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) Classification of assets

(ii) Principal book of accounts

(iii) Dual aspect concept

(iv) *Del credere* commission.

(5 marks each)

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

(i) The debit balance in the profit and loss account denotes a surplus.

(ii) The purchases day book is a part of the ledger.

(iii) Sale of old office furniture should be credited to sales account.

(iv) Loss of goods sent on consignment is said to be an abnormal loss, if such a loss is due to the inherent characteristics of the goods consigned.

(v) The relationship between the consignor and the consignee is that of principal and agent.

(2 marks each)

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

(i) In the balance sheet, provision for bad debts is shown as a _____ from trade debtors.

(ii) _____ functions both as a part of ledger and a book of original entry.

(iii) Contra entries are passed in _____ cash book.

(iv) While preparing final accounts, all the _____ accounts are transferred to the trading and profit and loss account.

(v) Dissolution of a firm necessarily implies _____ of the partnership also.

(vi) _____ account is prepared to ascertain the cost of goods manufactured.

(vii) When the debts earlier written off as bad are recovered at a later date, the amount so recovered is credited to _____ account.

(viii) Compensating errors _____ the agreement of trial balance.

(1 mark each)

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

(i) 'Real account' and 'nominal account'.

(ii) 'Revenue expenditure' and 'deferred revenue expenditure'.

(iii) 'Joint venture' and 'consignment'.

(4 marks each)

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

(i) A motorbike is purchased for the owner's son and firm's vehicles account is debited with the amount paid by the firm. It is —

(a) An error of principle

(b) An error of omission

(c) An error of commission

(d) A compensating error.

(ii) The maximum number of partners, a non-banking partnership firm can have is —

(a) Ten

(b) Twenty

(c) Fifty

(d) Seven.

(iii) If partnership deed is silent on the point, interest allowed on partners' capital accounts will be —

(a) @ 6% per annum

(b) @ 5% per annum

(c) @ 8% per annum

(d) Nil.

(iv) To provide funds to pay to the deceased partner's heirs in case of death of a partner, the partners generally —

(a) Create a sinking fund

(b) Take a joint life policy

(c) Create a reserve fund

(d) Open a separate bank account.

(v) Goodwill brought in by an incoming partner in cash to join a partnership firm is shared by the old partners in their —

(a) Ratio of capitals
(b) New profit sharing ratio
(c) Ratio of sacrifice
(d) Old profit sharing ratio.

(vi) On 21st February, 2011, Akash draws a bill of exchange on Bhupesh for ₹10,000 payable 30 days after date. Bhupesh immediately accepts the bill. The due date of the bill will be —

(a) 24th March, 2011
(b) 22nd March, 2011
(c) 26th March, 2011
(d) 21st March, 2011.

(vii) If unsold goods costing ₹20,000 are taken over by a co-venturer for ₹15,000, the joint venture account will be credited with —

(a) ₹20,000
(b) ₹15,000
(c) ₹5,000
(d) ₹35,000.

(viii) Dinesh of Delhi consigns goods of the invoice price of ₹1,00,000 to Bharat of Ballabhgarh at cost plus 25%. The amount of loading is —

(a) ₹25,000
(b) ₹20,000
(c) ₹15,000
(d) ₹32,500.

(1 mark each)

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

(i) Non-monetary events are not recorded in the books of account.
(ii) Trial balance is a link between ledger and final accounts.
(iii) Joint venture is in the nature of a partnership but without a firm name.

(4 marks each)

4. (a) The following errors were located in the books of Suresh after his books of account had been closed for the accounting year ended 31st March, 2011 and the difference in trial balance had been transferred to a newly opened suspense account :

(i) Sales book for the month of January, 2011 was overcast by ₹100.

(ii) A sum of ₹4,000 received from Chandan was debited to his account as ₹400.

(iii) Credit purchase of goods from Sonu for ₹12,000 was debited to Monu.

(iv) Purchase of office furniture for ₹6,000 was entered in the purchases book.

(v) Credit purchase of goods for ₹15,000 from Mahesh was recorded as credit sale of goods to Mahesh.

Pass necessary journal entries to rectify the abovementioned errors. Also prepare suspense account and profit and loss adjustment account to nullify the effect of errors on the profit for the year ended 31st March, 2011.

(10 marks)

(b) On the basis of following details, prepare the bank reconciliation statement and ascertain the balance as per pass book on 28th February, 2011 :

(i) Bank balance as per cash book on 28th February, 2011 : ₹1,700.

(ii) Cheques deposited with bank but not yet cleared : ₹12,000.

(iii) Cheques in hand of the cashier not yet deposited with bank : ₹3,000.

(iv) Amount charged by bank for certain services but not yet recorded in cash book : ₹100.

(v) Dividend collected by bank and appearing in pass book, but not yet recorded in cash book : ₹1,500.

(vi) Cheques issued on 28th February, 2011 to suppliers, but presented to bank for payment on 3rd March, 2011 : ₹14,000.

(6 marks)

5. (a) On 1st April, 2007, Arrow Ltd. purchased machinery costing ₹1,00,000 and decided to provide depreciation on it @ 10% per annum by using straight line method. The company closes its books every year on 31st March.

On 31st March, 2011, before providing depreciation, the company decided to change the method of depreciation from straight line method to written down value method retrospectively w.e.f. 1st April, 2007, the rate of depreciation remaining the same.

Prepare machinery account for the year ended 31st March, 2011.

(8 marks)

(b) On 1st September, 2010, Pankaj draws on Rakshit a bill of exchange for ₹10,000 at 3 months which is immediately accepted by the drawee as he has purchased goods for the amount. On 4th September, 2010, Pankaj gets the bill discounted with his bankers at 8% per annum. On the date of maturity, Rakshit, not being able to meet the bill, offers ₹4,000 to Pankaj and requests him to draw another bill at three months for the balance amount plus ₹120 for interest. Pankaj agrees to the arrangement. But before the due date of the second bill, Rakshit becomes insolvent. Rakshit's estate pays fifty paise in a rupee.

Pass journal entries for all the transactions in the books of Pankaj.

(8 marks)

6. Following is the receipts and payments account of Dhanvantri Medical Help Society for the year ended 31st March, 2011 :

Receipts	₹	*Payments*	₹
To Cash at bank and in hand on 1st April, 2010	37,000	By Payment to suppliers of medicines	3,00,000
To Subscriptions	7,20,000	By Honorarium to doctors	1,00,000
To Donations	50,000	By Salaries	2,75,000
To Interest on investments @ 9% per annum	45,000	By Sundry expenses	5,000
		By Equipments purchased	1,50,000
		By Charity show expenses	10,000
To Charity show proceeds	33,000	By Cash at bank and in hand on 31st March, 2011	45,000
	8,85,000		8,85,000

Donations are mostly made by patients and are treated as income.

The following additional information is provided to you :

Particulars	*On 31st March, 2010* (₹)	*On 31st March, 2011* (₹)
Subscriptions in arrear	3,500	2,500
Subscriptions received in advance	1,000	500
Stock of medicines	1,00,000	90,000
Amount due to suppliers of medicines	80,000	60,000
Estimated value of equipments	2,10,000	3,00,000
Estimated value of building	4,00,000	3,80,000

You are required to prepare income and expenditure account for the year ended 31st March, 2011 and balance sheet as on that date.

(16 marks)

7. (a) On 4th September, 2009, Wintex Ltd. took a loss of profit policy for ₹5,00,000 with an indemnity period of six months. A fire broke out on 1st January, 2010 because of which there was dislocation upto 31st May, 2010. Ascertain the amount of claim for loss of profit taking into account the following additional information :

	₹
Sales for accounting year ended 31st March, 2009	24,00,000
Net profit for accounting year ended 31st March, 2009	2,60,000
Standing charges (all covered) for the year ended 31st March, 2009	3,40,000
Sales from 1st January, 2009 to 31st December, 2009	26,00,000
Sales from 1st January, 2010 to 31st May, 2010	3,10,000
Sales from 1st January, 2009 to 31st May, 2009	11,00,000

There was a 10% upward trend in business. The policy had an average clause.

(8 marks)

(b) Mohit keeps his books of account by single entry system. On 31st March, 2010, his statement of affairs was as follows :

Liabilities	₹	*Assets*	₹
Bills payable	6,460	Cash in hand	2,470
Sundry creditors	20,290	Bills receivable	4,070
Mohit's capital	1,46,800	Sundry debtors	48,680
		Stock	32,850
		Furniture	5,300
		Plant	80,180
	1,73,550		1,73,550

Mohit provided you the following information also regarding his assets and liabilities as on 31st March, 2011 :

	₹
Cash in hand	5,530
Bills receivable	6,840
Sundry debtors	57,000
Stock	36,730
Furniture	5,300
Plant	80,180
Bills payable	5,950
Sundry creditors	21,470

Mohit considered it desirable to depreciate plant @ 10% and furniture @ 5%; and to create a provision for bad debts on sundry debtors @ 5%.

During the year, Mohit withdrew ₹3,000 every month to meet his household expenses. On 1st October, 2010, he introduced ₹10,000 as fresh capital.

Ascertain the profit earned by Mohit during the year ended 31st March, 2011 and prepare his statement of affairs as on 31st March, 2011.

(8 marks)

8. Atul, Biju, Chandan and Deepak were partners in a partnership firm sharing profits and losses in the ratio of 4:3:2:1 respectively. The firm was dissolved on 31st March, 2011. The firm's balance sheet on that date was as follows :

Balance Sheet as on 31st March, 2011

Liabilities	₹	*Assets*	₹
Bills payable	40,000	Cash at bank	16,000
Creditors	2,40,000	Bills receivable	80,000
Capital accounts :		Debtors	2,80,000
Atul	1,60,000	Stock	1,84,000
Chandan	2,40,000	Capital Accounts :	
		Biju	80,000
		Deepak	40,000
	6,80,000		6,80,000

Bills receivable and debtors realised 90% of their book values. Stock was sold for ₹1,56,000. Outstanding salary of ₹4,000 which was not shown in the above balance sheet was also paid. The realisation expenses amounted to ₹12,000 and were paid by Deepak. Biju was insolvent and only ₹64,000 could be recovered from his estate. Garner *vs.* Murray rule was applied. Prepare realisation account and partners' capital accounts.

(16 marks)

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