Biyani Institute of Science &Management

I Internal Examination Sep. 2019
Class: MCA-I
Subject- Accounting and financial management
Solutions

[I]

Ans1)Accounting or accountancy is the measurement, processing, and communication of financial and non financial information about economic entities such as businesses and corporations.

Ans2) The**nominal accounts** are almost always the income statement **accounts** such as the **accounts** for recording revenues, expenses, gains, and losses.

[II]

Ans1) **The limitations of Marginal Costing:**

- The classification of total costs into fixed and variable cost is difficult.

- In this technique fixed costs are totally eliminated for the valuation of inventory of finished and semi-finished goods. Such elimination affects the profitability adversely.

- In marginal costing historical data is used while management decisions are related to future events.

- It does not provide any standard for the evaluation of performance.

- Selling price fixed on the basis of marginal cost will be useful only for short period of time.

- Assessment of profitability on the marginal cost base can be used only in the short period of time.

Ans.2) Break even sales = Rs.60,000 and net profit = Rs.20,000

[III]

Ans1) Double-Entry System

The double-entry system of accounting or bookkeeping means that for every business transaction, amounts must be recorded in a minimum of two accounts. The double-entry system also requires that for all transactions, the amounts entered as debits must be equal to the amounts entered as credits.

Example of a Double-Entry System

To illustrate double entry, let's assume that a company borrows $10,000 from its bank. The company's Cash account must be increased by $10,000 and a liability account must be increased by $10,000. To increase an asset, a debit entry is required. To increase a liability, a credit entry is required. Hence, the account Cash will be debited for $10,000 and the liability Loans Payable will be credited for $10,000.

Double Entry Keeps the Accounting Equation in Balance

Double entry also means that the accounting equation (assets = liabilities + owner's equity) will always be in balance. In our example, the accounting equation remained in balance because both assets and liabilities were each increased by $10,000.

The **Rule of Double-Entry** Accounting. In a **double-entry** transaction, an equal amount of money is always transferred from one account (or group of accounts) to another account (or group of accounts). Accountants use the terms debit and credit to describe whether money is being transferred to or from an account.

Ans.2 PV ratio = 43.33%

BEP = Rs1,61,550

MOS = Rs4,68,498