Financial Accounting 153

Roll No.....

Time allowed : 3 hours *Maximum marks : 100*

Total number of questions : 8 *Total number of printed pages : 7*

NOTE : *Answer SIX questions including Question No.1 which is compulsory. All working notes should be shown distinctly.*

1. (a) Explain ***any two*** of the following :

(i) Combined journal entries

(ii) Sub-division of journal

(iii) Balancing ledger accounts

(iv) Accommodation bill.

(5 marks each)

(b) State, with reasons in brief, whether the following statements are correct or incorrect :

(i) Depreciation cannot be provided if there is a loss in a financial year.

(ii) Trial balance ensures the arithmetical accuracy of the ledger.

(iii) Account sale is a statement sent by the consignor to the consignee.

(iv) Wages paid for erection of machinery are debited to profit and loss account.

(v) Receipts and payments account is a summary of all capital receipts and capital payments.

(2 marks each)

2. (a) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :

(i) No depreciation has been charged on machinery. This is an error of _____.

(ii) Valuation of closing stock in hand is done at the lower of _____ and_____.

(iii) Payments recorded in the petty cash book are posted in _____ to ledger accounts.

(iv) Closing capital is Rs.4,00,000 and opening capital is Rs.3,00,000, but profit ascertained is Rs.1,40,000. There must have been net _____ of Rs.40,000 during the year.

(v) If a suspense account has been opened, every one-sided error is rectified by passing a journal entry through _____ account.

(vi) Trade discount is deducted from the _____ price.

(vii) When a bill receivable is dishonoured, the amount of the bill is debited to the _____ account.

(viii) The period of indemnity in case of fire insurance claims generally does not exceed_____.

(1 mark each)

(b) Distinguish between ***any two*** of the following :

(i) 'Cash discount' and 'trade discount'.

(ii) 'Bill of exchange' and 'promissory note'.

(iii) 'Trial balance' and 'balance sheet'.

(4 marks each)

3. (a) Choose the most appropriate answer from the given options in respect of the following :

(i) Opening entry is passed with —

(a) Balances from trial balance

(b) Balances from the last year's balance sheet

(c) Items of trading account

(d) Items of profit and loss account.

(ii) The following error would not affect the profit —

(a) Goods sold to Ram, debited to Mohan

(b) Sales book was undercast by Rs.1,000

(c) A purchase of Rs.400 was wrongly written as Rs.40 in purchases book

(d) Expenses of plant repairs debited to plant account.

(iii) Which one of the following accounting concepts treats owner of the business as creditor of the business —

(a) Going concern concept

(b) Historical cost concept

(c) Business entity concept

(d) Realisation concept.

(iv) The process of entering transactions in the ledger is called —

(a) Journalising

(b) Posting

(c) Summarising

(d) Balancing.

(v) If a payment is made on a bill on due date, then it is called —

(a) Honouring of the bill

(b) Retiring of the bill

(c) Dishonouring of the bill

(d) Renewal of the bill.

(vi) Trading account is a part of —

(a) Trial balance

(b) Cash book

(c) Final accounts

(d) Journal.

(vii) Revaluation account is prepared to find out the profit or loss on —

(a) Sale of fixed assets

(b) Revaluation of assets and liabilities

(c) Sale of goods

(d) Sale of services.

(viii) When depreciation is charged equally year after year, it is known as —

(a) Fixed instalment method

(b) Diminishing balance method

(c) Depreciation fund method

(d) Annuity method.

(1 mark each)

(b) Explain ***any two*** of the following statements :

(i) In the absence of partnership deed, provisions of the Indian Partnership Act, 1932 are applied.

(ii) Single entry system of book keeping is unscientific, incomplete and defective system.

(iii) Every transaction has debit and credit aspects.

(4 marks each)

4. (a) Rim Zim Ltd. maintains a current account with the State Bank of India. On 31st March, 2010, the bank column of its cash book showed a debit balance of Rs.1,54,300. However, the bank statement showed a different balance as on that date. The following were the reasons for the difference :

		Rs.
(i)	Cheques deposited, but not yet credited by the bank	75,450
(ii)	Cheques issued, but not yet presented for payment	80,760
(iii)	Bank charges not yet recorded in the cash book	1,135
(iv)	Cheques received by the bank directly from trade debtors	1,35,200
(v)	Insurance premium paid by the bank as per standing instructions, but not yet recorded in the cash book	15,400
(vi)	Dividend collected by the bank, but not yet recorded in the cash book	1,000

Find out the balance as per the bank statement as on 31st March, 2010.

(8 marks)

(b) On 1st April, 2005, a company acquired a lease of land for a term of 5 years at a cost of Rs.4,00,000. It is proposed to depreciate the lease by annuity method charging 5% per annum interest.

Show the lease account for the entire period of 5 years. A reference to the annuity tables shows that to depreciate Re.1 by annuity method over 5 years, charging 5% per annum interest, one must write off a sum of Re.0.230975 every year.

(8 marks)

5. (a) Amar, Akbar and Anthony were carrying on a business in partnership, sharing profits and losses in the ratio of 2:1:1 respectively. They took a joint life policy for Rs.1,20,000 on 1st April, 2006. The annual premium of Rs.5,000 was payable on 1st May every year. The last premium was paid on 1st May, 2009. Akbar died on 10th June, 2009 and policy money was received on 31st July, 2009.

The surrender values of the policy as on 31st March in different years were as follows :

(i) 2007 – Nil;

(ii) 2008 – Rs.1,000; and

(iii) 2009 – Rs.1,600.

Prepare joint life policy account for the entire period assuming that the joint life policy was maintained at its surrender value and the accounts were closed on 31st March every year.

(8 marks)

(b) The following information is available from Sachin, who maintains books of account on single entry system :

Particulars	*On 1st April, 2009* (Rs.)	*On 31st March, 2010* (Rs.)
Cash and bank	20,000	21,000
Sundry debtors	17,000	25,000
Stock	40,000	60,000
Furniture	29,000	29,000
Sundry creditors	32,000	22,000
10% Loan from Mrs. Sachin	30,000	30,000

Sachin withdrew Rs.5,000 from the business every month for meeting his household expenses. During the year, he sold investments held by him privately for Rs.35,000 and invested the amount in his business.

At the end of the year 2009-10, it was found that full year's interest on loan from Mrs. Sachin had not been paid. Depreciation @ 10% per annum was to be provided on furniture for the full year. Shop assistant was to be given a share of 5% on the profits ascertained before charging such share.

Calculate profit earned during the year ended 31st March, 2010 by Sachin.

(8 marks)

6. The following is the summary of the cash transactions of a literary society for the year ended 31st March, 2010 :

	Rs.		*Rs.*
Cash balances on		Rent and rates	16,800
1st April, 2009	31,900	Wages	24,500
Entrance fees	25,500	Lighting	7,200
Subscriptions	1,60,000	Lecture fees	43,500
Donations	16,500	Books	21,300
Life membership subscription	25,000	Office expenses	45,000
Interest on fixed deposit	1,200	Fixed deposit @ 6% per annum on	
Profit from entertainment	4,400	1st October, 2009	80,000
		Cash at bank on 31st March, 2010	24,200
		Cash in hand on 31st March, 2010	2,000
	2,64,500		2,64,500

At the beginning of the year, the society possessed books worth Rs.2,00,000 and furniture valued at Rs.85,000. Ordinary subscriptions in arrear at the beginning of the year amounted to Rs.3,500 and at the end of the year Rs.4,500. Six months' rent, Rs.6,000 was due both at the beginning and at the end of the year. Provide Rs.5,000 as depreciation on furniture and Rs.11,300 as depreciation on books.

Prepare the society's income and expenditure account for the year ended 31st March, 2010 and its balance sheet as on that date.

(16 marks)

7. From the following balances extracted from the books of Karan and the additional information, prepare the trading and profit and loss account for the year ended 31st March, 2010 and also show the balance sheet as on that date :

	Debit Balance (Rs. '000)	*Credit Balance (Rs. '000)*
Stock on 1st April, 2009	625	—
Purchases and sales	903	1,372
Returns	22	13
Capital account	—	300
Drawings	45	—
Land and buildings	300	—
Furniture and fittings	80	—
Trade debtors and trade creditors	250	450
Cash in hand	35	—
Investments	100	—
Interest	—	5
Commission	—	30
Direct expenses	75	—
Postage, stationery and telephone	25	—
Fire insurance premium	20	—
Salaries	90	—
Bank overdraft	—	400
	2,570	2,570

Additional information :

(i) Closing stock on 31st March, 2010 is valued at Rs.6,50,000. Goods worth Rs.5,000 are reported to have been taken away by the proprietor for his personal use at home during the year.

(ii) Interest on investments Rs.5,000 is yet to be received while Rs.10,000 of the commission received is yet to be earned.

(iii) Rs.5,000 of the fire insurance premium paid is in respect of the quarter ending 30th June, 2010.

(iv) Salaries Rs.10,000 for March, 2010 and bank overdraft interest estimated at Rs.20,000 are yet to be recorded as outstanding charges.

(v) Depreciation is to be provided on land and buildings @ 5% per annum and on furniture and fittings @ 10% per annum.

(vi) Make a provision for doubtful debts @ 5% of trade debtors.

(16 marks)

8. (a) Ajoy of Agra and Bijoy of Bijnor enter into a joint venture to consign 200 bales of cloth to Dinesh of Delhi to be sold on their joint risk which is in the proportion of 3/7 and 4/7 respectively. Ajoy sends 150 bales of cloth at Rs.2,600 each, paying freight and other charges Rs.4,900. Bijoy sends 50 bales of cloth at Rs.2,500 each, paying expenses amounting to Rs.3,600. All the bales of cloth are sold by Dinesh for Rs.14,00,000 out of which Dinesh deducts Rs.6,000 for expenses and 10% on total sales as his commission. Dinesh remits Rs.3,00,000 to Ajoy and the balance to Bijoy through bank drafts.

Prepare joint venture account and the accounts of Bijoy and Dinesh in Ajoy's ledger.

(8 marks)

(b) A merchant closes his books every year on 31st March. A fire occurred in his premises on 16th May, 2009 and stock costing Rs.38,000 only could be salvaged. Using the following additional information, prepare a statement showing the amount of claim to be lodged with the insurance company :

Particulars	*2006-07*	*2007-08*	*2008-09*	*1-4-2009 to 16-5-2009*
	(Rs.)	*(Rs.)*	*(Rs.)*	*(Rs.)*
Opening stock	1,50,300	1,40,300	1,58,200	1,60,000
Purchases	4,40,000	5,12,900	5,86,800	78,000
Sales	6,00,000	6,60,000	7,80,000	99,200
Closing stock	1,40,300	1,58,200	1,60,000	?

(8 marks)

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