**SESSION**

**JUL/AUG 2021**

**PROGRAM**

**BACHELOR OF BUSINESS ADMINISTRATION (BBA)**

**SEMESTER**

**II**

**COURSE CODE & NAME**

**DBB1202 – FINANCIAL ACCOUNTING**

**Question 1(a)**

Bookkeeping is a process of recording and organizing all the business transactions that have occurred in the course of business.  Bookkeeping is an integral part of accounting and largely focuses on recording day-to-day financial transactions of the business.

All the financial transactions such as sales earned revenue, payment of taxes, earned interest, payroll and other operational expenses, loans investments etc. are recorded in books of accounts.

The way the bookkeeping is managed determines the accuracy of the overall accounting process that has been followed by the business. Thus, bookkeeping ensures that the record of financial transactions

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**Question 2(b)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **SNO** | **Particulars** | **L.F** | **Debit** | **Credit** |
| **1** | **Cash AC Dr.**  **Goods Dr.**  **Furniture Dr.**  **To Bank Loan**  **To Captial**  **(Being business commenced with cash, goods, and capital)** |  | **1,00,000**  **80,000**  **65,000** | **40,000**  **2,05,000** |
| **3** | **Bank(SBI) Ac Dr.**  **To Cash**  **(Being bank account opened by depositing 50,000)** |  | **50,000** | **50,000** |
| **7** | **Goods Ac Dr.**  **To Discount**  **To Amit and Co.**  **(Being goods purchased on credit from Amit and co. worth 20,000 at 2% trade discount)** |  | **20,000** | **400**  **19,600** |
| **9** | **Cash Ac Dr.**  **To Sales**  **(Being cash sales made)** |  | **65,000** | **65,000** |
| **10** | **Ashish and Co. Dr**  **Discount Dr.**  **To sales**  **(Being sales made on credit to ashish and co. worth 25,000 giving 3% trade discount)** |  | **24,250**  **750** | **25,000** |
| **14** | **Profit and Loss Ac Dr.**  **Bank AC Dr.(Insurance)**  **To Goods**  **(Being goods worth 1500 destroyed by fire and claim of 1000 received )** |  | **500**  **1000** | **1500** |
| **15** | **Amit and co.**  **To Cash**  **To Discount** |  | **19,600** | **18,800**  **800** |
| **26** | **Shares(HDFC) Dr.**  **To Bank Ac**  **(Being shares purchased for 15,000)** |  | **15,000** | **15,000** |
| **29** | **Rent Ac Dr.**  **To Bank Ac**  **(Being Rent paid)** |  | **2,000** | **2,000** |

**Question 3(a)**

The Trial Balance is not absolute proof of the accuracy of ledger accounts. It is a proof only of the arithmetical accuracy of the postings. The total of debits may be equal to the total of credits yet still there may be errors.

**Such errors are not disclosed by a trial balance and they are:**

**1. Errors of Principle:**

An error of principle is an error which violates the fundamentals of book-keeping. For instance, purchase of furniture is debited to Purchase Account, instead of Furniture Account. These types of

**Question 3(b)**

Financial statements are quantitative statements, based on numbers. However, the information they provide to the users have some important qualitative characteristics that enhances the utility of the same.

### **Understandability**

One of the most important features

**Set- II**

**Question 4(a)**

**Trading and profit and loss Account**

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **Rs.** | **Particulars** | **Rs.** |
| **To Opening Stock**  **To Purchases 12,000**  **Purchase return (2000)**  **To Gross Profit**  **To Depreciation on Furniture**  **To advance commission**  **To Establishment Expenses**  **To Tax and Insurance 500**  **Outstanding 200**  **Prepaid (50)**  **To Bad debts**  **To Provision for Doubtful debts**  **To Outstanding salary**  **To Net Profit** | **3000**  **10,000**  **5500** | **By Sales 15000**  **Sales return (1000)**  **By Closing stock**  **By Gross Profit Ac**  **By Commission 500**  **Advance (100)** | **14,000**  **4500** |
| **18,500** | **18,500** |
| **60**  **100**  **2200**  **650**  **500**  **300**  **100**  **1,990** | **5500**  **400** |
| **5900** | **5900** |

**Question 4(b)**

There are many reasons because of which there is always some difference in passbook and cashbook balances, and some of these are discussed as under :-

### 1. **Cheques issued but not yet presented** for payment in the bank

When a cheque is issued to a creditor by the firm, it is immediately recorded on the credit side of the bank column

**Question 5(a)**

A drawer or the seller draws a bill of exchange on the drawee or the purchaser in order to ensure that the latter will pay him the amount due. However, if the holder or the drawer of the bill of exchange needs [funds](https://www.toppr.com/guides/business-studies/sources-of-business-finance/classification-of-sources-of-funds/) or money before the due date or the maturity date of the bill, he may opt for

**Question 5(b)**

**Revaluation Account**

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **Rs.** | **Particulars** | **Rs.** |

**Question 6(a)**

**Types of Share Capital of A Company**

### 1**. Authorized Share Capital**

Authorized Share Capital is the total Capital that a company accepts from its investors by issuing shares which are mentioned in the official document of the company. It is also called as Registered Capital or Nominal Capital because with this Capital a company is registered.

### 2**. Issued Share Capital**

Issued Share Capital

**Question 6(b)**

When a company has substantial cash resources, it may like to buy its own shares from the market particularly when the prevailing rate of its shares in the market is much lower than the book value or what the company perceives to be its true value.

This mode of purchase is also

**Question 6(c)(i)**

**Capital Redemption Reserve-** Capital redemption reserve account is a type of reserve maintained by a company limited by shares and as the name suggests this reserve deals with shares which are redeemable. The shares which are purported to be redeemed are paid out of the profits of a company. For this purpose, out of the profits, an amount equivalent to the nominal value of the share supposed to be redeemed is transferred to a reserve. This reserve is called a capital redemption reserve account.

A capital redemption reserve account can be used to pay any unissued shares of the company to be issued as fully paid bonus shares to the members of the company. A company buying-back its own