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BCMCMC 106

**Credit Based I Semester B.Com. Degree Examination,
October/November 2017
(Common to all Batches)
Commerce
FINANCIAL ACCOUNTING (Paper – I)**

Time : 3 Hours

Max. Marks : 120

Instruction : Provide working notes wherever necessary.

SECTION – A

Answer **any four** questions.

(4×6=24)

1. Explain the following Accounting Concepts :
 - a) Going concern concept
 - b) Accrual concept.
2. Distinguish between Capital Expenditure and Revenue Expenditure.
3. Explain the 'errors of omission' and 'errors of principle'.
4. While preparing the final accounts of a sole trader, how will you deal with the following items appearing in the Trial Balance.
 - a) Carriage Inwards
 - b) Wages
 - c) Interest earned
 - d) Depreciation
 - e) Income tax paid on owner's income
 - f) Goodwill.

P.T.O.



5. On 1-1-2014 a Lease was purchased for a term of 3 years by payment of ₹ 30,000.

It was proposed to depreciate the lease by the Annuity method of charging 6% Interest. A reference to the Annuity Table shows that, to depreciate ₹ 1.00 over 3 years charging 6% interest one must write off ₹ 0.374110.

Show the Lease Account for 3 years.

6. From the following information, prepare a Bank Reconciliation statement of Mr. Arun as on 31st December 2016.

- Bank balance as per cash book ₹ 56,000.
- Of the cheques issued to the customers in December totalling ₹ 25,700. Cheques totalling ₹ 7,600 were not presented to the bank for payment before 31st December 2016.
- Cheques deposited into bank in December, but cleared in January 2017 ₹ 16,010.
- Cheques for ₹ 2,400 entered as deposited into bank on 30th December has not been sent to bank till January 5, 2017.
- Trade Association fees ₹ 500 was paid by the bank, but was not recorded in the cash book.

SECTION – B

Answer **any four** questions.

(4×12=48)

- What is Accounting Standard ? Explain Accounting Standard – 1 (AS – 1).
- Explain the reasons for difference in Bank Balance as per Cash Book and Bank Balance as per Pass Book.
- SRR Ltd. purchased a second hand machinery on 1-1-2011 for ₹ 74,000 and spent ₹ 4,000 on its repairs and ₹ 2,000 on its erection. On 1-7-2012, it purchased another machine for ₹ 20,000 and on 1-7-2013 sold off the first machine purchased in 2011 for ₹ 56,000. On the same date it purchased a machinery for ₹ 50,000.

On 1-7-2014 the second machinery purchased for ₹ 20,000 was also sold for ₹ 4,000. Depreciation was provided on the machinery at the rate of 15% p.a. on the written down value method annually on 31st December.

Show Machinery Account for four years commencing from 1-1-2011.

10. The books of Prakash did not agree. The accountant put the difference in a suspense account. Rectify the following errors and prepare the suspense account.
- The total of Return Inward Book ₹ 2,200 was not posted in the ledger.
 - A credit purchase of ₹ 4,000 from Vinod was entered in the sales book. However, his account was correctly credited.
 - A sale of ₹ 4,300 to Mrs. Asha was credited to her account as ₹ 3,400.
 - Old furniture sold for ₹ 5,400 was entered in the Sales Account as ₹ 4,500.
 - Goods taken by Mr. Prakash for personal use ₹ 5,000 was not entered in the books.
 - Repairs to Motor Van ₹ 5,000 were debited to Motor Van Account.
 - Total of the discount column of the cash book (cr.) was ₹ 1,000 short.
 - A dividend of ₹ 1,500 received from the estate of Mohan, an insolvent was found to be posted to the debit of his account.
11. Prepare the Trading and Profit and Loss Account of Mr. Sinchan for the year ending 31st March 2017 from the following information.

	Dr.(₹)	Cr.(₹)
Sinchan's Capital Account	—	2,50,000
Stock on 1-4-2016	62,000	—
Cash	17,000	—
Sundry Debtors	91,000	—
Purchases	6,13,000	—
Sales	—	9,36,000
Return Outwards	—	18,000
Return Inwards	5,000	—
Carriage Inwards	37,000	—
Carriage Outwards	72,000	—



Salaries	1,05,000	—
Rent	60,000	—
Sundry Creditors	—	40,000
Miscellaneous Receipts	—	1,000
Drawings Account	63,000	—
Furniture & Fittings	1,08,000	—
Depreciation on Furniture and Fittings	12,000	—
	12,45,000	12,45,000

The closing stock on 31st March 2017 was valued at ₹ 78,000.

12. Mangaluru sports club extracts the following Receipts and Payments Account for the year ending 31-12-2016. Prepare its Income and Expenditure Account.

Receipts and Payments Account for the year ending 31-12-2016

Receipts	₹	Payments	₹
To Cash in hand	10,125	By Newspaper	1,750
" Subscriptions	2,900	" Rent	250
" Tournament Fund	750	" Salaries	1,800
" Life membership Fees	1,000	" Office Expenses	1,200
" Interest on F.D.	100	" Sports equipments purchased	1,150
" Donation for club building	1,500	" Tournament expenses	450
" Sale of Newspaper	1,050	" Fixed deposit	2,000
" Legacies	2,000	" Cash Balance	10,825
Total	19,425	Total	19,425



Adjustments :

- a) Subscription outstanding on 31-12-2015 ₹ 450 and on 31-12-2016 ₹ 400.
- b) Subscription received ₹ 100 for the year 2017.
- c) Sports equipments were valued on 31-12-2015 at ₹ 550 and on 31-12-2016 at ₹ 1,090
- d) Office expenses included ₹ 150 for 2015 whereas ₹ 200 is still payable for 2016.

SECTION - C

(2x24=48)

Answer **any two** questions.

13. From the following Trial Balance of Shanmukha, prepare a Trading and Profit and Loss Account for the year ending 31st December 2016 and a Balance Sheet as on that date.

	Dr.(₹)	Cr.(₹)
Capital	-	2,00,000
Plant and Machinery	50,000	-
Depreciation on Machinery	5,000	-
Repairs	3,000	-
Wages	60,000	-
Wages outstanding	-	4,000
Salary for 11 months	11,000	-
Income tax	2,000	-
Cash	5,000	-
Building	1,60,000	-
Depreciation on Building	8,000	-
Purchases and Sales	3,00,000	5,00,000



Debtors and Creditors	80,000	45,000
B/R and B/P	30,000	16,000
Discount	—	8,000
Stock on 1-1-2016	70,000	—
Interest Accrued	4,000	—
Overdraft	—	9,000
Commission	—	10,000
Bad debts	4,000	—
	7,92,000	7,92,000

Adjustments :

- 1) Stock on 31-12-2016 ₹ 70,000.
 - 2) Write off further bad debts ₹ 4,000 and maintain 5% RBD.
 - 3) One month salary was outstanding.
 - 4) Goods costing ₹ 1,000 were used by the trader.
 - 5) Goods of the value of ₹ 6,000 have been destroyed by fire and the Insurance company has admitted the claim for ₹ 4,800.
 - 6) Bills Receivable dishonoured ₹ 4,000.
14. On 1-1-2010 a five years lease was taken for ₹ 50,000 and was decided to create a depreciation fund in order to provide funds for its replacement. As per sinking fund table ₹ 9,050 should be invested every year in outside securities which were expected to earn 5% interest at compound rate.

Investments were sold on 31-12-2014 for ₹ 41,000.

Show :

- a) Lease A/c
- b) Depreciation Fund A/c
- c) Depreciation Fund Investment A/c.

15. Following is the Receipts and Payments Account of the Young Stars Club, Mangalore for the year ended 31-12-2016.

Receipts and Payments Account

Receipts	(₹)	Payments	(₹)
Opening Balance	5,000	Furniture	6,000
Donations	10,000	T.V. Set	4,000
Subscriptions :		Salaries	6,000
2015	1,200	Telephone charges	1,600
2016	19,000	Electric charges	1,100
2017	500	Printing & Stationery	1,700
Rent of the Hall	2,200	Meeting Expenses	2,400
Interest on Securities	1,000	Travelling Expenses	1,600
Receipts from cultural show	2,000	Books	1,000
Sale of old furniture	600	Newspapers	800
(Book value ₹ 1,000)		Municipal taxes	900
Sale of old newspaper	100	Charity	1,300
		Expenses on cultural shows	1,400
		Closing Balance	11,800
	41,600		41,600

Adjustments :

- a) The club has 200 members, each paying an annual subscription of ₹ 100.
- b) Subscription outstanding on 31-12-2015 were ₹ 1,500.
- c) Outstanding liabilities on 31-12-2016 were salaries ₹ 1,200 and Printing ₹ 100.
- d) Municipal taxes were paid for the year ending 31-3-2017.
- e) On 1-1-2016 the club owned land and building ₹ 25,000, Furniture ₹ 12,000, Books ₹ 6,000 and 10% Govt. Promissory Notes ₹ 15,000.
- f) Donations are to be capitalised.

Prepare :

- i) Balance sheet as on 1-1-2016
- ii) Income and Expenditure Account for the year ended 31-12-2016
- iii) Balance sheet as on 31-12-2016.



16. Prepare Bank Reconciliation statement as on 30-6-2017 on the basis of the following information.
- a) Overdraft Balance as per Pass Book on 30-6-2017 was ₹ 25,000.
 - b) A cheque of ₹ 500 was deposited into Bank but was not recorded in the Cash Book.
 - c) Insurance premium directly paid by the Bank understanding advice ₹ 600.
 - d) Bank charges entered twice in the Cash Book ₹ 10.
 - e) Cheques received but not sent to Bank ₹ 1,000. (Recorded in the Cash Book).
 - f) The credit side of the Bank Column in the Cash Book was overcast to the extent of ₹ 700.
 - g) Cheques of ₹ 15,000 were sent to bank for collection Out of these, cheques of ₹ 4,000 were credited on 10-7-2017.
 - h) Dividends of ₹ 250 collected by the Bank and Subscription of ₹ 150 paid by it were not recorded in the Cash Book.
 - i) A cheque for ₹ 335 issued on 25-6-2017 was taken in the Cash Column.
 - j) Salary paid in cash ₹ 2,000 was entered in the bank column of the Cash Book.
 - k) Interest of ₹ 1,500 was charged by the bank but was not recorded in the Cash Book.
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