

SECOND SEMESTER (CUCBCSS—UG) DEGREE EXAMINATION, MAY 2019

B.Com.

BCM 2B 02—FINANCIAL ACCOUNTING

(2017 Admissions)

Time : Three Hours

Maximum : 80 Marks

Part A

*Answer all questions.*

*Each question carries 1 mark.*

(A) Choose the correct answer :

- 1 The convergence of the Indian Accounting Standards with IFRS began in :
  - (a) April 11.
  - (b) April 10.
  - (c) August 09.
  - (d) December 11.
- 2 The company cannot issue shares at a discount more than :
  - (a) 15 %.
  - (b) 10 %.
  - (c) 5 %.
  - (d) 3 %.
- 3 The profit on reissue of share shares is transferred to \_\_\_\_\_.
  - (a) General Reserve.
  - (b) Capital Reserve.
  - (c) Profit and Loss Account.
  - (d) Profit and Loss Appropriation Account
- 4 In single entry system, it is not possible to prepare :
  - (a) Receipt and Payment account.
  - (b) Trial Balance.
  - (c) Balance Sheet.
  - (d) Account sales.
- 5 The provision for minimum subscription of 90 % will not apply when the shares are :
  - (a) Offered to public.
  - (b) Sold through private placement.
  - (c) Issue as right share.
  - (d) Bonus issue.

Turn over

## (B) Fill in the blanks :

- 6 As per Section 17, banking companies incorporated in India shall transfer every year at least \_\_\_\_\_ % of its profit before any dividend is declared to a reserve fund.
- 7 The amount of depreciation charged in the initial years will be more in the case of \_\_\_\_\_ method.
- 8 \_\_\_\_\_ annual payment which a life insurance company guarantees to pay for a lump sum money received in the beginning.
- 9 Loss on issue of debenture is treated as \_\_\_\_\_.
- 10 Dividend proposed is above 20 %, then % of current profit transfer to reserve is \_\_\_\_\_.

(10 × 1 = 10 marks)

## Part B (Short Answer Questions)

Answer any **eight** questions.  
Each question carries 2 marks.

- 11 What is FASB ?
- 12 What is capital maintenance ?
- 13 What is CRR ?
- 14 What is double insurance ?
- 15 What are the various types of single entry system ?
- 16 State the meaning of reserve capital.
- 17 What is slip system ?
- 18 What is right issue ?
- 19 What is meant by Non-Banking assets ?
- 20 Explain the principles of disclosure ?

(8 × 2 = 16 marks)

## Part C (Short Essay Questions)

Answer any **six** questions.  
Each question carries 4 marks.

- 21 State the objectives of accounting standards.
- 22 What are the benefits of IFRS convergence ?

- 23 Briefly explain the major difference between Ind AS and IFRS.
- 24 'Single entry system is not scientific'. Explain.
- 25 On 1<sup>st</sup> January, 2011, Sun Ltd. purchased machinery for Rs. 12,000 and 30<sup>th</sup> June, 2012 it acquired additional machinery at a cost of Rs. 2,000. On 31<sup>st</sup> March 2013 one of the original machines had cost of Rs. 500 was found to have become obsolete and was sold as scrap for Rs. 50. It was replaced on that date by a new machine costing Rs. 800. Depreciation to be provided at the rate of 15 percent per annum on the written down value. Show Machinery Account for the first three years.
- 26 X Co. Ltd. Forfeited 150 equity shares of Rs. 20 each, issued at a discount of Rs. 2 per share, for non-payment of final call of Rs. 6 per share. Subsequently 100 of these shares were reissued as fully paid at Rs. 15 per share. Show the journal entries relating to the forfeiture and re-issue.
- 27 A Life Assurance Corporation get its valuation made once in every two years. The life assurance Fund on 31<sup>st</sup> March, 2016 amounted to Rs. 51,92,000 before providing for Rs. 42,000 for the shareholders' dividend for the year 2011-12. Its actuarial valuation on 31<sup>st</sup> March, 2016, disclosed net liability of Rs. 50,40,000 under the assurance and annuity contracts. An interim bonus of Rs. 50,000 was paid to the policy holders during the period ending 31<sup>st</sup> March, 2016. Prepare a statement showing the amount available as bonus to policy holders.
- 28 The following transactions of Standard Bank Ltd. pass necessary journal entries and show the treatment in the Profit and Loss Account and Balance Sheet for the year ended 31<sup>st</sup> March 2016.

The following bills are discounted at 5%

Discounted on	Amount Rs.	Terms (months)
23.12.2016	1,00,000	3
19.09.2016	2,00,000	4
20.10.2016	8,00,000	3
30.11.2016	60,000	5

(6 × 4 = 24 marks)  
Turn over

## Part D (Essay Questions)

Answer any two questions.  
Each question carries 15 marks.

- 29 From the following Trial Balances prepared from the books of M/s Sun Agencies on 31<sup>st</sup> March 2015, Prepare Trading and Profit and Loss account and Balance sheet.

	Dr.	Cr.
Capital		12,500
- Furniture	640	
- Delivery van	6,250	
- Building	7,500	
- Bad debts	125	
- Debtors and creditors	3,800	2,500
Provision for bad debts		200
Opening stock	3,460	
Purchases and sales	5,475	15,450
Bank overdraft		2,850
Returns	200	125
Advertisement	450	
Interest	1,118	
- Commission		375
Cash	650	
Tax	250	
General expense	782	
Salary	3,300	
	<u>34,000</u>	<u>34,000</u>

## Additional information :

- (a) Closing stock on 31<sup>st</sup> March 2015 was valued Rs. 3,250. Goods worth Rs. 500 are reported to have been taken away by the proprietor for his personal use at home.
- (b) Depreciation to be provided on land and building @ 5 % furniture @ 7.5 % Delivery van 18 %.
- (c) Provide provision for doubtful debts @ 5 % of sundry debtors.
- (d) 1/3 Received Commission is related to next year.
- (e) Goods worth Rs. 600 withdrawn by the trader for personal use not recorded in the books.

- 30 From the following information, prepare profit and loss account of the Southern Bank Ltd. For the period ended on 31<sup>st</sup> March 2015 :

	Rs.	Rs.	
Interest on loans	300	Interest on cash credits	240
Interest on fixed deposits	275	Interest on savings bank deposits	87
Commission	10	Postage, telegrams and stamps	10
Exchange and brokerage	20	Printing and stationery	20
Salaries and allowances	150	Sundry expenses	15
Discount on bills (gross)	152	Rent	10
Interest on temporary overdraft in current accounts	30		

## Additional information :

- (a) Rebate on bills discounted 30.
- (b) Salary of managing director 30.
- (c) Provision for bad debts 40.
- (d) Provision for income tax is to be made 55 %
- (e) Interest of Rs. 4,000 on doubtful debts was wrongly credited to interest on loan account.
- (f) Provide Rs. 15,000 as dividend.

- 31 Following is the Trial Balance of ABC Ltd. as on December 31, 2016

	Dr. Rs.	Cr. Rs.
Stock	12,500	
Sales		40,000
Purchases	34,500	
Wages	5,000	
Discount	700	500
Salaries	750	
Rent	495	
Office expenses	1,705	
Surplus account as at 1-1-2016		1,503
Dividend paid	900	
Capital 1,000 shares of Rs. 10 each		10,000
Debtors and creditors	3,750	1,750
Machinery	2,900	
Cash	1,620	
Reserve		11,550
Bad debts	483	
	<u>65,303</u>	<u>65,303</u>

Turn over

Prepare Profit and Loss Account and Balance Sheet after taking into account the following information :

- (a) Stock Rs. 30,000.
- (b) Purchases include Rs. 500 purchased on 1-7-2016.
- (c) On 31-12-2016 goods worth Rs. 3,000 were sold to a customer. He has taken away the goods. But no entry is recorded.
- (d) Directors declare 10 % of final dividend.
- (e) Income tax Rs. 3,000.
- (f) Transfer to Reserve fund Rs. 2,000.

(2 × 15 = 30 marks)