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**Sr. No. of Question Paper : 4121**

**Roll No.....**

**Unique Paper Code : 248103**

**Name of the Paper : Fundamentals of Business and Accounting**

**Name of the Course : B.A. (Hons.) Business Economics, 2015**

**Semester : I**

**Duration : 3 Hours**

**Maximum Marks : 75**

**Instructions for Candidates**

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt **all** questions.
3. Choice, where applicable, is available within the questions.

1. (a) What are the considerations to be kept in mind while selecting the idea for a new business ? (10)

**OR**

The external environment of business is dynamic. Elucidate with the help of appropriate examples. (10)

- (b) Differentiate between Business Process Outsourcing and Franchising. (5)
2. (a) Distinguish between Accrual and cash basis of accounting. (5)
- (b) What is meant by accounting standards ? State briefly the merits of issuing accounting standards. (5)

*P.T.O.*

(c) Write short notes on :

(5)

(i) Money Measurement Principle

(ii) Accrual Principle

3. (a) Briefly explain the salient features of Accounting Standards - 6 (AS-6).

(5)

(b) The following is the trial balance of Mr. Ram Lal as on 31<sup>st</sup> December, 2013 :

	Dr. Rs.	Cr. Rs.
Ram Lal's Capital A/C	—	86,690
Stock on 1 <sup>st</sup> Jan. 2013	46,800	—
Sales	—	3,89,600
Return Inward	8,600	—
Purchase	3,21,700	—
Return Outward	—	5,800
Freight and Carriage	18,600	—
Rent and Taxes	5,700	—
Salaries and Wages	9,300	—
Sundry Debtors	24,000	—
Sundry Creditors	—	14,800
Bank Loan @ 6% p.a.	—	20,000
Bank interest	900	—
Printing and Advertising	14,600	—
Miscellaneous income	—	250
Cash at bank	8,000	—
Discount earned	—	4,190
Furniture and Fittings	5,000	—

Discount allowed	1,800	—
General expenses	11,450	—
Insurance	1,300	—
Postage	2,330	—
Cash in hand	380	—
Travelling expenses	870	—
Drawings	40,000	—
Total	<u>5,21,330</u>	<u>5,21,330</u>

The following adjustments should be made :

- (i) Included amongst the Debtors is Rs. 3,000 due from K. Abraham and included among the creditors Rs. 1,000 due to him.
- (ii) Provision for Bad and doubtful debts be created at 5% and Reserve for Discount @ 2% on Sundry Debtors.
- (iii) Depreciation on Furniture and fittings @ 10% shall be written off.
- (iv) Personal purchases amounting to Rs. 600 have been included in the Purchases Day Book.
- (v) Interest on bank loan shall be provided for the whole year.
- (vi) A quarter of the amount of Printing and Advertising is to be carried forward to the next year.
- (vii) Credit purchase invoice amounting to Rs. 400 had been omitted from the books.
- (viii) Stock on 31.12.2013 was Rs. 78,600.

Prepare (i) Trading and Profit and Loss Account for the year ended 31.12.2013, and (ii) Balance Sheet as on 31<sup>st</sup> December 2013. (10)

P.T.O.

## OR

- (b) Compare and contrast FIFO and LIFO methods of inventory valuation. State briefly the relevance of AS-2 (Accounting Standards-2) with regard to inventory valuation. (10)

4. (a) The book value of Plant and Machinery on 1-1-2004 was Rs. 2,00,000. New machinery for Rs. 10,000 was purchased on 1-10-2004 and for Rs. 20,000 on 1-7-2005. On 1-4-2006, machinery whose book value had been Rs. 30,000 on 1-1-2004 was sold for Rs. 16,000. Depreciation had been charged at 10% p.a. since 2004 on straight line method. It was decided in 2006 that depreciation at the rate of 20% p.a. on diminishing balance method should be charged with retrospective effect since 1-1-2004. Show Plant and Machinery Account upto 31-12-2006. Give detailed workings. (10)

- (b) A designer boutique has the following transactions during August :

August 1	Bought	1200 suits at Rs. 20 each
August 10	Bought	400 suits at Rs. 24 each
August 12	Sold	400 suits at Rs. 30 each
August 14	Bought	600 suits at Rs. 30 each
August 16	sold	800 suits at Rs. 40 each
August 20	Bought	600 suits at Rs. 40 each
August 25	Sold	700 suits at Rs. 50 each

Compute the value of stock held on 31<sup>st</sup> August using each of the following alternative bases of valuation: FIFO and Weighted Average cost. (5)

5. (a) Presented below is the comparative balance sheets for Jyoti Ltd. at 31 March :

	2014 Rs.	2013 Rs.
Cash	40,000	57,000
Accounts Receivable	77,000	64,000
Inventory	1,32,000	1,40,000
Prepaid expenses	12,140	16,540
Land	1,25,000	1,50,000
Equipment	2,00,000	1,75,000
Accumulated Depreciation-Equipment	(60,000)	(42,000)
Building	2,50,000	2,50,000
Accumulated Depreciation-Building	(75,000)	(50,000)
	7,01,140	7,60,540
Account Payable	33,000	45,000
Bonds Payable	2,35,000	2,65,000
Equity Share Capital (Rs. 10 shares)	2,80,000	2,50,000
Retained Earnings	1,53,140	2,00,540
	7,01,140	7,60,540

Additional information :

- (i) Operating expenses include depreciation expenses of Rs. 70,000 and amortization of prepaid expenses of Rs. 4,400.
- (ii) Land was sold for cash at book value.
- (iii) Cash dividends of Rs. 74,290 were paid.
- (iv) Net income for 2014 was Rs. 26,890.
- (v) Equipment was purchased for Rs. 65,000 cash. In addition equipment costing Rs. 40,000 with the book value of Rs. 13,000 was sold for Rs. 15,000 cash.

P.T.O.

- (vi) Bonds were redeemed at face value by issuing 3,000 equity shares of Rs. 10 at par.

Prepare a statement of cash flows for 2014 as per AS-3. (10)

- (b) Opening stock Rs. 29,000; Closing stock Rs. 31,000; Sales Rs. 3,20,000; Gross profit ratio 25 percent on sales. Calculate stock turnover ratio. (5)

**OR**

- (a) Write short notes on the following (Any two) :

(i) Common Size Statements

(ii) Comparative Financial Statements

(iii) Trend Percentage Analysis (5×2=10)

- (b) Explain in brief the different elements of cost. (5)