

**K. J. SOMAIYA INSTITUTE OF MANAGEMENT STUDIES AND RESEARCH**

**Program: MHRDM (Batch 2019-22) SEM-I**

**Subject: Financial and Cost Accounting (End Term Examination)**

**Maximum marks: 50**

**Date: 18 November, 2019**

**Duration: 3 hours**

- 1. Attempt question 1 which is compulsory**
- 2. Attempt THREE questions from the rest.**

**Question 1** (14 marks)

Torrent & Co. has prepared the following Trial balance on 31<sup>st</sup> March 2019

	Dr. (₹)	Cr (₹)
Owners' Capital		1,89,000
Opening Stock	10,600	
Purchases	2,10,000	
Sales Return	2,500	
Purchase Return		3,000
Sales		3,97,250
Furniture	51,500	
Salaries	1,50,000	
Stationery	12,800	
Repairs	20,100	
Advertising	25,500	
Insurance	5,800	
Interest received		2,250
Sundry Debtors	40,000	
Sundry Creditors		45,500
Bad Debts	750	
HDFC Bank Loan		50,000

Commission received		1,100
Land & Buildings	70,000	
Plant & machinery	65,000	
Cash in Hand	3,050	
Cash at Bank of India	20,500	
Total	6,88,100	6,88,100

Additional Information:

1. On 31<sup>st</sup> March when the accounts are to be finalized the chief accountant gets a stock report from the stores that closing stock is to be valued at ₹12,700.
2. He also wants to include the losses on account of wear & tear of assets as given below:  
Furniture 8%, Plant & machinery 10%
3. He learns that salaries are not paid for the month of March amounting to Rs.12, 000
4. Rs 250 have been received towards commission in advance but contract not completed.

You are required to prepare a Trading & Profit & Loss Account for the year & a Balance Sheet as on that date.

## Question 2

Show the stores Ledger entries as they would appear when using a) Weighted Average Method b)FIFO Method of pricing issues for the following transactions

Date	Transaction	Units	Value
April 1	Balance B/F	300	Rs. 600
2	Purchases	200	440
4	Issued	150	-
6	Purchases	200	460
11	Issued	150	
19	Issued	200	
22	Purchased	200	480
27	Issued	250	

In a period of rising prices , what are the effects on each method of accounting?

## Question 3 (12 Marks)

A) State with reasons whether the following expenses are Capital or Revenue in nature(1 mark each)

- a) A secondhand car is purchased for Rs.213000 and Rs.15,000 is spent on its repair
- b) Rs.75000 spent on painting of an existing building
- c) Rs 10 lakh spent on gifts for Diwali
- d) The office premises is airconditioned for an amount of Rs.6,10,000

B) Answer the following (2Marks each)

- e) Insurance of Rs.8000 is recorded in the Income statement as premium paid but the actual cost pertaining to current year is only Rs.6000. What principle does it violate?
- f) The closing stock includes Rs.30,000 worth of silver but the prices of silver has gone up to Rs.40,000 worth. Which amount is taken for final accounts and give reasons.
- g) Goods are sold on credit at a price of Rs.50,000 and the money is received in April next financial year, when is sale recognized in mercantile system of accounting
- h) How Gross profit is different from Net profit?

#### Question 4

(12 Marks)

The cost accounts of MHRDM Ltd. Show the following balances for March 2019

Material Used	48,60,000
Wages directly chargeable	43,20,000
Works overhead expenses	10,80,000
Administration Expenses	2,50,000
Selling Expenses	2,63,000

Show the works cost and total cost, the percentage that the works overhead cost bears to the wages and the percentage that the Administration and Selling expenses bears to the works cost.

What price should the company quote to a work order which will require an expense of ₹216000 on materials and ₹161,000 on wages so that it will yield a profit of 25% on the total sales.

**Question 5.** Write short notes on ANY THREE of the following (in brief) (12 marks)

- a) Budgetary Control
- b) Matching Principal
- c) Going concern
- d) Accounting equation
- e) Provisions

\*\*\*\*\*End of Paper\*\*\*\*\*