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Internal Assessment Test - I

Sub:	Financial Accounting & Reporting							Code:	24MBA102
Date:	**04.02.2025 FN**	Duration:	**90 Minutes**	Max Marks:	**50**	Sem:	**I**	Branch:	**MBA**

SET- I

		Marks	OBE CO	OBE RBT
	Part A - Answer Any Two Full Questions (2* 20 = 40 marks)			
1 (a)	Define 'Accounting'. Accounting is the process of recording, analyzing, and reporting a business's financial transactions. It also involves summarizing and classifying these transactions.	[03]	CO1	L1
(b)	Pass the necessary journal entry and prepare ledger accounts. (in Rs.) Jan 15, 2009 Cash sales Rs 50,000; Cash received from Babu Rs 10,000; Commission earned Rs 5,000. Cash a/c Dr 5,56,250 Rent a/c Dr 7,500 Office Stationery a/c Dr 1,250 To Capital A/c 5,00,000 To Sales A/c 50,000 To Babu's A/c 10,000 To Commission A/c 5,000 (Being capital received, expenses paid, cash sales made and cash received from Babu)	[07]	CO1	L3
(c)	Enter the following in Triple Column Cash Book: Enter the following transactions in the three column cash book of Bhagya Shree. 2009, Mar 1 Bhagya Shree started business with cash Rs 1,50,000 2 Deposited into bank Rs 50,000 4 Sold goods to Sathyan for Rs 20,000, cash discount allowed 2% and received cash for the balance 5 Bought goods Rs 20,000 on credit	[10]	CO1	L3

6 Sent to Kaveri by bank instrument Rs. 400, the commission being Rs 20
7 Dividend collected by the bank as per Pass Book Rs 1,600
8 Received repayment of loan from Parul Rs 17,000
9 Vasanth, one of our customers, paid directly into the Bank Account Rs 9,000
10 Cheque issued in favour of Raj, for the purchase of office equipment Rs 7,600
11 Renu settled her account for Rs 5,000 by giving cheque for Rs 4,850
12 Renu's cheque sent for collection to the bank
13 Raj, to whom she issued a cheque was dishonoured
14 Renu's cheque returned dishonoured

Cash Book with Discount, Cash and Bank Column

Dr. *Cr.*

Date	Particulars	R.N.	L.F.	Discount Rs	Cash Rs	Bank Rs	Date	Particulars	V.N.	L.F.	Discount Rs	Cash Rs	Bank Rs
2009							2009						
Mar 1	To Capital A/c				1,50,000		Mar 2	By Back A/c		C		50,000	
Mar 2	To Cash A/c		C			50,000	Mar 6	By Kaveri A/c				400	
Mar 4	To Sales A/c			400	16,000		Mar 6	By M.O. Commission A/c				20	
Mar 7	To Dividend A/c					1,600	Mar 10	By Raj's A/c					7,600
Mar 8	To Parul's A/c				17,000		Mar 12	By Bank A/c		C		4,850	
Mar 9	To Vasanth's A/c					9,000	Mar 14	By Renu's A/c					4,850
Mar 11	To Renu's A/c			150	4,850		Mar 31	By Balance c/d				1,32,580	60,600
Mar 12	To Cash A/c		C			4,850							
Mar 13	To Raj's A/c					7,600							
				550	1,87,850	73,050						1,87,850	73,050
2009													
Apr 1	To Balance b/d				1,32,580	60,600							

2 (a) Explain GAAP. [03] CO1 L1

is a commonly recognized set of rules and procedures designed to govern corporate accounting and financial reporting in the United States and India also evolved GAAP principles and practices.

(b) List out the steps in accounting process. [07] CO1 L2

1. Identify transactions

The first step in the accounting cycle epitomizes the importance of accurate record keeping. In this step, all of the company's financial transactions are recorded. This includes every sale and any expenses that may have been incurred during the accounting period. To record sales, companies may link their accounting software to point-of-sale technology to automate this aspect of their record keeping.

2. Record transactions in a journal

For each transaction, a journal entry must be made , and the company's choice between an accrual or cash-based accounting system will dictate how transactions are recorded. Accrual accounting requires revenues and expenses to be matched and booked at the time of the sale, while cash accounting requires transactions to be recorded when cash is either received or paid.

To facilitate a fully developed balance sheet, income statement and cash flow statement, two entries must be made for each transaction. That process is referred to as double-entry bookkeeping.

3. Post transactions to general ledger

In the company's bookkeeping system, the general ledger provides a breakdown of all accounting activities by account. When a transaction is recorded, it should be posted to an account in the general ledger, such as the cash account, which provides a detail of how much cash is available, thereby providing a means for bookkeepers to monitor financial positions and statuses by account.

4. Determine unadjusted trial balance

Once the accounting period has ended and all transactions have been identified, recorded and posted to the general ledger, a trial balance is carried forward for testing and analysis. This is a kind of self-diagnostic step, intended to see if all the numbers match up – ensuring that the total credit balance and total debit balance are equal – and to catch mistakes that may have been made in the first 3 steps.

5. Analyze a worksheet

In the fifth step, a worksheet is created and analyzed to ensure that debits and credits are equal. If discrepancies are spotted, adjustments will need to be made during this step. When using the accrual accounting method, adjusting entries may need to be made for the purpose of revenue and expense matching.

6. Adjust journal entries

In this step, a bookkeeper will make adjustments, and record them as journal entries where necessary.

7. Generate financial statements

Having made all of the necessary entries and adjustments for the accounting period, the company can generate its financial statements. For most businesses, this includes an income statement, balance sheet and cash flow statement. Collectively, these financial reports provide the most accurate snapshot of the company's financial health for the accounting period.

8. Close the books

At the end of the accounting period, the books are closed. In this step, the accounting period is officially ended. The closing financial statements generated provide a concise report for the company's leadership to analyze and compare its performance with that of other accounting periods. Preparations can now be made to begin the cycle over again for the next accounting period.

(c)	What do you understand by subsidiary books? Bring out their classification and each book.	[10]	CO1	L1

In big organisations there are numerous transactions going on, in the midst of these transactions, it is not possible to keep and maintain a record of each and every business affair. While non-recording any minute transaction can be a havoc which the business will never resort to. This is when the subsidiary books come into the action and play as a saviour.

Subsidiary books are nothing but an order of maintenance of recording similar natured transactions. Subsidiary books are the subdivisions of Journal. In this content, we will know in detail about these books and types of subsidiary books with its function.

Define Subsidiary Books

Subsidiary Books are the books that record the transactions which are similar in nature in an orderly manner. They are also known as special journals or Daybooks. In big business institutions, it is not easy to record all the transactions in one journal and post them into various accounts. So, for the easy and accurate recording of all the transactions, the journal is subdivided into many subsidiary books. For every type of transaction, there is a separate book.

Types of Subsidiary Books

8 Types of subsidiary books are used for recording different types of transactions. So, let us know the types.

The 8 Subsidiary books are as follows:

1. Cash Book
2. Purchase Book
3. Sales Book
4. Purchase Return Book
5. Sales Return Book
6. Bills Receivable Book
7. Bills Payable Books
8. Journal Proper

Set of Subsidiary Books – A Brief Study

1. Cash Book

The first and most important subsidiary book is the cash book. It records all the transactions related to cash and bank receipts and payments. There are 3 types of cash books that are maintained by an organisation. They are:

Single Column Cash Book: A single column cash book is like a ledger account. It contains a debit side and a credit side. All Cash receipts are recorded on the debit side, and all the cash payments are recorded on the credit side of the cash book.

Double Column Cash Book: Double Column Cash Book is the same as that of Single Column Cash Book; only an extra column of discount is added on both the debit and credit sides of the cash book. It records discounts allowed on the debit side and discounts received on the credit side of the cash book.

Triple Column Cash Book: Triple Column Cash Book contains all the columns of a double column cash book and also has an extra column for the bank. The

2. Purchase Book

Purchase Book is a subsidiary book that is used to record all the transactions related to credit purchases. The purchases of the asset are never recorded in the purchase book.

3. Sales Book

The Sales Book records all the transactions related to credit sales. The sales book cannot record the sale of assets. The sales book format is given below.

4. Purchase Return Book

The purchase return book, also known as the return outward book, is used to record transactions of all the returns made to the supplier. A debit note is issued against every return and is recorded in the Purchase Return Book.

5. Sales Return Book

The sales return book records all the transactions related to inward returns. It is also known as a return inward book. When the customer returns goods, a credit note is issued to the customer for every return, and it is recorded in the Sales Return Book.

6. Bills Receivable Book

The Bills Receivable Book records all the transactions of bills drawn in favour of the business. The total of the bills receivable book is posted on the debit side of the Bills Receivable account.

7. Bills Payable Book

The Bills Payable Book records all the transactions related to bills that are drawn on the business and are payable by the business. The Bills Payable Books

8. Journal Proper

Certain transactions cannot be recorded in any of the above-mentioned books; these transactions are termed miscellaneous transactions. So, the Journal Proper is used to record all the miscellaneous transactions. It includes transactions such as credit purchase and sale of assets, depreciation, etc.

3 (a)	Cash a/c Dr 6,00,000 Bank a/c Dr 1,70,000 Stock a/c Dr 30,000 Bills Receivable a/c Dr 70,000 Debtors a/c Dr 30,000 Building a/c Dr 7,00,000 Investments a/c Dr 3,00,000 Furniture a/c Dr.40,000 To Bills Payable 50,000 Creditors 90,000 Loan from Bank of India 1,30,000 Owner's Capital a/c 17,70,000 (being assets and liabilities passed as opening entries)	[03]	CO1	L1
(b)	Explain the concept of 'Window-dressing' in financial accounts. Window dressing in accounting is a short-term strategy that involves manipulating financial data to make a company's financial statements appear more attractive to investors. It's a form of financial fraud that's unethical and can deceive investors about a company's actual performance.	[07]	CO1	L3
(c)	The following balances were extracted from the ledger of Mrs. Devi as on Mar 31, 2009. You are required to prepare a Trial Balance as on that date: Rs	[10]	CO1	L4

Capital	90,000
Drawings	3,000
Purchases	1,00,000
Sales	1,40,000
Returns inward	500
Returns outward	1,000
Carriage inward	1,500
Carriage outward	1,000
Opening stock	15,000
Scooter	20,000
Salaries	7,000
Rent	3,000
Taxes	1,500
Insurance	1,200
Sundry creditors	9,000
Sundry debtors	2,000
Cash-in-hand	300
Cash at Bank	3,000
Furniture	6,500
Bank overdraft	20,000

Land	73,000

In the books of Mrs. Devi

Name of the account	LF	Dr	Cr
Capital		--	90000
Drawings		3000	--
Purchases		100000	--
Sales		--	140000
Returns Inward		500	--
Returns Outward		--	1000
Carriage inward		1500	--
Carriage outward		1000	--
Opening stock		15000	--
Scooter		20000	--
Salaries		7000	--
Rent		3000	--
Taxes		1500	--
Insurance		1200	--
Sundry Creditors		--	9000
Sundry Debtors		2000	--
Cash in hand		300	--
Cash at bank		3000	--
Furniture		6500	--
Bank overdraft		--	20000
Suspense account		74500	
Total		260000	260000

Part B - Compulsory (1*10=10 marks) – CASE STUDY

4 Prepare final accounts as per Vertical format: CO1 L5

Particulars	Amount (in Rs.)	Particulars	Amount (in Rs.)
Factory premises at cost	4,50,000	Share capital: 30,000 7% Preference Shares of Rs.10 each	3,00,000
Plant & Machinery at cost	3,49,160	60,000 Equity Shares at Rs.10 each	60,000
Motor Lorries at cost	73,000	Surplus A/c	16,240
Sundry Debtors	1,21,780	Gross Profit	2,46,640
Bad Debts	2,850	Provision for Doubtful Debts	9,000
Rent, Rates, Taxes	28,400	Sundry Creditors	1,29,640
Advertisement	19,500	Transfer Fee	110
Cash in Hand and at bank	68,500	Accrued wages	12,840
Director's Fee	3,600	Staff Benevolent Fund	17,900
Audit Fee	10,000		
Stock 31.03.2015	1,14,600		
Rent and Taxes paid in advance	7,980		
Salaries & wages	32,000		

Dividends paid on:		
Preference Shares	21,000	
Equity Shares (Interim)		
	15,000	
Patents	15,000	
	13,32,370	**13,32,370**

(i) Provision for doubtful debts made upto Rs.10,200

(ii) Depreciate Factory premises, Plant and Machinery, Motor Lorries by 3%, 15%, 20% respectively.

(iii) The Authorized capital of the company is Rs.10,00,000 divided into 1,00,000 shares of Rs.10 each.

Ignore taxation.

Need not provide corporate dividend tax.

Statement of Profit and Loss

Particulars	**Note No**	**Amount in Rs.**
1. Revenue from operations		246640
II Other income (Transfer fee)		110
III Total Income (I + II)		246750
IV Expenses		
Employee Benefits Expense		
Salaries & Wages		32000
Finance costs		Nil
Dep. And amortization	1	80474
Other expenses		65550

BALANCE SHEET as at ....

I Equity & Liabilities		
1.Shareholders Funds		
a. Share capital	A	900000
b. Reserves & Surplus	B	66866
Total		966866
2. Current Liabilities		
Trade Payables		129640
Other Current Liabilities		12840
Accrued wages		
Total of Equity and Liabilities		142480
		1109346
3. Assets		
a. Non current Assets		
Tangible assets	C	791686
2.Intangible assets	D	15000

Total			806686	
b. Current Assets				
Inventories	E		114600	
Trade Receivables	F		111580	
Cash and Cash Equivalents	G		68500	
Short term loans and advances	H		7980	
Total			302660	
Total of all assets			**1109346**	

Note No.1

Rent, Rates and Taxes		28400
Audit fee		10000
advertisement		19500
Director's fee		3600
Bad debts		2850
Provision for DD		
Required	10200	
Less Old provision	9000	1200
Total		65550

A

Authorised (100000 shares of Rs.10 each)	1000000
Issued, Subscribed and Paid up Capital	
30000, 7% Preference Shares of Rs.10 each fully paid up	300000
60000 Equity shares of Rs.10 each, full paid up	600000
	900000

B

Staff Benevolent Fund			17900
Surplus Account:			
As at 1-4-2014		16240	
Profit for the year	68726		
Less: Dividend paid On:			
Preference Shares	21000		
Equity Shares (Interim)	15000		
	36000	32726	48966
Total			66866

C

Factory premises (at cost)	450000		
Less: Depreciation @3%	13500	436500	
Plant and Machinery (at cost)	349160		
Less: Depreciation @15%	52374	296786	
Motor Lorries (at cost)	73000		
Less: Depreciation @20%	14600	58400	
			791686
D Intangible Assets : Patents			15000
E: Inventories (assumed at cost)			114600
F: Trade Receivables: Total			121780
Less: Provision for 6 months			10200
			111580
G Cash and Cash Equivalents			68500
H: Loans and Advances: Rent, Taxes paid in Advance			7980

Course Outcomes (COs)		PO1	PO2	PO3	PO4	PO5	PSO1	PSO2	PSO3	PSO4
CO1	Know what and how books of accounts and financial statements are prepared.	1(a) 2(a) 3(a) 4				1(b) 2(b) 3(b)	1(c) 2(c) 3(c) 4			
CO2	How to interpret financial statements of companies for decision making.									
CO3	Independently undertake financial statement analysis and take decisions.									

Cognitive level	KEYWORDS
L1 - Remember	list, define, tell, describe, recite, recall, identify, show, label, tabulate, quote, name, who, when, where, etc.
L2 - Understand	describe, explain, paraphrase, restate, associate, contrast, summarize, differentiate interpret, discuss
L3 - Apply	calculate, predict, apply, solve, illustrate, use, demonstrate, determine, model, experiment, show, examine, modify
L4 - Analyze	classify, outline, break down, categorize, analyze, diagram, illustrate, infer, select
L5 - Evaluate	asses, decide, choose, rank, grade, test, measure, defend, recommend, convince, select, judge, support, conclude, argue, justify, compare, summarize, evaluate
L6 - Create	design, formulate, build, invent, create, compose, generate, derive, modify, develop, integrate

PO1–*Theoretical Knowledge;* **PO2–*Foster Analytical and Critical Thinking Abilities for data based decision making;*** **PO3– *Develop Value Based Leadership;*** **PO4 –*Ability to Understand and communicate various business aspects to global;*** **PO5 – *Ability to lead themselves and others in the achievement of organizational goals contributing effectively to a team environment;***
PSO1- *Comprehend Contemporary features of Business Management Science and its administration*
PSO2- *Analyze and interpret the dynamic situations for making Business Management strategies*
PSO3- *Handle responsibility with the ethical values for all actions undertaken by them*
PSO4- *Adapt and focus on achieving the organizational goal and objectives with complete zeal and commitment.*

CI **CCI** **HOD**