

Jaipuria Institute of Management, Noida
PGDM/PGDM (M)/PGDM(S) 2016-18; Term I
Accounting For Decision Making (FIN101)
Mid-Term Examination

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Time: 1 hrs

Total Marks: 20

Attempt all questions

Q1. Meredith Snelson started Campus Pizzeria, Inc., on August 1. Snelson was the sole owner of the corporation. The following transactions took place in August. Show the effect of the transactions on Accounting Equation for Pizzeria, Inc. for the month of August. (5 marks)

1. August 1, Snelson invested \$5,000 in the business as owner.
2. Equipment costing \$7,200 was purchased for cash.
3. An initial inventory of Pizza ingredients and boxes was purchased on credit for \$800.
4. In August, Pizza sales were \$12,000, all for cash.
5. On August 13, the firm catered a party for a fee of \$200. Because the customer was a friend of Snelson, the customer was told that payment could be made later in the month.

Q2. You are employed by Torrent Ltd. as an accountant. One of your staff has produced the following trial balance at 31 March 2016.

Particulars	Debit (Rs.)	Credit (Rs.)
Capital (Equity shares of Rs. 10 each)		4000000
Distribution costs	300000	
Trade receivables and payables	200000	100000
Share premium		90000
Revenue and purchases	1200000	1500000
8% Debentures		300000
Buildings at cost	1500000	
Fixtures and fittings at cost	1000000	
Motor vehicles at cost	749000	
Buildings - Accumulated depreciation at 1 April 2015		27000
Fixtures and fittings – accumulated depreciation at 1 April 2015		34000
Inventories at 1 April 2015	310000	
Interest paid	12000	
Bank	1000000	
Retained earnings at 1 April 2015		200000
Other Income		20000
	6271000	6271000

You have also ascertained the following information:

- (a) The inventory at cost on 31st March 2016 was Rs.4,00,000.
- (b) The taxation charge for the financial year ending to 31 March 2015 is estimated to be Rs. 40,000.
- (c) Interest on the debentures is due for the year 2015-16.
- (d) Depreciation for the year is to be calculated using the following rates:
 - Buildings 2% on cost
 - Fixtures and fittings 10% on cost
 - Motor vehicles were purchased on 1st April, 2015. The useful life is 5 years with a residual value of Rs40000. Depreciation is charged on WDV method.

You are required to prepare the profit & loss statement for the year ended 31st March 2016 and a balance sheet at that date. (5+5 marks)

Q3. Harbor. Corp had the following situations during the year. (5 marks)

- a. Inventory with a cost of Rs. 1,86,400 is reported at its market value of Rs. 2, 35,600.
- b. Revenues of Rs. 25,000 earned in the prior year recorded in the current year.
- c. Owner of Harbor informs his accountant that he does not want to review accounting items less than 1% of revenues.
- d. A company receives Rs. 2,000 for a service to be performed and records it as service revenue.
- e. Owner invests Rs. 8,00,000 into the business. He opens a checking account in the name of the company and transfers the money from his personal account.

Identify in each case the accounting principle/assumption followed/violated with a brief explanation.