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Second Semester B.Com. Degree Examination, July 2018
First Degree Programme under CSS
SDE
Core Course IV
CO 1242 : FINANCIAL ACCOUNTING
(2017 Admission)

Time : 3 Hours

Max. Marks : 80

SECTION – A

Answer **all** questions, **each** carries **1** mark.

1. What is business entity concept ?
2. What is journalising ?
3. State the three branches of accounting.
4. What is accounting equation ?
5. Write a short note on containers stock account.
6. What do you mean by provision for discount on creditors ?
7. What is sectional balancing ?
8. Define depreciation.
9. What is the meaning of voyage account ?
10. What is down payment ?

(10×1=10 Marks)

P.T.O.

SECTION – B

Answer **any eight** questions. **Not** to exceed **one** paragraph. **Each** question carries **2** marks.

11. State the advantages of self balancing system of Ledger.

12. List out the limitations of diminishing balance depreciation system.

13. Write a note on complete repossession.

14. Mention any two limitations of trial balance.

15. M/s XYZ Ltd. maintains its books under the self balancing system. From the following particulars at the close of the year. Write up sales Ledger Adjustment A/c in the general ledger closing balance (Debtors) as per General Ledger Adjustment Account (Cr.) Rs. 60,000, Discount received Rs. 500. Credit sales Rs. 40,000, Cash sales Rs. 10,000, Discount allowed Rs. 1,500, Payment from customers Rs. 20,000, Bad debts Rs. 5,000, Bills receivable received Rs. 3,000, Discount allowed to debtors amounting to Rs. 500 was recorded as discount received from creditors.

16. The under mentioned errors were made during the half year ended 31st Dec. 2015 by the staff of M/s MB & Co.

    1) Sales book was overcost by Rs. 20.

    2) Goods returned Rs. 65 by S & Co. were not entered in the books.

17. Prepare a Trial Balance as on 31st March, 2014.

    Cash – Rs. 3,000; Purchases – Rs. 11,000; Stock (opening) – Rs. 3,000; Bank overdraft – Rs.4,000; Bills payable – Rs. 2,000; Sales – Rs. 1,06,000; Drawings – Rs. 2,000; Capital – Rs. 1,00,000; Wages – Rs. 3,000; Sales returns – Rs. 2,000; Debtors – Rs. 66,000; Creditors – Rs. 8,000; Purchase returns – Rs. 3,000; Building and furniture – Rs. 1,33,000.

18. Pass Journal Entries.

    1) An amount of Rs. 100 was received from Das on 31st Dec. 2012, but had been entered in the cash book on 3rd Jan. 2013.

    2) The purchase of an office table costing Rs. 300 had been passed through the purchase day book.

19. A machine costing Rs. 11,000 is estimated to have a life of 10 years, the scrap value estimated Rs. 1,000 at the end of its life. Compute the amount of depreciation.

20. A machinery is purchased on hire-purchase system making a down payment of Rs. 10,000 and agreement to pay three annual instalment of Rs. 20,000 each at the end of the year. The cash price is Rs. 59,750 and rate of interest is 10% p.a. Ascertain interest included in each instalment.

21. Machinery was purchased for Rs. 60,000 on 1st Jan. 1956 and the depreciation was charged following the sums of the digits method, useful life 3 years. Calculate the amount of depreciation for 3 years.

22. A company sells goods on HP system at a profit of 60% on cost. From the following details prepare Hire Purchase Trading A/c for the year ended 31st March, 2007.

    Instalment due at the beginning – Rs. 80,000

    Goods sold on hire purchase – Rs. 9,60,000.

    Instalment received – Rs. 9,80,000.

    HP stock at the end – Rs. 64,000.

    Instalment due at the end – Rs. 84,000.

(8×2=16 Marks)

SECTION – C

Answer **any six** questions. **Not** to exceed **120** words. **Each** question carries **4** marks.

23. Distinguish self balancing and sectional balancing.

24. What are the causes of depreciation ?

25. Write Journal Entries for self balancing sales ledger.

26. Prepare Total Debtors Account for the year ended 31st Dec. 2014, from the following figures.
Debtors on 1st Jan. 2014 Rs. 36,400
Sales returns Rs. 2,100
Sales (including cash sales Rs. 18,500) Rs. 3,01,600
Cash received from debtors Rs. 2,47,500
Discount allowed Rs. 4,050
Bill receivable received Rs. 42,000 Bad debts Rs. 2,500
Endorsed bill dishonoured Rs. 5,000
Credit balance in sales ledger Rs. 2,100.
Transfer from bought ledger to sales ledger Rs. 3,200.

27. Make the transfer and self balancing entries.
    1) Sold goods to Ram Rs. 800, purchased goods from Ram Rs. 500.
    2) Purchased goods from Mehta Bros. Rs. 700, sold goods to them Rs. 600.

28. On 1st Jan. 2013 machinery was purchased for Rs. 50,000 on 1st July 2014 additions were made to the extent of Rs. 10,000. On 1st April, 2015, further additions to the extent of Rs. 6,400. On 30th June, 2016 machinery the original value of which was Rs. 8,000 on 1st Jan. 2013 was sold for Rs. 6,000. X closes its books on 31st Dec., each year. Show Machinery A/c in the books of X if depreciations is charged at 10% on diminishing balancing method.

29. SS Ltd. commenced a voyage on 1st October, 2009 from Bhavnagar to London and back. The voyage was completed on 30th Nov., 2009. The ship was insured and its annual premium was Rs. 12,000. Prepare Voyage A/c. Freight outward – Rs. 50,000, Freight return – Rs. 35,000. Port dues – Rs. 2,500, Bunker – Rs. 15,000; Wages - Rs. 25,000; Stores – Rs. 8,400, Expenses – Rs. 2,500, Passage money received – Rs. 5,000, Lighterage charges – Rs. 3,300, Depreciation (annual) – Rs. 48,000, Address commission 5% on outward and 4% on return freight, Primage 5% on freight. Managers commission @ 5% on profit earned after charging such commission. Stores and coal in hand were valued at Rs. 1,500 on 30th Nov., 2009.

30. Transport Corporation purchased a truck on hire purchase from Hindustan Motors for Rs. 56,000. Payment to be made Rs. 15,000 cash and 3 instalments of Rs. 15,000 each at the end of each year. Rate of interest is charged at 5% p.a. Buyer depreciates assets at 10% p.a. on WDV method. Because of financial difficulties Transport Corporation after having paid the down cash and first instalment at the end of the first year could not pay the second instalment and Hindustan Motors took possession of the truck; after spending Rs. 350 on repairs and sold it for Rs. 30,110. Prepare Ledger Accounts in the books of Transport Corporation.

31. A company purchased a four years lease on 1st Jan., 2011 for Rs. 20,150. It is decided to provide for replacement of the lease at the end of four years by setting up depreciation fund. It is expected that investment will fetch interest at 4% sinking fund table shows that to provide the requisite sum at 4% at the end of 4 years, an investment of Rs. 4,745.02 is required. Investments are made to the nearest rupee. On 31st Dec., 2014 the investments are sold for Rs. 14,830. On 1st Jan., 2015 the same lease is renewed for a further period of 4 years by payment of Rs. 22,000. Show depreciation fund account.

(6×4=24 Marks)

SECTION – D

Answer **any two** questions. **Each** question carries **15** marks.

32. Discuss the accounting treatment of containers.

33. On 1st June, the creditors balances in a Traders Ledger were as follows : A Rs. 1,700, B Rs. 1,800, C Rs. 1,650, D Rs. 2,100, E Rs. 1,300 and F Rs. 1,900. The following transaction occurred during the month.

June 2 Bought goods from A – Rs. 1,850

8 Paid to F on account – Rs. 900.

9 Traders accepted A's draft (discount Rs. 50)– 950.

11 Returned goods to E – Rs. 300.

12 Bought goods from G – 2,000.

14 Paid to E (discount Rs. 10) – 990.

19 Bought goods from B – Rs. 1,500.

21 Paid to D (discount Rs. 100) – 2,000.

22 Bought goods from D – Rs. 1,600.

25 Returned goods to G – Rs. 230.

27 Paid to B (discount Rs. 60) – 1,740

28 Bought goods from E – Rs, 2,200, paid to G (discount Rs. 70) – 1,700.

29 Trader accepted F's draft (discount 40) – 1,000.

30 Bought goods from F – 1,600, Paid to A on A/c – 700.

You are required to write up Creditors A/c, General Ledger Adjustment A/c in Bought Ledger and Bought Ledger Adjustment A/c in General Ledger.

34. The following balances extracted from the book of a merchant on 31st Dec., 2009.

Furniture – Rs. 640, Motor vehicle – Rs. 6,250, Buildings – Rs. 7,500, Capital – Rs. 12,500, Bad debts – Rs. 125, Provision for bad debts – Rs. 200, Debtors and creditors – Rs. 3,800 and Rs. 2,500, Stock on 1st Jan., 2009 – 3,460, Purchases and sales – Rs. 5,475 and Rs. 15,450, Bank overdraft – Rs. 2,850, Sales and purchases return – Rs. 200 and 125, Advertising – Rs. 450, Interest on overdraft – Rs. 118, Commission – Rs. 375, Cash – Rs .650, Insurance – Rs. 1,250, General expenses – Rs. 782, Salaries – Rs. 3,300.

The following adjustments are to be made

1) Stock on 31st Dec., 2009 – Rs. 3,250
2) Depreciate buildings 5%, furniture 10%, Motor vehicle @ 20%.
3) Rs. 85 due on interest, salaries outstanding Rs. 420.
4) Insurance prepaid – Rs. 100.
5) One third commission received in respect of work to be done next year. Write off a further bad debts Rs. 100 and provision for bad debts 10% on debtors. Prepare Final Accounts.

35. X Ltd. purchased 5 machines on hire purchase system on 1st Jan., 2003 from G Ltd. Cash price – Rs. 50,000 per machine, Rs. 50,000 down payment and balance 4 instalments of Rs. 50,000 each together with interest @ 10% p.a. The first instalment is payable in 31st Dec., 2003. X Ltd. writes off depreciation @ 15% p.a. on diminishing balance X Ltd. paid first two instalments on due dates but failed to pay the next. Hence G Ltd. repossessed three machines. The repossessed machines were valued after charging 20% depreciation on straight line basis. Give ledger accounts in the books of hire purchases.

(2×15=30 Marks)