

**MASTER OF BUSINESS ADMINISTRATION
(FULL TIME PROGRAMME)
(MBACN)**

Term-End Examination

June, 2011

MCN - 003 : PRINCIPLES OF ACCOUNTING

Time : 3 hours

Maximum Marks : 100

Note : Answer any five questions. All questions carry equal marks.

1. "Accounting is the language of business". Discuss 20
this statement from the view points of
- (a) External stakeholders.
 - (b) Internal stakeholders.

Illustrate the relevance of accounting statements from the view points of the above.

2. What is GAAP ? IFRS is expected to be replacing 20
the GAAP followed in different parts of the world.
Do you agree ? Illustrate the differences between
Indian GAAP and IFRS.

3. The following are the ratios relating to the activities of National Drugs Corporation Limited (NDCL) 20

- Debtors Velocity (months) - 3
- Stock Velocity (months) - 8
- Creditors Velocity (months) - 2
- Gross profit ratio (%) - 25

Gross profit for the year ended on 31/03/11 amounts to Rs. 4,00,000/-. Closing stock of the year is Rs. 10,000 above the opening stock. Bills receivable amounts to Rs. 25,000/- and bills payable is Rs. 10,000/-. Find out (a) sales (b) sundry debtors (c) closing stock and (d) sundry creditors.

4. "Depreciation is an important phenomenon in accounting". Illustrate the above statement. If a machine having its useful life as 10 years is purchased for ₹ 10 crore today, what would be the book value at the end of 5 years ? Please evaluate it by (a) WDV (b) SLM and (c) SOYD methods separately. The WDV rate is 10%. 20

5. What is trial balance ? Why is it prepared ? 20
Is agreement of a trial balance a conclusive proof that there are no errors in the books of accounts ? Give reasons with suitable examples in support of your answer.

6. Distinguish between FIFO and LIFO bases of valuing closing stock. State the relevant accounting standard and illustrate with an example. 20

7. On 01/04/2010, Akash Limited issued 4 lac equity shares of ₹ 10 each payable as follows : 20

Rs. 2.50 on application

Rs. 3.50 on allotment

Rs. 2 on 01/10/2010

Rs. 2 on 01/02/2011

By 20th May, the issue was fully subscribed. Allotment was made on 1st June. All sums due on allotment were received by 1st July.

1st call sums were received by 20th October. As on 31/03/2011, the second and final call on 1000 shares had not been received. Journalise the transactions.

8. Write short notes on (*any two*) : 20

(a) Double Entry System

(b) Cash Flow and Fund Flow Statements

(c) Journal and Ledger

(d) Bad and doubtful debts.