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BCMCMC 106

**Credit Based First Semester B.Com. Degree Examination, Oct./Nov. 2014
(2014-15 Batch Onwards)
FINANCIAL ACCOUNTING – I**

Time : 3 Hours

Max. Marks : 120

Note : Provide working notes *wherever* necessary.

SECTION – A

Answer any four :

(4×6=24)

1. What do you understand by accounting standards ? What is their importance ?
2. Distinguish between receipts and payments account and income and expenditure account.
3. What is Bank Reconciliation statement ? Why is it prepared ?
4. A firm purchased a machinery on: 1-1-14 for Rs. 30,000, depreciation is to be provided on the Machine annually on straight line method. The useful life of the Machine is 10 years. The scrap value of the machine at the end of life is Rs. 3,000.

Find out :

- 1) The amount of depreciation to be charged every year.
- 2) The rate of depreciation per annum.
5. On 1-1-2011 a lease was purchased for a term of 3 years by paying Rs. 30,000. It was proposed to depreciate the lease by the annuity method by charging 6% p.a. as interest. A reference to the annuity table shows that to depreciate Re. 1 over a period of 3 years charging 6% interest, one must write off Re. 0.374110. Show lease account for 3 years.

P.T.O.



6. From the following, prepare the Trading account.

	Rs.
Sales	16,000
Op. stock	5,000
Wages	300
Purchases	8,000
Sales Returns	1,000
Carriage inwards	200
Purchase returns	500
Goods destroyed by fire	1,500
Goods withdrawn by the proprietor for personal use	500
Advertisement	700
Salary	400

Adjustments :

- 1) Closing stock Rs. 7,000
- 2) O/s wages Rs. 50
- 3) O/s salary Rs. 100.

SECTION – B

Answer **any four** : (4×12=48)

7. Write note on :

- 1) Going concern concept
- 2) Accrual concept
- 3) Money measurement concept.

8. A company purchased a machinery on 1-1-2010 for Rs. 76,000 and spent Rs. 4,000 for its installation. On 1-1-2011, it purchased another machinery for Rs. 20,000. On 1-7-2012, it sold the first machinery purchased in 2010 for Rs. 50,000. On the same day, it purchased another machinery for Rs. 50,000. On 1-7-2013, the second machinery purchased for Rs. 20,000 was sold for Rs. 4,000. Depreciation was provided on the machinery at 10% p.a. on the original cost annually on 31st December every year.

Prepare Machinery a/c for 4 years till 31-12-13.



9. Prepare the Trading and Profit and Loss Account of Vasuki for the year ending 31-3-2014, from the following information.

	Dr. Rs.	Cr. Rs.
Capital		25,000
Opening Stock	6,200	
Cash	1,700	
Debtors	9,100	
Purchases	61,300	
Sales		93,600
Return outward		1,800
Return inward	500	
Freight	3,700	
Carriage outward	7,200	
Salary	10,500	
Rent	6,000	
Creditors		4,000
Miscellaneous income		100
Drawings	6,300	
Furniture	10,800	
Depreciation on Furniture	1,200	
	1,24,500	1,24,500

The closing stock was valued at Rs. 7,800.



10. From the following, prepare the Income and Expenditure Account of Kumara club for the year ending 31-12-2013.

Receipts	Rs.	Payments	Rs.
To Cash in hand	1,125	By News papers	750
To Subscriptions	2,900	By Rent	250
To Tournament Fund	750	By Salary	1,800
To Life membership fee	1,000	By Office expenses	1,200
To Entrance fee	100	By Sports materials	1,150
To Donation for Building	1,500	By Tournament expenses	450
To Sale of news papers	50.	By Cash balance	1,825
	7,425		7,425

Adjustments :

- 1) Outstanding subscription on 31-12-13 Rs. 400 and on 31-12-12 Rs. 450.
 - 2) Subscriptions received Rs. 100 for the year 2014.
 - 3) Sports materials were valued on 31-12-12 at 550 and on 31-12-2013 at Rs. 1,090
 - 4) Office expenses include Rs. 150 for 2012 and Rs. 200 is outstanding on 31-12-13
 - 5) Entrance fees are treated as revenue income.
11. The cash book of Gopal shows Rs. 8,364 as the balance at Bank as on 31-12-2013, but this does not agree with the balance as per Bank Pass Book. You find on scrutiny the following discrepancies.
- 1) On 15th December 2013, the payment side of the cash book was undercast by Rs. 100
 - 2) A cheque for Rs. 131 issued on 25th December 2013 was taken in the cash column.
 - 3) One deposit of Rs. 150 was recorded in the cash book as if there was no Bank column.
 - 4) On 18th December 2013, the debit balance of Rs. 1,526 as on the previous day was brought forward as credit balance.
 - 5) One cheque outgoing for Rs. 350 was recorded twice in the cash book.
 - 6) Dividend of Rs. 250 collected by the Bank has not been recorded in cash book.



12. The Books of Sharma did not agree the accountant transferred on amount of Rs. 296 being excess of the debit side to total to the Suspense Account.

The following errors were subsequently traced.

- 1) Sales book was over cost by Rs. 300
- 2) Purchase of Furniture worth Rs. 615 was passed through the purchases book.
- 3) An amount of Rs. 55 received from Thomas was posted to his account as Rs. 550
- 4) Purchases returns books total on a page was carried forward as Rs. 221 instead of Rs. 112
- 5) A cash sales of Rs. 1,235 though duly entered in the cash book was posted to the sales account as Rs. 35.

Rectify the errors by means Journal entries and prepare the Suspense Account.

SECTION – C

Answer any two :

(2×24=48)

13. On 1-1-2009, X Ltd., purchased a Machinery for Rs. 80,000. Desiring to replace it at the end of 5 years, the company established a depreciation fund. Investments are expected to realise interest at 5% p.a. Sinking Fund table shows that Re. 0.180975 invested each year will produce Re. 1 at the end of 5 years at 5% p.a. At the end of 5th year the investments realised at 10% less than book value.

Show Machinery A/c, Depreciation Fund A/c and Depreciation Fund Investment A/c for 5 years.

14. From the following Trial Balance of Shanmukha, prepare a Trading and Profit and Loss account for the year ending 31st December 2013 and a Balance sheet as on that date.

	Dr.	Cr.
	Rs.	Rs.
Capital		1,00,000
Plant and Machinery	25,000	
Depreciation on Machinery	2,500	
Repairs	1,500	



Wages	30,000	
Wages Outstanding		2,000
Salary for 11 months	5,500	
Income tax	1,000	
Cash	2,500	
Building	80,000	
Depreciation on Building	4,000	
Purchases and Sales	1,50,000	2,50,000
Debtors and Creditors	40,000	22,500
B/R and B/P	15,000	8,000
Discount		4,000
Stock on 1-1-13	35,000	
Interest accrued	2,000	
Overdraft		4,500
Commission		5,000
Bad debts	2,000	
	3,96,000	3,96,000

Adjustments :

- 1) Stock on 31-12-13 Rs. 35,000
- 2) Write off further bad debt Rs. 2,000 and maintain 5% RBD.
- 3) One month's salary was outstanding
- 4) Goods costing Rs. 500 were used by the trader.
- 5) Goods of the value of Rs. 3,000 have been destroyed by fire and the Insurance company has admitted the claim for Rs. 2,400.
- 6) Bills Receivable dishonoured Rs. 2,000.



15. Following is the Receipts and Payments Account of a Sports club for the year ended 31-12-2013.

Receipts		Rs.	Payments	Rs.
To Cash in Hand		6,120	By Rent and tax	8,610
To Cash at Bank		8,000	By Salary	9,400
To Entrance fee		5,520	By Lighting	420
To Subscriptions		22,000	By General expenses	1,250
To Donations		10,600	By Office expenses	4,500
To Interest		420	By Sports materials	3,120
To Income from entertainment		820	By Investments	14,000
			By Cash at Bank	6,180
			By Cash in hand	6,000
		53,480		53,480

On 1-1-2013, there were Sports materials worth Rs. 30,000 and Furniture Rs. 5,800.

Adjustments:

- 1) Subscriptions outstanding were Rs. 600 for the year 2012 and Rs. 700 for the year 2013.
- 2) The outstanding rent was Rs. 1,800 for the year 2012 and Rs. 1,900 for the year 2013.
- 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) Salary Rs. 1,500 and lighting Rs. 200 were outstanding at the end of 2013.

Prepare :

- 1) Opening Balance Sheet on 1-1-13
- 2) Income and expenditure account for the year ending 31-12-13
- 3) Closing Balance sheet on 31-12-13.



16. a) Prepare a bank reconciliation statement as on 30th June 2013 from the following information.
- 1) Overdraft balance as per pass book Rs. 25,000.
 - 2) A cheque of Rs. 500 was deposited into Bank but was not recorded in the cash book.
 - 3) Insurance premium directly paid by the Bank under standing advice Rs. 600
 - 4) Bank charges entered twice in the cash book Rs. 100
 - 5) The credit side of the bank column in the cash book was over cost to the extent of Rs. 700
 - 6) A cheque of Rs. 300 issued on 25th June 2013 was taken in the cash column.
 - 7) Dividend of Rs. 250 collected by the bank and subscription of Rs. 150 paid by it were not recorded in the cash book.

- 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) Bill receivable for Rs. 500 from Baskar 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 276 in the sales account.