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BCMCMC 106

Credit Based I Semester B.Com. Degree Examination, Nov./Dec. 2018
FINANCIAL ACCOUNTING
Paper – I
(Common to All Batches)

Time : 3 Hours

Max. Marks : 120

Instruction : Provide working notes *wherever necessary*.

SECTION – A

Answer **any four** questions.

(4×6=24)

1. What is meant by Accounting Standards ? What is their importance ?
2. Distinguish between Receipts and Payments Account and Income and Expenditure Account.
3. Briefly explain different types of errors.
4. A firm purchased a lease for a term of 3 years by payment of Rs. 30,000 on 1st January 2015. It was proposed to depreciate the lease by the Annuity method charging 6% interest. A reference to the Annuity Table shows that to depreciate Re. 1.00 over 3 years charging 6% interest, one must write off Re. 0.374110. Show the Lease Account for 3 years.
5. Prepare a Bank Reconciliation Statement as on 31-7-2018 from the following :
 - a) Bank balance as per cash book Rs. 8,000.
 - b) Cheque paid into the bank on 28-7-2018, but not credited by the bank Rs. 1,200.
 - c) Cheque issued for Rs. 2,000, but not presented to the bank.
 - d) Bank charges charged by the bank, not entered in cash book Rs. 150.
 - e) Interest on investments Rs. 500 collected by the bank, not entered in cash book.

P.T.O.



6. Prepare a Trading Account from the following information :

	Rs.
Purchases	40,000
Sales	70,000
Opening Stock	10,000
Sales returns	1,000
Purchases returns	2,000
Goods destroyed by fire	5,000
Wages	3,000
Salary	10,000
Carriage inwards	500
Advertisement	2,000
Freight	1,500

Adjustments :

- a) Closing Stock Rs. 12,000.
- b) Outstanding wages Rs. 300.
- c) Outstanding Salary Rs. 500
- d) Goods withdrawn by the proprietor for personal use Rs. 500.

SECTION – B

Answer **any four** questions.

(4×12=48)

7. Write note on the following :

- a) Business entity concept.
- b) Accrual concept.
- c) Going concern concept.

8. Prepare a Bank Reconciliation Statement as on 30-6-2018 from the following information.

- i) Bank balance as per passbook Rs. 15,000.
- ii) A cheque of Rs. 500 was deposited into bank but was not recorded in the cash book.
- iii) Insurance premium directly paid by the bank under standing advice Rs. 600.
- iv) Bank charges entered twice in the cash book Rs. 100.



- v) The credit side of the bank column in the cash book was overcast to the extent of Rs. 700.
 - vi) A cheque of Rs. 300 issued on 25th June 2018 was taken in the cash column.
 - vii) Dividend of Rs. 250 collected by the bank and subscription of Rs. 150 paid by bank were not recorded in the cash book.
9. A company purchased a Machinery on 1-1-2014 for Rs. 1,20,000. On 1-1-2015, it purchased another Machinery for Rs. 30,000. On 1-7-2016, it sold the first Machinery purchased in 2014 for Rs. 75,000. On the same day, it purchased another Machinery for Rs. 75,000. On 1-7-2017, the second Machinery purchased for Rs. 30,000 was sold for Rs. 6,000. Depreciation was provided on the Machinery at 10% p.a. on the original cost annually on 31st December, every year.
Prepare Machinery Account for 4 years till 31-12-2017.

10. The Trial Balance of Mr. Anand did not agree and the difference is transferred to Suspense Account.
Later, the following errors were detected :
- 1) Sale of Rs. 300 was passed through purchases book.
 - 2) Discount allowed Rs. 46 was posted to the credit of discount account as Rs. 64.
 - 3) Wages paid on installation of machine is posted to the repairs account as Rs. 69 instead of Rs. 96.
 - 4) Bad debts recovered Rs. 120 was included in the list of creditors.
 - 5) Bills drawn for Rs. 800 was passed through bills payable book.
 - 6) An item of sale of Rs. 156 was posted as Rs. 165 in the sales account.
 - 7) Repairs to Motor Van Rs. 500 were debited to Motor Van Account.
- Rectify the above errors by passing journal entries and prepare Suspense Account.

11. Prepare a Trading and Profit and Loss Account for the year ending 31st Dec. 2017, from the following information :

Trial Balance as on 31-12-2017

	Dr.	Cr.
	Rs.	Rs.
Capital	-	50,000
Stock on 1-1-2017	8,200	-
Cash	4,000	-
Debtors	19,000	-



Purchases	1,20,000	-
Sales	-	1,90,000
Returns	1,000	3,000
Freight	6,000	-
Salaries	21,000	-
Wages	1,600	-
Outstanding wages	-	600
Rent	12,000	-
Creditors	-	8,000
Miscellaneous receipts	-	400
Drawings	8,000	-
Furniture	20,000	-
Depreciation on furnitures	1,000	-
Sundry expenses	21,200	-
Bills receivable	7,000	-
Insurance	2,000	-
Prepaid Insurances	300	-
Discount	700	1,200
Carriage inwards	400	-
Income tax	600	-
Carriage outwards	1,000	-
Commission	-	1,000
Bad debts recovered	-	800
	2,55,000	2,55,000

Closing Stock Rs. 22,000.

12. From the following Receipts and Payments Account of Canara Club, Mangaluru, prepare an Income and Expenditure Account for the year ending 31-12-2017.

Receipts and Payments Account

Receipts	Rs.	Payments	Rs.
To Opening balance :		By Salaries	9,000
In Hand	400	By Rent	1,200
At Bank	3,200	By Printing and Stationary	300
To Subscriptions :		By Purchase of Govt. Bonds	8,000
2016	2,000	By Help to Poor Students	2,000
2017	10,000		
2018	<u>1,000</u>		
	13,000		



14. From the following Trial Balance and other information relating to the business of a retailer, prepare Trading and Profit and Loss Account for the year ended 31-12-2017 and Balance Sheet as on that date.

Trial Balance

	Debit (Rs.)	Credit (Rs.)
Stock on 1-1-2017	15,000	-
Purchases and Sales	1,02,500	1,77,000
Returns	2,000	2,500
Wages	10,000	-
Carriage on purchases	2,500	-
Discounts	500	1,000
Salaries	5,000	-
General Expenses	7,500	-
Prepaid insurance	500	-
Insurance	1,000	-
Income Tax Paid	1,500	-
Buildings	50,000	-
Furniture	10,000	-
Power and Light	1,000	-
Debtors and Creditors	22,500	25,000
Depreciation	5,000	-
Outstanding salary	-	2,000
Bills Receivables and Bills Payable	5,000	3,000
Commission	-	1,500
Drawings and Capital	3,000	1,00,000
Bank	9,000	-
Rent	8,500	-
Machinery	50,000	-
	3,12,000	3,12,000

Adjustments :

- 1) Stock on 31-12-2017 Rs. 35,000.
- 2) Purchases include goods worth Rs. 2,500 for private purpose.



- 3) Bills receivable Rs. 2,000 dishonoured but no entries are made in the books.
- 4) Goods supplied by Ganesh Stores worth Rs. 2,500 on 29-12-2017 were not entered in the books.
- 5) Write off bad debts Rs. 1,000 and provide for reserve for doubtful debts at 5%.
- 6) Stock destroyed by fire was Rs. 2,000 and the insurance company accepted the claim partly for Rs. 1,500.

15. Following is the summary of Receipts and Payments of Janatha Nursing Society for the year ended 31st Dec. 2017.

Receipts	Rs.	Payments	Rs.
To Balance b/d :		By Salaries	7,150
Bank	19,000	By Medicines	2,100
Cash	1,260	By Rent and Rates	900
To Members subscription	12,900	By Electricity	600
To Fees from non-members	1,200	By Telephone charges	400
To Grant from local authority	2,500	By General expenses	1,700
To Donation for Building Fund	5,000	By Car expenses	350
To Interest on deposits	1,140	By Cost of second hand car	3,860
		By Balance c/d	
		Bank	25,140
		Cash	800
	43,000		43,000

Additional Information :

- a) In 2016 the society purchased a free hold land costing Rs. 8,000.
- b) Fees from non-members includes Rs. 50 as fees received in advance for 2018.
- c) Rent of Rs. 50 for January, 2018 was paid on 15th Dec. 2017.
- d) Salaries of Rs. 650 for December, 2017 was not paid.
- e) Members' subscriptions include Rs. 200 as subscription due in 2016.

Prepare Income and Expenditure A/c for the year ended 31-12-2017 and Balance Sheet as on that date.



16. a) On checking Mr. Ram's cash book with the Bank Statement of his overdrawn current account for the month of July 2018, you find the following :

- 1) Cash book showed an overdraft of Rs. 9,000.
- 2) The payment side of the bank column of the cash book had been undercost by Rs. 300.
- 3) A cheque of Rs. 1,500 drawn on his savings deposit account has been shown as drawn on current account.
- 4) Cheques amounting to Rs. 14,000 drawn and entered in the cash book had not been presented.
- 5) Cheques amounting to Rs. 12,000 sent to the bank for collection, though entered in the cash book, had not been credited by the bank.
- 6) Bank charges of Rs. 150 as per bank statement had not been taken in the cash book.
- 7) Dividends of the amount of Rs. 5,000 had been paid directly into the bank and not entered in the cash book.

Prepare a Bank Reconciliation Statement.

b) Following mistakes were located and a suspense account was opened to agree the Trial Balance. Give the rectification entries and prepare the suspense account, assuming that the Trial Balance showed a difference of Rs. 782 (debit).

- 1) Sales day book was overcast by Rs. 300.
- 2) An amount of Rs. 250 for interest on bank overdraft has been credited to interest account.
- 3) The total of return inwards book has been overcast by Rs. 5.
- 4) Bills Receivable for Rs. 500 from Bhaskar was passed through Bills Payable book.
- 5) Discount amounting to Rs. 22 from a creditor had been duly entered in his account, but not posted to discount account.
- 6) Rs. 500 paid to Gopal against our acceptance was debited to his personal account.
- 7) An item of sale of Rs. 267 was posted as Rs. 276 in the sales account.