

Prepare Trading & Profit & Loss A/C of Growmore Ltd. for the year ended March 31, 2010 and the Balance Sheet as on that date from the following information and calculate its net worth :

GROWMORE LTD.
TRIAL BALANCE

Cash in Hand	4598	Sales	8162968
Computer Systems	246500	14% Debentures	500000
Purchases	4650748	Profit & Loss A/C	502141
Travelling & Conveyance	103524	Share Premium	258500
Furniture	254000	Dividend on shares	34100
Salaries	287965	Creditors	932650
Office Premises	1214500	Term Loan from Bank	321659
Vehicles	465214	Bills Payable	77632
Telephone & Fax	183190	Provision for Taxation	221452
Debtors	1628750	General Reserve	133450
Cash at Bank	109303	Share Capital	746850
Stock (1.4.2009)	688742	Loans from Directors	1222500
Printing & Stationery	22488		
Carriage Inward	92632		
Advertisement	263987		
Shares in ABC Ltd.	250000		
Transportation Charges	346514		
Advance Tax	500000		
Postage & Courier	63415		
Business Promotion Expenses	233457		
Membership Fees	25000		
Professional Charges	132500		
Sales Returns	246897		
Loan to ABC Ltd.	300000		
Preliminary Expenses	300000		
Financial Expenses	198521		
Office Expenses	301457		
	<u>13113902</u>		<u>13113902</u>

Additional Information :

- Closing Stock is valued at Rs. 1203125/-. However, the market value of the same is Rs. 1014125/-.
- Depreciate Computer Systems @ 60% p. a., Vehicles @ 15% p. a. & other assets @ 10% p. a.
- Write off preliminary expenses Rs. 100,000/-
- Outstanding Expenses are : Salaries Rs. 32,500/-, Audit Fees Rs. 40,000/-, Professional Charges Rs. 10,500/-
- Financial Expenses do not include any debenture interest.
- Authorised share capital of the company consists of 1,00,000 shares of Rs. 10/- each on which Rs. 8/- per share have been called. One shareholder holding 22,000 shares has paid the amount due on his shares in full (i. e. Rs. 10/- per share) which has been wrongly been credited to share capital a/c.
- Provide tax @ 40%.
- Transfer Rs. 1,00,000/- to General Reserve & provide dividend @ 10% on paid up capital if the profits are sufficient.

Write short notes on :

- ✓ a. Journal;
- ✓ b. Depreciation; MJ/
- ✓ c. GAAP; (MJ: NOTES) .10 pg
- ✓ d. Amortisation of Expenses
- ✓ e. Trial Balance;
- ✓ f. Balance Sheet
- ✓ g. Going Concern Concept
- ✓ h. Business Entity Concept;
- ✓ i. Matching concept
- ✓ j. Conservative Principle
- ✓ k. Consistency
- ✓ l. Ledger
- ✓ m. Deferred Revenue Expenditure (8)
- ✓ n. Profit & Loss A/C
- ✓ o. Reserve for Doubtful Debtors
- ✓ p. Outstanding Expenses and Prepaid Expenses
- ✓ q. Current Liabilities and current assets → MJ
- ✓ r. Bank reconciliation statement → Pg 202

From company accounts :

- ✓ a. Equity Share Capital; — MJ notes
- ✓ b. Appropriation of Profits
- ✓ c. Uncalled share capital
- ✓ d. Types of share capital;
- ✓ e. Share Premium;
- ✓ f. Bonus and right shares;
- ✓ g. Proposed Dividend.
- ✓ h. Preference Share Capital & types of preference shares → MJ (Pg 20)
- ✓ i. Paid up Capital
- ✓ j. Non Convertible Debentures → MJ - (21 pg)
- ✓ k. Debentures and Types of Debentures
- ✓ l. Secured and unsecured loans → MJ
- ✓ m. Calls in arrears and calls in advance → MJ notes
- ✓ n. Division of share capital
- ✓ o. Underwriting of shares
- ✓ p. Forfeiture and reissue of shares
- ✓ q. Capital reserve
- ✓ r. Revaluation reserve

Q. : a. Discuss the division of share capital.

- ✓ b. Explain the concepts and conventions under financial accounting.
- ✓ c. Explain the concepts and conventions under financial accounting.
- ✓ d. Need and importance of financial accounting → MJ (Page 5)
- ✓ e. Limitations of financial accounting → MJ (Pg 6-7)
- ✓ f. Need and importance of financial statements
- ✓ g. Advantages and limitations of ratio analysis
- ✓ h. Explain the concept of issue of share at premium and discuss where the amount of securities premium a/c can be utilized

Q. : Distinguish between :

- ✓ a. Straight Line Method & Written Down Value methods of depreciation Notes MJ
- ✓ b. Fixed Assets and Current Assets
- ✓ c. Equity share capital and Preference share capital
- ✓ d. Profit & Loss Account and Balance Sheet

- e. Rights Issue and Bonus Issue MT
- f. Tangible and Intangible assets MT
- g. Journal and Ledger MT
- h. Share capital and Debentures
- i. Proprietorship and Partnership MT

Q. : Present the following information in the form of a Journal :

- a. Mr. Anil commenced business with a capital of Rs. 50,000/- in cash and Rs. 12,500/- in the form of furniture.
- b. Mrs. Nayna purchased furniture worth Rs. 50,000/- from Nitin Sales on Credit
- c. Deepa appointed Rajat as Sales Manager
- d. Rakesh received Rs. 12,125/- as dividend on shares by cheque.
- e. Prem paid Rs. 3,00,000/- by cheque to his supplier, M/S Rajesh Traders.
- f. Roma received Rs. 1,50,000/- by cheque from her customer, M/s Jain Traders, against the dues of Rs. 1,54,220/- in full settlement.
- g. M/S Novelty Traders wrote off dues of Rs. 12,500/- from Sainy traders as bad debts.
- h. Mr. Ajit issued cheque of Rs. 7500/- to his staff Mr. Ram against salary.
- i. Mr. John received a cheque of Rs. 20,00,000/- as loan from Citibank.
- j. Jagadish paid monthly instalment of Rs. 12,500/- on car loan consisting of Rs. 4678/- as interest and the balance as principal.

Q. : Prepare ledger accounts and trial balance from the following transactions :

- | | |
|---------------|---|
| July 01, 2008 | Mr. John commenced business with a capital of Rs.250000/- brought in business in cash and deposited a sum of Rs.140000/- out of the same in Bank. |
| July 02, 2008 | He purchased goods worth Rs.680000/- from Gul Traders on credit. |
| July 03, 2008 | He spent Rs.4500/- on freight to bring the goods to his godown. |
| July 06, 2008 | He sold 60% of the goods to M/s. Rambo Traders at a profit of 25% on cost on credit. |
| July 08, 2008 | He received 80% of his dues from his customer. |
| July 12, 2008 | He issued a cheque of Rs.250000/- to his supplier. |
| July 18, 2008 | He applied for sales tax registration. |
| July 22, 2008 | He issued a cheque of Rs.5000/- to his consultant against professional fees. |
| July 27, 2008 | He received the balance amount from his customer. |
| July 29, 2008 | He issued a cheque of Rs.5000/- to his employee against salary. |

State true or false with reasons :

- a. Depreciation is a non cash charge.
- b. Trial balance is a test of perfection in accounting entries.
- c. Balance sheet is a static statement.
- d. The shareholders are liable to pay to outsiders in case the company fails to pay.
- e. The shares of a private limited company are tradable on stock exchanges.
- f. Financial accounting considers non monetary transactions also.
- g. Preference shareholders must be paid dividend even if there is no profit.
- h. Balance Sheet reflects financial position of the company.
- i. The liability of the shareholders is unlimited.
- j. The organization is at liberty to follow any accounting policies and can change them at it's will any time.
- k. Debentureholders are the real owners of the company.
- l. Non monetary transactions can be entered in the books of accounts.

JAMNALAL BAJAJ INSTITUTEMENT OF MANAGEMENT STUDIES
MHRDM I
INTERNAL ASSIGNMENT 2014

(MARKS 40)

Notes : Pl submit handwritten assignments. Do not type it.
Pl submit the assignments well in time as discussed in the class.
Pl do not write in pencil otherwise assignment will not be assessed.

Q. 1 : Pl go to the site of Tata steel and get the balance sheet, profit & loss a/c and schedules downloaded. Analyse the financial statements on the basis of the following ratios. Make assumptions wherever necessary and record them : (20)

1. Gross Profit Ratio
2. Net Profit Ratio
3. Net Operating Profit Ratio
4. Debt Equity Ratio
5. Current Ratio
6. Liquid Ratio
7. Stock Turnover Ratio
8. Debtors Turnover Ratio
9. Earnings per share
10. Return on Capital employed

Q. 2 : a. Explain the accounting process in detail including the concepts and conventions under accounting. (10)

b. What are the limitations of financial accounting? (10)