

**UTTARAKHAND OPEN UNIVERSITY**

**Financial Accounting**

**BBA-10**

**PAPER CODE: 103**

**Section-A**

**Note** - Section-A consists of 15 questions carrying 01 mark each.

**Objective Type Questions**

Multiple Choice Questions

1. The assumption that a business enterprise will not be sold or liquidated in the near future is known as the
  - a. Economic Entity
  - b. Conservatism
  - c. Periodicity
  - d. Going Concern Concept(Low) (Unit-3)  
Answer-d
2. A journal entry that records more than one business transaction is called as;
  - a) Journalising
  - b) Compound Journal Entry
  - c) General Journal
  - d) Simple EntryAnswer-b  
(Moderate) (Unit-4)
3. Depreciation is related to which of the following?
  - a) Current Assets
  - b) Fixed Assets
  - c) Investment
  - d) Current LiabilitiesAnswer-b  
Low (Unit-10)
4. Provision is;
  - a) An appropriation out of profits
  - b) A charge against profits
  - c) A process of valuation of fixed asset
  - d) None of theseAnswer-b  
(High) (Unit-9)
5. If the debit as well as the credit aspects of a transaction are recorded in the cash book itself, it is called

- a) An opening entry
- b) A compound entry
- c) A transfer entry
- d) A contra entry

Answer-d  
(Moderate) (Unit-5)

6. Drawings are deducted from;

- a) Sales
- b) Purchases
- c) Returns Outward
- d) Capital

Answer-d

(High) (Unit-8)

7. Classify the following under Personal, Real and Nominal Account.

- a) Furniture and Fixtures
- b) Prepaid Rent Account
- c) Capital Account
- d) Purchases
- e) Bank Overdraft

(Low) (Unit-4)

Answer

- a) Real
- b) Personal
- c) Personal
- d) Nominal
- e) Personal

**State True or False (8 to 14)**

8. Accounting Principles are rules of action or conduct which are adopted by the accountants universally while recording accounting transactions.

True

(Moderate) (Unit-3)

9. The Bank Reconciliation Statement is prepared to reconcile the balance as shown by the cash book and the balance as shown by the passbook.

True

(Low) (Unit-7)

10. All intangible assets are fictitious assets.

False

(High) (Unit-8)

11. Depreciation is the permanent and continuing diminution in the quantity, quality or value of an asset.

- True  
(Moderate) (Unit-10)
12. The term 'Financial Statements' is used to denote basic statement 'Balance Sheet'.  
False (Low) (Unit-8)
13. The annual report contains four basic financial statements: the income statement; balance sheet; statement of cash flows; and statement of retained earnings.  
True  
High (Unit-9)
14. Personal transactions are distinguished from business transactions in accordance with the accounting entity assumption.  
True  
(Moderate) (Unit-3)
15. Give the formula for finding Gross Profit.  
(Low)  
(Unit-8)

## Section-B

### Short Answer Type Questions

16. State any two roles of Accountant.(Low) (Unit-2) Page No. 16-17
17. Define book keeping.(Low) (Unit-3) Page No. 7-8
18. What do you meant by trial balance? (Moderate) (Unit-6) Page No.124-125
19. Define Subsidiary Book.(Low) (Unit-5) Page No. 80-81
20. Briefly explain the development of accounting.(Moderate) (Unit-1) Page No. 4-5
21. Differentiate between Personal, Real and Nominal Account.(Moderate) (Unit-4) Page No. 57
22. What is the use of cash book?(Moderate) (Unit-5) Page No. 82-83
23. Define Pass Book Balance? How will you entry the passbook balance?(Moderate) (Unit-5) Page no. 141-142
24. Draw up a Balance Sheet of a hypothetical company.(High) (Unit-8) Page No. 182
25. Distinguish Management Accounting from Financial Accounting.(Moderate) (Unit-2) Page No. 20-21
26. What are the objectives of preparing trial balance?(Moderate) (Unit6) (Unit-6) Page No.124-125
27. Give the difference between single and double column cash book.(Moderate) (Unit-5) Page No. 83-84
28. Explain the difference between trade discount and cash discount.(Low) (Unit-8) Pagee No. 174
29. Calculate the Cost of Goods Sold from the information given below ::

Opening Stock Rs 16,000  
Purchases made during the year Rs 58,800  
Sales during the year Rs 80,000  
Carriage on Purchases Rs 2,400  
Wages Rs 2,400

Closing Stock 12,000

(Moderate) (Unit-8) Ans67,600

30. Explain briefly the need for providing depreciation.(Low) (Unit-10) Page No. 271
31. Explain any two methods for providing depreciation. (Moderate) (Unit-10) (Page No. 273-274)
32. List two features of an income and expenditure account.(Low) (Unit-11) Page No. 299-300
33. A plant is purchased for Rs. 20,000. It is depreciated at 5 % per annum on reducing balance for five years when it becomes obsolete due to new method of production and is scrapped. The scrap produces Rs 5,385. Show the plant account in the ledger. (Moderate) (Loss on sale Rs10091)
34. What are the advantages of the Voucher System? (Moderate) (Unit-3) Page No. 133
35. Differentiate between trading account and manufacturing account?(High) (Unit-8)Page No. 162&177

### Section-C

#### Long Answer Type Questions

36. What is the need for bank reconciliation statement? Give the procedure for preparation of bank reconciliation statement with example. (Moderate) (Unit-7) Page No. 140-145
37. Your accountant tells you that there is a difference between bank-balance as shown by Cash Book and as shown by Pass Book on 31st March, 2009. List any possible reasons of this difference. (High) (Unit-5) Page No. 139-142
38. From the following transactions of M/s Arun Sharma & Co., write up the journal in proper form and post the ledger. (Moderate) (Unit-4)

2007		Rs.
April 1	Started business with cash	1000
April 2	Deposit in the bank	50
April 3	Furniture purchase for cash	20
April 5	Purchased goods for cash	40
April 7	Old furniture sold for cash	80
April 8	Purchased goods from M/s Varun on credit	100
April 9	Received cheque of money due to M/s Varun	
April 12	Deposited the cheque into bank	
April 15	Paid taxes in cash	50
April 16	Goods sold to M/s Ram & Co for cash	560
April 24	Goods sold on credit to Ramesh	210
April 28	Received cash from Ramesh	310

April 30	Bank Interest Credited	70
April 30	Paid rent	150
	Paid Salary	150

39 What is a Ledger? What purpose does it serve? How are postings done in it from the Journal? (Low) (Unit-6) Page No. 117-121

40. Explain the role of the accountant in the present-day economy? (Moderate) (Unit-1) Page No-16-20

41. On 1<sup>st</sup> January 2004, a merchant purchased some furniture costing Rs 55,000. It is estimated that its working life is 10 years, at the end of which it will fetch Rs 5,000. Additions are made on 1<sup>st</sup> January, 2004 and 1<sup>st</sup> July 2007 to the value of Rs 9,500 and Rs 8,400 (residual values Rs 500 and Rs 400 respectively). Show the furniture account for the first four years, if depreciation is written off according to the straight line method. (Moderate) (Unit-10)

Answer-Balance of furniture account on 1st January 2008 Rs 49800

42. Explain the meaning of the following terms and show how you will deal with them while preparing Final Accounts of a club. Your answer must be supported by proper examples:

- a) Subscriptions
  - b) Entrance Fee
  - c) Life Membership Fee
  - d) Donations
  - e) Receipts for a Sports Fund
- (High) (Unit-8)

43. What do you understand by subsidiary books? Describe the objectives of preparing them. (Low) (Unit-5) Page No. 80-83

44. What are accounting concepts and conventions? Name them and explain any three accounting concepts in details. (Low) (Unit-3) Page No. 29-35

45. "The trial balance may agree, yet there may be some errors". Explain these errors. (Moderate) (Unit-6) Page No. 124-125

46. Explain the requirements of Schedule VI, Part II, regarding the items to be given in a Company's Profit and Loss Account. (High) (Unit-8) Page No. 243-245

47. Define accounting and also state its importance. (Low) (Unit-1) Page No. 3-8

48. Write a note on Indian Accounting Standards. (High) (Unit-3) Page No. 35-43

49. The following information is the Trial Balance of M/s Pinnacle Traders on 31<sup>st</sup> March 2009.

Particulars	Amount (in Rs.)	Particulars	Amount (in Rs.)
Cash in Hand	1,500	Sales	2,50,000
Cash at Bank	3,000	Return Outwards	2,000
Purchases	1,10,000	Capital	56,000
Return Inwards	1,500	Account Payable	30,000
Wages	20,000		
Power and Fuel	8,000		
Carriage Outwards	6,000		
Carriage Inwards	5,000		
Opening Inventory	6,000		
Land	10,000		
Building	80,000		
Machinery	30,000		
Patents	15,000		
Salaries	12,000		
Sundry Expenses	6,000		
Insurance	1,000		
Drawings	8,000		
Account Receivable	15,000		
<b>Total</b>	<b>3,38,000</b>		<b>3,38,000</b>

You are required to prepare Trading, Profit and Loss and Balance Sheet as on 31<sup>st</sup> March, 2009. Adjustments to be made are given below.

- i. Closing Inventory as at 31<sup>st</sup> December Rs. 20,000
- ii. Provision for bad and doubtful debts at 5% on debtors
- iii. Outstanding Salary Rs. 5,000; Outstanding Wages Rs. 3,000
- iv. Depreciation 10% on all assets

(High) (Unit-8)

Explain the term 'financial statements'. Discuss their various types. Unit-9 (Moderate) Page No. 238-240