

## SECOND SEMESTER B.Com/B.B.A. DEGREE EXAMINATION MAY 2010

(C.C.S.S. Programme)

BB11 B02 – Core Course

BC2 B02 – FINANCIAL ACCOUNTING

(Common with B.Com. Core Course BC2 B02)



Time : Three Hours

Maximum : 30 Weightage

### Part A

*This part consists of three bunches of questions carrying equal weightage of 1. Each bunch consist of 4 questions. Answer all questions.*

#### I. Choose the correct alternative :

1. When applied to the Balance Sheet the convention of conservatism results in?
  - (a) Under statement of assets.
  - (b) Under statement of liabilities.
  - (c) Over statement of capital.
  - (d) Over statement of assets.
  
2. Which of the Accounting Standard is not having the correct title?
  - (a) AS-22 Accounting for taxes on income.
  - (b) AS-20 Earning per share.
  - (c) AS-24 Accounting for borrowings.
  - (d) AS-18 Related partly disclosures.
  
3. Find the odd one out :
 

(a) Office furniture and equipment.	(b) Freehold Land.
(c) Stock of raw materials.	(d) Plant and machinery.
  
4. Which financial statement represents the accounting equation, assets = liabilities + owner's equity?
 

(a) Income statement.	(b) Statement of cash flows.
(c) Balance Sheet.	(d) None of the above.

(4 × ¼ = 1 weightage)

**Turn over**

II. State True or False :

5. When Trial balance shows closing stock, it is recorded only in the balance sheet.
6. There is no system like single entry system in accounts.

Choose one alternative from the bracket and fill in the blanks :

7. The cost of furniture purchased for sale is a \_\_\_\_\_ expenditure. (revenue/capital)
8. Stock at shop is debited to \_\_\_\_\_ account. (stock with customers/stock in the shop).

(4 × ¼ = 1 weightage)

II. Match the items in Column A with Column B :

*Column A*

*Column B*

- |                            |                                      |
|----------------------------|--------------------------------------|
| 9. Unrealised profit       | (a) Asset.                           |
| 10. Petty Cash balance     | (b) General Profit and Loss Account. |
| 11. Heavy Advertisement    | (c) Independent Branch.              |
| 12. Keep complete accounts | (d) Deferred Revenue expenditure.    |

(4 × ¼ = 1 weightage)

**Part B**

*Answer all questions in one or two sentences each.*

*Each question carries a weightage of 1.*

13. What are accounting concepts?
14. Name two Accounting Standards which are recommendatory.
15. Give the journal entry for discount allowed.
16. What is a Suspense Account?
17. List the methods of finding profit under single entry.
18. What is cash price?
19. What is interdepartmental transfer?
20. State the main methods of accounting for dependent branches.
21. What is Room Rate?

(9 × 1 = 9 weightage)

Answer not to exceed one page each.  
Each question carries a weightage of 2.

22. What are the objects and functions of Accounting Standards Board of India?  
23. Prepare Trading account for the year ending March 31, 2010 from the following ledger balances :

	Rs.
Opening stock	10,000
Purchases	99,500
Wages	5,000
Carriage inwards	1,000
Sales (including sales tax)	1,70,000
Returns inwards	5,000
Returns outwards	8,000
Sales tax paid	15,000
Freight	500
Excise duty on goods manufactured	2,500
Closing stock was valued at	20,000

4. Prepare necessary statement showing profit or loss made during the year 2009 from the following information :

	1.1.2009	31.12.2009
	Rs.	Rs.
Cash and Bank	20,000	24,000
Debtors	10,000	80,000
Stock	8,000	12,000
Furniture	12,000	12,000
Creditors	4,000	6,000

During the year, Rs. 4,000 was introduced as further capital. He has withdrawn cash Rs. 20,000 out of which he spent Rs. 15,000, 1.7.2009 for purchase of a scooter for business use :

Following adjustments are to be made :

- (a) Depreciate furniture at 10% p.a. and scooter at 20% p.a.  
(b) Create provision for doubtful debts at 5% on debtors balance on 31.12.2009.

**Turn over**

25. The following relates to a departmental store

	Departments		
	A	B	C
	Rs.	Rs.	Rs.
Opening stock	6,000	7,000	3,000
Purchases	7,000	6,500	4,700
Sales	12,000	10,000	6,000

Closing stock could not be valued but the normal gross profit rate for the departments concerned are 40%, 30% and 20% on turnover respectively. The total indirect expenses for the department were Rs. 2,800 which is to be apportioned in the ratio of sales.

Prepare departmental Trading and Profit and Loss account.

26. Radha purchases a van on H.P. system paying Rs. 15,584 down, Rs. 20,000 each at the end of 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> year. The rate of interest is 5% p.a. Given the present value of annuity of Re. 1 at 5% for one, two and three years respectively are 0.9524, 0.9070 and 0.8636. Find cash price of the van.

27. Mr. P. occupies a room in a hotel at 10 a.m. on 1<sup>st</sup> June 2009 on European plan @ Rs. 1,000 for a stay of every 24 hours or a part thereof. Calculate the amount payable by P in each of the following circumstances assuming that service charge is also payable @ 10%.

(a) If Mr. P checks out at 8 p.m. on 1<sup>st</sup> June 2009 itself;

(b) If Mr. P checks out at 2 p.m. on 2<sup>nd</sup> June 2009.

28. State with reasons, how would you classify the following between capital and revenue :

(a) Overhauling expenses of Rs. 25,000 for the engine of a motor car to get better fuel efficiency.

(b) Inauguration expenses of Rs. 25 lacs on the opening of a new manufacturing unit in an existing business.

(c) Compensation of Rs. 2.5 crores paid to workers, who opted for voluntary retirement.

(5 × 2 = 10 weightage)

**Part D**Answer any **two** questions.

Each question carries a weightage of 4.

29. Hari Brothers invoices goods to the branch at cost plus  $33\frac{1}{3}\%$ . From the following prepare Branch Stock Account, Branch Debtors Account, Goods sent to Branch Account and Branch Adjustment Account to show profit or loss made there :

	Rs.
Stock on 1.1.2009 (Invoice Price) ...	15,000
Debtors 1.1.2009 ...	11,400
Goods invoiced to branch (Invoice Price) ...	67,000
Sales at branch :	
Cash ...	31,000
Credit ...	37,400
Cash received from debtors ...	40,000
Discount allowed to customers ...	550
Expenses at the branch ...	6,700
Stock on 31.12.2009 (Invoice Price) ...	13,400

30. The following is the Receipts and Payments Account of the Giants club for the year ended December 31, 2009 :

Rs.		Rs.	
To Balance b/d ...	4,700	By Salaries ...	35,000
" Entrepreneur ...	3,000	" Wages ...	25,000
" Subscription ...	79,000	" Repairs ...	12,000
" Donations ...	25,000	" Printing ...	3,000
" Proceeds from entertainments ...	13,000	" Postage ...	1,500
" Interest on investments ...	3,000	" General Expenses ...	1,900
" Sundries ...	750	" Furniture (1.7.09) ...	4,000
		" Games materials ...	20,000
		" Balance c/d ...	26,050
	1,28,450		1,28,450

Prepare **Income and Expenditure** and **Balance Sheet** for the year ended December 31, 2009.

Turn over

Additional Information :

- (i) Subscriptions received include Rs. 4,000 for 2008 and Rs. 2,300 is still outstanding for the year 2009. Salaries Rs. 1,000 relates to 2008 and Rs. 2,000 is still owing, wages Rs. 1,500 pertain to 2008 still owing Rs. 2,500 printing etc. outstanding on 31.12.09 Rs. 750.
- (ii) One-half of the entrance fee is to be capitalised.
- (iii) Interest accrued on investments Rs. 1,100.
- (iv) Depreciate club premises by 5%, Furniture by 10% Games materials were valued at Rs. 40,000 on December 31, 2009.
- (v) On 1.1.2009, the club owned premises Rs. 3,00,000 ; investments Rs. 60,000, Games materials Rs. 28,000 and Furniture Rs. 35,000.
- (vi) Take one-fifth of donation as income.

31. The following Trial Balance was from the books of Basheer on 31.12.2009 :

Debit Balances :		Rs.
Plant and machinery	...	20,000
Manufacturing wages	...	34,500
Salaries	...	15,850
Furniture	...	10,000
Freight on purchases	...	1,860
Freight on sales	...	2,140
Buildings	...	24,000
Manufacturing expenses	...	9,500
Insurance and Tax	...	4,250
Goodwill	...	25,000
General expenses	...	8,200
Factory power and fuel	...	1,280
Sundry Debtors	...	78,200
Factory lighting	...	950
Opening stock	...	34,200
Motor car	...	12,000
Purchases	...	1,02,000
Sales returns	...	3,100
Bad Debts	...	1,400
Interest and bank charges	...	400
Cash at bank	...	4,200
Cash in hand	...	1,120

**Credit Balances :**

	Rs.
Capital account	
Creditors	80,000
Bank Loan	44,560
Purchases returns	15,000
Sales	1,740
Reserve for Bad-debts	2,50,850
	2,000

Prepare **Final accounts** taking into consideration the following :

- (a) **Stock on 31.12.2009** was valued at Rs. 30,500.
- (b) **Depreciation on Plant and Machinery** by 10% ; **Furniture** by 5% ; **Motor car** by **Rs. 1,000.**
- (c) **Bring provision for bad debts** to 5% on **Sundry Debtors.**
- (d) **A commission of 1% of the gross profit** is to be provided to **Production Manager.**
- (e) **A commission of 2% on net profit (after charging the production managers commission)** **is to be credited to the General Manager.**

(2 × 4 = 8 weightage)