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BCMCMC 106

**Credit Based First Semester B.Com. Degree Examination,
November/December 2015
(2014 – 15 Batch Onwards)
Commerce
FINANCIAL ACCOUNTING – I**

Time : 3 Hours

Max. Marks : 120

Instruction : Provide working notes wherever necessary.

SECTION – A

Answer any four :

(4×6 = 24)

1. Briefly explain the different types of Errors.
2. Distinguish between Revenue Expenditure and Capital Expenditure.
3. Vinyas Ltd. purchased a lease for a term of 3 years by payment of Rs. 30,000/- on 1st January 2007. 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.
4. On July 31st 2013, Sri Vinay has an overdraft of Rs. 18,050 as shown by his cash book. From the following information prepare a Bank Reconciliation statement.
 - 1) Cheques paid in but not credited by the bank Rs. 9,000
 - 2) Cheques issued but not presented Rs. 6,500.
 - 3) Bill collected and credited in the bank statement only Rs. 650.
 - 4) Interest on overdraft not entered in cash book Rs. 75.
 - 5) Commission debited in the bank statement only Rs. 30.
 - 6) Wrong credit given in the cash book Rs. 180.

P.T.O.



5. Pass Journal entries to rectify the following errors.

- a) A sale of Rs. 20,000/- to Smith & Co. was credited to their account.
- b) The returns inwards book has been cost Rs. 500/- short.
- c) A sale of Rs. 12,000/- had been passed through the purchase day book. The customer's account had, however, been correctly debited.
- d) Rs. 7,500/- paid for wages to workmen for making furniture had been charged to wages account.
- e) A purchase of Rs. 9,360/- from Priya & Co. had been posted to the debit of their account as Rs. 6,390/-
- f) Wages paid Rs. 4,000/- was recorded twice.

6. From the following ledger account balances on 1-1-2014, prepare the Balance Sheet and ascertain the capital fund.

	Rs.
Endowment fund	60,000/-
Equipments	30,000/-
Furniture and fixtures	9,000/-
Subscriptions in arrears	3,600/-
Outstanding payments	6,400/-
Excess of Income over expenditure	30,000/-
Subscriptions received in advance	1,200/-
Prepaid rent	400/-
Land and Buildings	70,000/-
Investments	50,000/-



SECTION – B

Answer any four :

(4x12 = 48)

7. Define Accounting standards. Explain AS-1: Disclosure of Accounting policies.
8. Explain the reasons for difference in bank balance as per cash book and bank balance as per pass book.
9. On 1st July 2007, a company purchased a machine for Rs. 3,90,000/- and spent Rs. 10,000/- on its installation. It decided to provide depreciation at 15% p.a, using written down value method. On 30th November, 2010, the machine was sold for Rs. 1,00,000/-. On 1st December, 2010 the company acquired a new machine at a total cost of Rs. 7,60,000/-. The company closes its books of account on 31st March every year. Prepare machinery account for four years till 31-3-2011.
10. Following is the receipts and payments account of Mumbai Sports Club for the year ending on 31st March 2013.

	Rs.		Rs.
To Balance		By Rent	52,000
(1-4-2012)	3,000	By Stationery	30,680
To Entrance fees	5,500	By Wages	53,300
To Subscriptions		By Billiards Table	39,000
2011-12	2,000	By Repairs and renewals	8,060
2012-13	1,69,000	By Interest	15,000
2013-14	3,000	By Balance	23,960
To Locker Rent	5,000	(31-3-2013)	
To Special contribution for annual party	34,500		
	2,22,000		2,22,000



- 1) Locker rent Rs. 600/- for 2011–12 and Rs. 900/- for 2012–13 is still due.
- 2) Rent Rs. 13,000/- related to 2011–12 is still due.
- 3) Stationery expenses Rs. 3,120/- related to 2011 – 12 and Rs. 3,640/- related to 2012 – 13 is still due.
- 4) Subscription unpaid for 2012 – 13 is Rs. 4,680/-.
- 5) Special contribution for annual party outstanding Rs. 5,500/-

From the above information you are required to prepare Income and Expenditure account on 31-3-2013.

11. The books of Varun did not agree. The accountant transferred an amount of Rs. 296 being excess debit to a suspense account. The following errors were subsequently discovered :

- 1) Sales book was overcost by Rs. 300/-
- 2) Purchase of furniture Rs. 615/- passed through purchases book.
- 3) An amount of Rs. 85/- received from Mr. Sampath was passed to his account as Rs. 850/-
- 4) The total of purchase returns book was carried forward as Rs. 221/- instead of Rs. 112/-.
- 5) A cash sale of Rs. 1,532/- though duly entered in the cash book was posted to sales account as Rs. 532/-
- 6) Salary a/c was overcost by Rs. 200/-
- 7) A cash sale of Rs. 1,800/- to Sumith was debited to his personal account in the ledger.
- 8) A discount of Rs. 1,530/- was duly credited to Raju's account but was omitted to be entered in the discount column in the cash book.

Pass Journal entries and prepare suspense account.



12. From the following particulars prepare Trading and Profit and Loss account for the year ending on 31st December 2013.

	Rs.
Purchases	3,28,000
Sales	7,00,000
Carriage inwards	10,000
Carriage outwards	70,000
Stock on 1-1-2013	30,000
Salaries	50,000
Wages	70,000
Fuel	10,000
Returns inwards	7,000
Returns outwards	1,000
Discount allowed	3,000
Discount received	5,000
Rent paid	2,000
Advertisements	8,000
Bad Debts	500
Bad debts recovered	1,000
Depreciation on Assets	20,000

Goods worth Rs. 2,000/- was distributed as free samples. Goods of the value Rs. 6,000/- was destroyed by fire and the insurance company settled the claim for Rs. 4,500/-. Stock on 31-12-2013 was valued at Rs. 25,000/-.



SECTION – C

Answer any two :

(2×24 = 48)

13. From the following particulars prepare a Bank Reconciliation statement of Swadeshi Stores as on 30th June, 2014.
- Overdraft as on 30th June, 2014 as per bank statement Rs. 50,000/-
 - Cheque deposited in to the bank but not recorded in the cash book Rs. 500/-
 - Cheques received and recorded in the bank column but not sent to bank for collection Rs. 5,000/-
 - Several cheques totalling Rs. 75,000/- were drawn in the last week of June. Of these, cheques totalling only Rs. 45,000/- were cashed before 30th June.
 - Out of Rs. 45,000/- cheques sent to Bank for collection, cheques of the value of Rs. 17,500/- were collected and credited by the bank in July.
 - On 20th June, 2014, the credit side of the bank column of the cash book was undercost by Rs. 5,000/-
 - Fees of Rs. 1,250/- paid directly by the bank was not recorded in the cash book.
 - In the cash book a bank charge of Rs. 150/- was recorded twice while another bank charge of Rs. 750/- was not at all recorded.
 - Interest of Rs. 7,000/- was charged by the bank but was not recorded in the cash book.
 - The credit balance of Rs. 13,000/- on June 15, 2014 was brought forward on 16th June, 2014 as debit balance of Rs. 13,000/- in the cash book.
 - Dividend collected and credited by the bank amounted Rs. 500/-
 - A wrong debit was given in the bank pass book Rs. 7,500/-.
14. On 1st January 2006, a five years Lease was taken for Rs. 50,000/- and was decided to create a depreciation fund in order to provide funds for its replacement. As per sinking fund table, Rs. 9,050/- should be invested every year @ 5%. Investments were sold on 31st December 2010 for Rs. 41,000/-. Show the Lease account, depreciation fund account and depreciation fund investment account for five years.



15. From the following Trial Balance and adjustments extracted from the books of Kshithiraj for the year ending on 31st March, 2013, prepare a Trading, Profits and Loss account and Balance Sheet as on that date.

Particulars	Dr.	Cr.
	Rs.	Rs.
Capital and drawings	3,000	50,000
Stock (1-4-2012)	8,000	
Purchases and sales	20,000	80,000
Returns	1,500	400
Wages	6,900	
Advertisements	5,500	
Interest on loan to Smith		300
Office expenses	8,050	
Loan to Smith (@ 10% on 1-4-2012)	5,000	
Investments	3,000	
Bill Receivable and Bills Payable	3,500	2,500
Sundry Debtors and creditors	20,000	16,800
Furniture and Fixtures	2,500	
Land and Buildings	55,000	
Machinery	4,500	
Cash in hand	250	
Cash at Bank	3,300	
	1,50,000	1,50,000

Adjustments :

- 1) Stock in hand on 31-3-2013 Rs. 7,000/-.
- 2) Allow interest on capital Rs. 2,500/- and on drawings Rs. 80/-.
- 3) Stock valued at Rs. 3,000/- destroyed by fire and the insurance company admitted a claim for Rs. 2,000/-.



- 4) An amount of Rs. 10,000/- included in sales represents goods sent on sale or return basis. It includes a profit of 20%.
 - 5) Write off Rs. 500 as Bad debts and Rs. 30/- as provision for doubtful debts.
 - 6) The manager is entitled to a commission of 10% of net profit before charging such commission.
16. The following is the receipts and payments account of Mangala Sports Club for the year ended 31st December 2010.

Receipts	Rs.	Payments	Rs.
To Cash in hand	6,120	By Rent and Taxes	8,610
To Cash at Bank	8,000	" Salaries	9,400
" Entrance fees	5,520	" Light charges	420
" Subscriptions	22,000	" General expenses	1,250
" Donations	10,600	" Office expenses	4,500
" Interest	420	" Sports materials	3,120
" Receipts from		" Investments	14,000
Entertainment	820	" Cash at Bank	6,180
		" Cash in hand	6,000
	53,480		53,480

On 1-1-2010 the club had sports materials worth Rs. 30,000 and furniture Rs. 5,800/-

Adjustments :

- 1) Subscription outstanding were Rs. 600/- for the year 2009 and Rs. 700/- for the year 2010.
- 2) The outstanding rent was Rs. 1,800/- for the year 2009 and Rs. 1,800/- for the year 2010.
- 3) Write off depreciation Rs. 500/- from furniture and Rs. 3,000/- from Sports materials.
- 4) Entrance fees and donations are to be capitalised.
- 5) Following were outstanding expenses :
Salaries Rs. 1,500/-, Light charges Rs. 200/-

Prepare Income and Expenditure account for the year ended on 31st December 2010 and a Balance Sheet as on that date.