.1, 00,000 (Life 4years), Air conditioners' Rs. 3, 00,000 (Life 6 years) and Sewing Machines Rs.200000 (Life 8 years). They hired 10 people, out of whom 5 were expert designers and the other 5 had expertise in stitching. They were hired on a monthly salary of Rs.45, 000 and Rs.25000 respectively. Apart from these 10, they hired another 5 to carry out other administrative work and they were all promised a salary of Rs.15000 per month. As agreed, Shaikh provided cloth worth Rs.5, 00,000 on 12<sup>th</sup> June 2017 and Rs. 5, 00,000 on 15<sup>th</sup> September 2017 on credit.

Sheela and Sunita both contributed Rs.10, 00,000 each to start the business. A website for the shop was designed with Amit's help. The web site, personal contacts and opening discount helped in generating a sale of Rs.25, 00,000 during the period of July and August. Sheela and Sunita deliberated on the idea of promotional sale and decided to participate in an exhibition before Ganapati, Navratri and Diwali

Festivities. The cost for participation was Rs.10000 per day and the exhibitions were for duration of 2, 3 and 4 days for Ganapati, Navratri and Diwali festivities.

They decided to participate in all exhibitions for all the days and anticipated a sale of Rs.30 lakhs. To participate they purchased cloth worth Rs.14, 00,000 from Shaikh on 16<sup>th</sup> August with a new credit period of 25 days. The actual sale their stall generated was Rs.45, 00,000 only. However they received an order for Rs.10 lakhs from one of the visitors to their stall through their website. Electricity, courier, refreshment charges, purchase of needles, threads etc. were Rs.12, 000; Rs.6, 000, Rs.3, 500 and Rs.45, 000 for the period ending 31<sup>st</sup> March 2018. At the end of the year on 31<sup>st</sup> March 2018, both were unable to know what happened in their business since on 31<sup>st</sup> March 2018 they were left with no stock of cloth therefore:-

**They seek your help in answering the questions –**

**1. What all monetary transactions happened during the year ended 31<sup>st</sup> March 2018? Make a list of transactions in chronological order.**

**2. Whether the Business made profit or loss for the year ending on 31<sup>st</sup> March 2018 and how much? Present your answer in appropriate format**

**3. What are the liabilities and Assets of the business as on 31<sup>st</sup> March 2018? Present your answer in appropriate format**

**Q.2.** From the following transactions related to Swastik Service Company, providing all kinds of repairs related services, you are required to find out which accounts are affected, why as well as the impact on Asset, Liability, Expenditure and Income, by presenting the same in a tabular form as follows. **(10)**

Transaction No.	Debit Account	Credit Account	Reason	Impact on Asset	Impact on Liabilities	Impact on Expenditure	Impact on Income
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January 1<sup>st</sup> - Capital brought into business by Mr. Sarvesh- the owner Rs.3, 50, 000

January 2<sup>nd</sup> - Paid an Amount of Rs.10200 as repairing machine hire charges

January 4<sup>th</sup> - Signed an agreement with Truman Auto Limited to repair their office building roof for Rs.300000, work to be completed by March

January 5<sup>th</sup> – Bought building repair material worth Rs. 75, 000 by cash and Rs.1, 89,000 on credit from Konkan Construction Co. Ltd.

January 6<sup>th</sup> – Received an advance of Rs.45, 600 from Iyer and Iyer towards renovation work to be done in the month of February

January 12<sup>th</sup> Bought a Concrete- mixer for Rs.1, 28,400 by paying a sum of Rs.31, 200 on account and agreed to pay the balance to Fast Mix Company Ltd. on 10<sup>th</sup> February

January 15<sup>th</sup> Paid Rs. 22500 to Poorna & Co. - the RRC specialist for their professional services in relation to RCC works.

January 16<sup>th</sup> Billed Truman Auto Ltd. for a part of the repair work already completed Rs.40200

January 20<sup>th</sup> Paid a sum of Rs. 39000 to Konkan Construction Co. Ltd. for the amount due to them

January 23<sup>rd</sup> Paid office rent Rs.24000 by cheque.

**Q.3.** From the following Trial Balance and adjustments of Mithun and Company, you are required to prepare the Final accounts for the year ended 31<sup>st</sup> March 2018. **(20)**

PARTICULARS	AMOUNT	AMOUNT
Drawings	18,900	
Cash in Hand	11,610	
Capital		4,50,000
Discount Received		3,375
Land and Building	90,000	
9% loan account		45,000
Purchase Return		4,365
Sales		6,53,400
Furniture	15,380	
Wages	1,48,365	
Sundry Creditors		56,025
Discount	11,880	
Office expenses	19,575	
Opening Stock	1,80,765	
Purchases	4,06,125	
Carriage Inward	15,525	
General Expenses	23,040	
Sales Return	5,760	
Plant and Machinery	55,800	
Taxes	19,890	
Debtors	1,83,285	
Bad debts	4,140	
Insurance	2,125	
<b>TOTAL</b>	<b>12,12,165</b>	<b>12,12,165</b>

Adjustments:

1. Closing Stock as on 31<sup>st</sup> March 2018 was Cost -Rs.1,19,115 and Market Value Rs. 1,21,220
2. Depreciation on Land and Building @10%, Plant and Machinery @10% and Furniture @5%