



Important Instructions to examiners:

- 1) The answers should be examined by key words and not as word-to-word as given in the model answer scheme.
- 2) The model answer and the answer written by candidate may vary but the examiner may try to assess the understanding level of the candidate.
- 3) The language errors such as grammatical, spelling errors should not be given more Importance (Not applicable for subject English and Communication Skills).
- 4) While assessing figures, examiner may give credit for principal components indicated in the figure. The figures drawn by candidate and model answer may vary. The examiner may give credit for any equivalent figure drawn.
- 5) Credits may be given step wise for numerical problems. In some cases, the assumed constant values may vary and there may be some difference in the candidate's answers and model answer.
- 6) In case of some questions credit may be given by judgement on part of examiner of relevant answer based on candidate's understanding.
- 7) For programming language papers, credit may be given to any other program based on equivalent concept.



WINTER- 16 EXAMINATION

Model Answer

Subject Code: 0815

Q. No	Sub Q.N	Answer	Marking Scheme
1		<p>Solve any FIVE of the following.</p> <p>a) Define partners by holding out.(2 marks for definition)</p> <p>He is a person who is declared by others as a partner of the firm or is mistaken to be a partner of a particular firm and he does not contradict it even after coming to know about it. Such a person is known as a partner by holding out .He neither contributes capital nor does share the profits or losses of the firm.</p> <p>b) What is Government company? (2 marks for definition)</p> <p>A Government company is one in which at least 51% of the paid up capital is held by the Central Government or by any state Government or partly by the Central Government and partly by any one or more state Governments.</p> <p>c) What are Del-credere agents? (2 marks for definition)</p> <p>They find buyers for the seller and also guarantee the payment of the price of goods on their behalf. In case any buyer fails to pay, it is the del credere agent who will pay on his behalf. For this additional responsibility, an extra commission is charged.</p> <p>d) Define open tender and global tender.(1 mark for each definition)</p> <p>Open tender: These tenders are called by advertisement when the sources of supply are many and the total value of items to be purchased is large. After receiving the tenders from various suppliers, a comparative statement of rates as well as terms and conditions quoted by different firms is prepared. Generally the order is placed with the firm which has quoted the lowest rate.</p> <p>Global tender: The tenders are invited from all parts of the world. These are for large contracts for supplies from foreign countries or when foreign collaboration is required in the proposed project.</p> <p>e)</p>	10



What is lead time? (2 marks)

Lead time means the total time consumed between the recognition of the need of an item, till its receipt for use.

f)

What is sky writing? (2 marks)

Sky-writing: It is the modern method of advertising. Balloons printed with message and illustrated pictures are flown in the sky. In advance countries, aeroplanes are also used to display the illuminated banners containing the message in open sky during late evening.

g)

What is land development bank? (2 marks)

They are also known as Land Mortgage Banks. These banks have been set up to provide a long term loan to farmers at reasonable rates of interest. The recovery of loans is made in easy installments spread over a number of years.

Ex. NABARD

Solve any FOUR of the following:

a)

Mention different kinds of partnership(1.5 marks) and explain partner by estoppel.(2marks)

Kinds of partnership:

A) General partnership

a) Partnership-at-will

b) Particular partnership

B) Limited partnership

a) General partners with unlimited liability

b) Special partners with their limited liability

Partner by estoppel: He is a person who is not really a partner of the firm. He is mistaken by



b)

the third party to be a partner of the firm due to his behavior. Such a person is liable to the third party, who extends his credit to him on the reputation of his being a partner. He neither contributes capital nor shares the profits and losses of the firm. His liability is unlimited to the third party, who extends credit facility to the firm, believing him to be a partner.

Mention different kinds of company(2 marks) and explain company liability by guarantee(1.5 marks)

Companies may be classified as follows:

A) From the point of view of incorporation:

- a) Chartered company
- b) Statutory company
- c) Registered company

B) From the point of view of liability:

- a) Companies with unlimited liability
- b) Companies with liability limited by guarantee.
- c) Companies with liability unlimited by shares

C) From the point of view of nationality:

- a) National companies
- b) Multinational companies

D) From the point of view of public interest

- a) Private company
- b) Public company
- c) Government company



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c) **Companies with liability limited by guarantee:** The liability of members in such a company is limited to a specific amount guaranteed by them. The purpose of such a guarantee is to enable the company to have funds to meet its liability at the time of the winding up of a company. Each member promises to pay a fixed amount in the event of the winding up of the company. This amount is known as a guarantee.

Differentiate between company and partnership firm(0.5 X 7)

Company	Partnership Firm
The company is formed by registration under Company Act 1956	The partnership firm is formed by agreement among partners.
The registration of the company is compulsory.	The registration of the firm is voluntary.
The liability of shareholders are limited	The liability of the partners are unlimited
The public limited company can be formed by a minimum of seven persons (private company minimum of 2 members maximum of 50 members.)	The firm is formed with minimum of 2 & maximum of 20 members (10 members a banking business)
The shares of it can be transferable.	The shares are not transferable.
The resources of it are unlimited	The resources of the firm are limited
The company is managed by board of directors	The firm is managed by partners.
The audit of account is compulsory.	The audit of the account is not compulsory
There are number of restrictions imposed by the government on the companies as they are governed by the Company act.	There are limited control & regulation by the government on the firms.

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d) **Differentiate between firm multiple shop and departmental store.(0.5 X 7)**



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Multiple Shop	Departmental store	
Particular type of product are available	Wide variety of products are available	
Uniform pricing in all the branches	No uniform pricing system	
Control is difficult	Control over the activity is easier.	
uniformity in decoration	No uniformity in decoration	
No other services to the customer	They provide no. of services & amenities	
Sell is only on cash basis	Sell of goods in cash & credit	
For general public	Stores mainly for rich people	
Located in various localities of city.	Located in the centre of the city.	

e)

What do you understand by hire purchase trading system?(1.5 marks) Mention its advantage(1 mark) and Disadvantage.(1 mark)

In this system buyer initially pays a part of the purchase price of goods and the rest of the price is paid in equal periodical installments. The ownership of the goods continues to be with the seller and transferred to the buyer only, when he has paid the final installment of the price of goods. In case of default, the seller is free to take back the goods from the buyer. Furthermore the installments already paid by the buyer are forfeited as hire- charges for the goods. In this system the sale does not take place until the last installment for the goods has been paid.

Advantages:

1. The system provides the facility to purchase costly goods, such as houses, T.V. sets, cars, etc. to the middle class people on easy installments.
2. The small scale and medium scale manufacturer can install the required machinery and tools without paying the total amount for it.
3. The system helps to increase the sale of costly and non-essential luxury articles. Even people who have the enough money to pay at once as price of the desired article, may prefer to purchase their requirements under hire-purchase system, so as to invest their



money elsewhere to earn more profit.

Disadvantages:

- 1) People may be tempted by installment plans to buy things which they cannot afford.
- 2) The traders dealing in hire purchase have to arrange a large capital to finance their business.
- 3) The goods purchase on hire purchase basis is costlier than its actual price because the hire- purchase price includes the interest on the unpaid installments.

f)

What is joint Hindu family business?(1 mark) Write its salient features(0.5 X5)

A business which belongs to a single Hindu family and conducts it as a family business is called joint Hindu family business.

salient features of joint Hindu family business:

1. Creation: It is created by the operation of the Hindu Law because it is inherited by reason of birth in the Hindu family
2. Joint ownership: The business is jointly owned by all the male members of a joint Hindu family.
3. Minimum government Regulation: There are least legal formalities as it is conducted according to the rules & regulations of the Hindu Law.
4. Sole Control by Karta: Usually the head of the Hindu family is the Karta. The Karta is the sole manager of the business. He has the right to enter into contracts on behalf of the family business.
5. Liability: The liability of the Karta is unlimited whereas the liability of other co-parceners is limited to the extent of their share in the family property.
6. The share of the members of this business keeps on fluctuating on the births & deaths in the family.



3

a)

7. Business secrecy: It is not compulsory to them to publish their accounts. The business secrets are known only to the Karta & the co-parceners within the family.

8. Great flexibility: The Karta can expand or contract business, change the line of business or he can even close down the business, if the situation demands.

9. The co-parcener can claim for its share or ask for the partition of the business if they are not satisfied with the functioning of the joint Hindu family firm.

Solve any FOUR of the following

What are Legal requirement to run the drug store(3.5 Marks)

• **Minimum qualification**

For retail drug store:

- 1) D.Pharm from a recognized institute.
- 2) Registered pharmacist with the state pharmacy council.

For Wholesale drug store:

- 1) D.Pharm from a recognized institute & registration with the state pharmacy council.
- 2) Minimum qualification for starting a wholesale is SSC with four years experience in selling of drugs in a pharmacy shop on salary basis.

Minimum space

- 1) The store should fulfill all the requirement of the D & C rules 1945.
- 2) To start the retail store & wholesale store minimum of 10 sq. m. (107 sq. ft) of area is required.
- 3) To start the combined store 15sq.m. of the area is reqd.

• **Store arrangements:**

- 1) There should be sufficient racks to store drugs & pharmaceuticals.

b)

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2) Refrigerator is mandatory to store antibiotics vitamins, vaccines sera etc.

Explain different methods of pricing of materials(3.5 marks)

The drugs and others related materials which are stored in the drug stores are ultimately sold to the patients against prescription of the registered medical practitioners. The price which is going to be charged from the customer can be calculated by adopting any one of the methods given below:-

1. First in first out method (FIFO)

2. Last in first out method (LIFO)

3. Average cost method

4. Replacement price method

5. Inflated price method

6. Standard price method

1. First in first out method (FIFO) : Under the method, the materials which are received first are issued first. The issues are priced at the cost price of the oldest consignments till it gets exhausted.

2. Last in first out method (LIFO) : In the method the price of the latest consignment in stock is used for calculating the value of issue until that consignment is exhausted, then the next lot of pricing is used and so on through the successful lots.

3. Average cost method: In this method, when a new stock of goods is received the total value of goods in stock is divided by the total quantity in hand and this will give the average price. All issues of goods will be made at this price until a new consignment is again received.

4. Replacement price method / market price method.: In this method the materials are priced at the prevailing market price on the date of issue .The main advantage of this method is that it considers current market price.

5. Inflated price method : This method is used for those goods which are subject to some



wastage. The total amount paid is divided by the quantity expected to be finally available for use and that rate is used for sale of goods.

- c) **6. Standard price method:** In this method the material issues are charged at a pre-determined for estimated price which reflects a normal or an effected future price. The standard price is generally fixed after careful examination of the current market price, trend of the price and conditions etc.

What is scrap?(1 mark) Mention different types of scrap(1 mark) and explain scrap control and disposal of scrap(1.5 Marks)

Definition: Scrap is residue incidentally obtained from manufacturing process. It is usually a small value and is recoverable without further processing.eg. powder and fine granules obtained in processing of tablets, non returnable containers and packing cases.

Types of scrap :

- 1) **Legitimate scrap :** The scrap which can be predetermined or anticipated in advance due to manufacturing operations .E.g. Material obtained in the form of granules and powder in granulation process during tablet manufacturing.
- 2) **Administrative scrap:** This scrap results when material etc. becomes obsolete due to change in design.
- 3) **Defective scrap:** The scrap results from substandard raw material and poor workmanship in handling such materials

Scrap control can be done by

- 1) By providing proper attention during designing of the product.
- 2) By selecting the right material and equipment during production
- 3) By selecting right type of personnel with proper training.

Scrap Disposal:

- 1) The scrap and surplus material is sold.



d)

2) The scrap and surplus material is reprocessed

Define codification (1 mark) What are the methods of codification?(2.5 marks)

Definition :It is the process of assigning of code symbol or a number to a particular material for easy identification

Following are the methods of codification

1) Alphabetical method

This is also known as letter code system. E.g. T represents tablet. Not suitable if large no. of items are present

2) Mnemonic method

In this method code is given to items .e.g. AT represents aspirin tablets etc.

The main disadvantage is the materials cannot be recognized without the referring to code index.

3) Numerical method

This method is known as sequence system. Separate no. are given to different classes of items. The new item is given the next higher no. in the sequence. This system involves use of , decimal system & block system

a)Decimal system

In this system, the no. are assigned in such a manner that each digit represents sub group of previous digit. E. g. 15.1 represents paracetamol tablet where 15 is the analgesic group.

The main advantage is this system has capacity to expand to accommodate new items, The main disadv. is it is cumbersome to use.

b)Block system



In this method the set of no. are reserved for specified classification. e.g. 101-300 allotted to tab

4) Combination system

In this the mnemonic & numerical methods are combined together. e.g. MT 100 is given to

e) Meftal 250mg. tablets & MT 101 is given to Meftal 500mg

What do you understand by VED Analysis.(3.5 Marks)

This system is based on utility of items.

In a drug store VED analysis is useful in controlling & maintaining the stock of various types of formulation of a particular group of drugs.

The brands are classified into following categories-

V=vital.

E essential

D-desirable.

There should be maxi. Stock of vital items, followed by essential items & then desirable items..

e.g acetyl salicylic acid brands available are Disprin, Micropyrine and

Anacin

hence divide as follows

V=vital., =Disprin

E essential , =Micropyrine

f) D-desirable= Anacin

What are the various functions of management? (3.5 Marks)

Following are the functions of management



1. Planning

2. Organizing

3. Staffing

4. Directing

5. Co-ordination

6. Controlling

1) **Planning:** Planning is the process of deciding in advance what to do, how to do it, when to do it and who is to do it. It aims at achieving the desired results. It helps to do things in an orderly manner and proper utilization of resources.

2) **Organizing:** It is the implementation of plans by giving responsibilities to the peoples of organization to perform various activities such as purchasing, production, quality control, distribution etc. Identifying the activities, grouping the activities, assigning the duties, delegating authorities are the steps involved in it.

3) **Staffing:** A right person should be selected for right job to get maximum output to target work done.

4) **Directing:** Management is the art & process of getting things done. The manager have the responsibilities of supervising their sub-ordinates by giving proper instruction & checking the performance etc.

5) **Co-ordination:** In the management of organization objectives are laid down which can ultimately be fulfilled by co-ordination with various departments.

6) **Controlling:** means the steps taken to ensure that the performance of the organization conforms to the plans. There should be an adequate control, so that predetermined planned objectives are achieved.

Solve any FOUR of the following

a)

4

14



What is advertising(1 mark) and what are methods of advertising?.(2.5 marks)

Ans. Advertising:-It is an art, used to familiarize public with the product by informing of its description,uses,it's superiority over other brands, sources of it's availability.

The various methods which are used for advertising

1. Direct mailing
2. Professional magazines and journals.
3. Personal contact or detailing
4. Miscellaneous methods.
5. Through video cassettes and other audio-visual media.

1) Direct mailing: It is the method of mailing list of distributors and retailers is prepared .Letters, leaflets, folders are sent to them regularly through mail.

2)Television, radio and other audio visual media: Television is the latest and fast growing medium of advertising The product can be explain and demonstrated on television

3) Personal contact or detailing: The pharmaceutical manufacturers engage persons for making personal contact with sellers.

Methods of Outdoor advertisement

- ✓ **Sky-writing:** It is the modern method of advertising. Balloons printed with message and illustrated pictures are flown in the sky.
- ✓ **Posters or hoardings:** Posters are pasted or otherwise exposed to view on walls, road sides, street corners, bus terminus, railway stations etc. The message may be printed on paper or written on metal sheet. The message should be brief so that it can be read within a few minutes.
- ✓ **Sandwich men:** They carry posters containing the message to be advertised and move in the different localities of the city. They are dressed in fancy attires and carry on their bodies the posters. They shout slogans or beat the drums to attract the attention of the public.

Explain different techniques of sales promotion(3.5 marks)

It includes the marketing activities other than personal selling, advertising & publicity, that stimulates the customer to purchase the products such as window display, shows ,demonstration



etc.,.

Techniques of sales promotion

1. free samples,
2. trading stamp
3. coupons,
4. premium or bonus offers prize contest
5. fair & exhibitions

Free samples-The M.R. gives free samples to the doctor. This method is useful for new products.It is expensive method.

trading stamps-The stamps are issued in proportion to the purchase.The customers collect the stamps & exchange it for free product.

Coupons coupons entitles the holder to save certain amt on purchase of specific product. The coupons may be sent via post, magazine, newspaper or retailers The retailers give discount to the customers. The firm reimburses the retailers for the same

Premium or Bonus offer: In this the firm gives certain quantity of the product free of cost on purchase of a specified quantity of the product.

They may be of three types

1. **With pack premium:** The free product is given along with the product purchased by the customers.
2. **A reusable containers,:** The product is packed in a container that has utility for the customer after it is consumed.
3. **Free in the mail premium.**-Free gift is given to the customer on producing a proof of purchase i.e.cash memo or wrapper of the product.

Prize contest: The contests are held where the best entry gets the prize



c) **Fairs and exhibitions:** These are organized to display and popularize product of the firm

Give different sources of recruitment(3.5 marks)

1. Internal sources

2. External sources.

1)Internal sources:

- The recruitment is done among the personnel already on the pay roll of an organization
- If vacancy occurs somebody from within the organization is upgraded, transferred and promoted.
- It gives job security and loyalty among the employees.

2)External sources:

- These sources lie outside the organization.
- They usually include young mostly inexperienced potential employees, trained unemployed and retired experienced person.
- E.g. campus interviews, news papers, professional journals, magazines, service selection board etc.

d)

What is selection (1 mark)and write the selection procedure for appointment of pharmacist(2.5 mark)

Definition :

Selection is the process of selecting a right candidate for right type of job.

OR

The process of interviewing and evaluating candidates for a specific job and selecting an individual for employment based on certain criteria.

Selection Procedure:

1. Scrutiny of application: The application received up to the due date is carefully scrutinized.



The incomplete application and application of candidates who did not fulfill the required eligibility conditions are rejected.

2. Preliminary interview: The candidates considered suitable on the basis of the application are called for preliminary interview. This is generally a brief interview and its purpose is to eliminate those candidates who are either unqualified or unsuitable for the job.

3. Selection test: It may be written or an oral test. The technical knowledge and administrative capability can be judged from this test. The following tests are commonly used for the selection process:

- **Intelligence tests:** these test are used to estimate the I.Q. or mental alertness of the candidates
- **Aptitude test-** these test help to measure a candidate's capacity to learn particular skills and his potential abilities.
- **Trade test/ performance/ proficiency test-** is used to measure the applicant's level of knowledge and skill already achieved in a particular trade or occupation.
- **Personality test-** used to find out the emotional balance, maturity, temperament, etc .of the candidate.

4. Selection interview- It's a face-to face dialogue between the employer or his representative and the interested candidate.

5) Physical examination – is conducted to ensure that he is physically fit for the job. If the physical fitness is not suitable candidate is rejected.

6) Reference check: usually candidate should give minimum two reference name and address of the same who know the candidate very well. These persons are contacted to collect the information about the character, ability and background of the candidate.

7) Final selection and placement: the candidates who have been found suitable in all respects are appointed on probation for one or two years by issuing appointment letters to them .The selected candidates are assigned specific jobs this is known as placement

e)

Explain the various services of commercial banks.(0.5 for each service)

1)Services to depositors: It provides mean for saving money by accepting money & paying reasonable rate of interest.



2) **Services by way of loans:** The bank lend money in the following way

- overdraft facility,
- cash credit,
- loans,
- discounting of bills.

Over draft: A customer is allowed to draw cheque even if there is no balance amt. in his account. i.e. overdraw. The upper limit is fixed by the bank. The customers pay interest at a specific rate on the amt. overdrawn on daily basis. this Facility is allowed against some security.

Cash credit: Under this scheme a bank fixes a limit up to which a customer can borrow money against some security. This account is operated on regular basis. The interest is charged on the outstanding amount. The money is repaid by the customer as & when possible.

Loans: When the bank advances certain sum to a customer against some security or mortgage it is known as a loan.

Discounting of bills: The bank encashes their customers bill before they become due for payment. The bank charges discount on the same.

3) **Misc. services-**

- buying & selling of shares debentures bonds on behalf of customer.
- Gives locker facility for all valuables.
- Gives locker facility for all valuables.
- Collects interest dividends on security .
- Makes payment of subscriptions, insurance premium taxes.



5)

a)

- Provides foreign exchange.
- Advises in regard to investment & financial matter.
- Accepts & pays bill of exchange.
- Banks buys and sells shares, bonds, debentures on the behalf of their customers.
- Banks accepts customer's valuable articles such as jewellery, securities, shares, other important documents for safe keeping in its strong room meant for this purpose.

14

Solve any four of the following:

What is bank reconciliation statement(2 marks) and Negotiable instruments?(1.5 marks)

Bank reconciliation statement is a statement which shows the various items required to reconciling the balance. As per the bank book with the balance as shown by the bank pass book on the bank statement issued by the bank on a particular date.

OR

It is defined as statement showing all causes & reasons of difference between the two i.e. cash book balance & pass book balance.

Negotiable instruments:

A negotiable instrument is a document guaranteeing the payment of a specific amount of money, either on demand, or at a set time, with the payer named on the document. More specifically, it is a document contemplated by or consisting of a contract, which promises the payment of money without condition, which may be paid either on demand or at a future date.

b)

What is Trade?(1mark) Give classification of trade.(2.5 marks)

Definition –



Trade means buying selling and exchange of goods and services. It is nucleus of commerce.

Classification:

1) Internal trade/Home trade :It consists of sale and exchange of goods within the boundaries of a country .It is classified as follows

i) **Wholesale trade:** It involves sale of goods in comparatively large quantity to those traders who are in direct contact with retailers.

ii) **Retail trade:** In this trade the retailers supplies the requirements of consumers in small quantities as per their needs.

2)International trade/External trade :It means the exchange of goods and services between citizens, business firms or government of different countries .It is classified as follows

i) **Import trade:** When trader of one country purchases goods from the traders of other countries, it is called as import trade.

ii) **Export trade:** When the trader of one country sells goods to the trader of other countries, this trade is called as export trade.

c) iii) **Entreport trade:** When trader purchases goods from one country and sells the same goods to the another country, is called as entreport trade.

Define Mortgages,(1 mark) Debenture,(1 mark) Equity shares.(1.5 marks)

Mortgage: A secured loan borrowed from the bank, insurance company or any other similar agencies against pledge of the property of the company/firm.

Equity shares: The capital which is required by the business, when divided into a large number of equal parts, each part is considered as share. The shares other than preference shares are called as equity shares. They are also known as ordinary shares.

d) **A debenture** is a document or certificate issued by the company acknowledging loan and also gives an undertaking to repay the specified borrowed sum along with interest to debenture holder on a prescribed date.



What is assets (1 mark)and explain different types of assets. (2.5 marks)

Assets: The economic resources of an enterprise that can be usefully expressed in monetary terms.

Assets are of two types:

1 Fixed assets: These are long term assets such as land & building, plant & machinery, Furniture, equipments.

Current assets: These are also known as floating assets or circulating assets. It includes cash & any other assets that are likely to be converted into cash within a short period of time usually a year.

e)

What is imprest system? (2 marks)Write note on analytical petty cash book.(1.5 marks)

The petty cashier works on the imprest system that is definite sum known as imprest money is given to petty cashier to make small payment out of it. All small payments are handles by the petty cashier and are recorded in cash book.When he has spent a measure portion of his imprest money he gets reimbursement of the amount spent from main cashier. The reimbursement may be made to the petty casher on weekly, fortnightly or monthly basis depending on the frequency of payment's made.

Analytical petty cash book is also known as columnar petty cash book. Receipt is recorded on right hand side. The left side have two column for the amount recd. & the cash book folio no., with date & particular column. Payment side is suitably analyzed into column for entering various types of expenses.

f)

What is difference between journal and ledger?(0.5 X 7)

Journal	Ledger
1) It is the book of original entry	It is the book of secondary entry



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	2) It is the book for chronological record.	It is the book for analytical record.
	3) Balancing is not done.	All the accounts are balanced.
	4) From the books of original entry, entries are transferred to the ledger.	From the ledger, the trial balance is drawn and then financial statements are prepared.
	5) The process of recording entries in the journal is called 'Journalising'	The process of recording entries in the ledger is called 'Posting'.
	6) In the journal there is one column for particulars & two columns for amount one for debit & another for credit.	6) The ledger there are two equally divided sides having identical columns. The left side is known as debit side & the right side is known as credit.
	7) The unit of classification of data within the journal is the transaction.	7) The unit of classification of data within the ledger is account.

6)

a)

Solve any four of the following:

What are different methods used for financial analysis?(3.5 marks)

1 Comparative financial statements: These statements contain figures of two or more

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consecutive years, which give a comparative view of the financial performance of a firm. A comparative profit & loss account gives expenses & revenues of two consecutive years. Similarly a comparative balance sheet contains the amount of assets & liabilities at two different point of time.

2 Common size financial statements: In these statements, figures are converted into percentages to some common base.

3 Funds flow analysis: It reveals changes in the working capital position of an enterprise. It indicates the sources from which the working capital was obtained & the purpose for which it was used.

4 Ratio analysis: It is the most popular method of financial analysis. The term ratio refers to the numerical relationship between two items. The various accounting ratios are: Liquidity ratio, solvency ratio, activity ratios, profitability ratios, Misc. ratios

b)

Explain three columnar cash book.(3.5 marks)

It is a popular form of cash book. In this type, the following three columns are provided on each side of the cash book.

a) The first column is for discount, which is nominal account

b) The second column is for cash, which is a real account

c) The third column is for bank which is a personal account

recording of transaction in three columnar cash book:

1 when amount is received in cash, it is recorded in the debit side in the cash column & the discount allowed in the discount column of the debit side.

2 All cash payments are to be recorded in the credit side in the cash column & the discount recd. From the party in the credit side of discount column.



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Dr'							'Cr'				
Date	Particulars	L.F.	Discount Rs.	Cash Rs.	Bank Rs.	Date	Particulars	L.F.	Discount Rs.	Cash Rs.	Bank Rs.

c)

Write the different arithmetical errors in trial balance.(3.5 marks)

The different arithmetical errors in trial balance are as follows:

Errors of commission, errors of omission, errors of principle, Errors of posting, compensating errors.

Errors of commission: These errors occur due to wrong posting, wrong totally ,wrong side of an account or in the wrong recording of an amount in the books of original entry. It is also called clerical error.

Errors of omission: If a transaction is omitted to be recorded either entirely or partly in the book of original entry or has not been posted in the ledger through an oversight.

Errors due to entire omission will not have any effect on the trial balance but errors as a result of partial omission will affect the accuracy of trial balance.

Errors of principle: This occurs if there is a mistake in allocating a particular receipt or expense to capital or revenue account.

Errors of posting: These errors occur if posting is done to a wrong account though on a correct amount and on correct side.

d)

Compensating errors: When two or more errors are committed in such a way that they nullify the effect of each other on the debit & credit side.

What is going concern concept(1.5 marks), realization concept?(2 marks)



Going concern concept: According to this concept a business will have an indefinite life unless it is likely to sold or liquidated in the near future. Most of the enterprises continue to operate profitably for indefinite periods and are regarded as going concerns. On the basis of this concept the outside parties enter into long term contracts with the enterprise by giving loan purchase bonds or invest funds in long term securities. The fixed assets are also recorded at the cost when it was acquired and carried in the balance sheet at the actual cost less depreciation charge.

Realisation concept It is also known as revenue recognition concept. According to this concept, revenue is measured by the amount charged for goods sold or services rendered to customers.

Revenue is realised on the basis of

- Sales basis: The revenue is recognised when sale is completed.
- Cash basis: The revenue is realised when amount from sales actually collected.
- Production basis: the revenue can be recognised on the basis of production. In long term construction projects revenue is usually recognised before the completion of project.

Write the rules of journalizing.(3.5 marks)

In the double entry book keeping system, two accounts are affected during accounting. One account is debited & other is credited. The following are the rules of journalizing:

1 Personal accounts: Debit the receiver & credit the giver

2 Real account: Debit what comes in & credit what goes out.

3 Nominal account: Debit all expenses & credit all incomes.

4 The goods account is divided into four categories: Purchase account When goods sare purchased then debit entry is made in the purchase account

Sales account. When any goods are sold, then credit entry is made in the sales account.



WINTER- 16 EXAMINATION

Model Answer

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Purchase return account: this account is always credited.

Sales return account: This account is always debited.

5 Capital account: this account is always credited.

6 Drawing account: This account is always debited.

7 Trade discount: NO journal entry of trade discount is done because it is deducted from the cash memo or invoice.

f) 8 Cash discount: The cash discount is recd. Or allowed when the payment is made or recd. This fact must be recorded at the same place where cash transaction is recorded.

Define Budgetary control.(1 mark) Give classification of Budgets.(2.5 marks)

Budgetary control: It involves the constant checking and evaluation of actual results achieved compared with budget goals, which enables the management to take corrective action where indicated.



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Model Answer

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