

Financial Accounting

153

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 8

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) Branches of accounting
- (ii) General journal
- (iii) Users of accounting information.

(5 marks each)

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

- (i) Outstanding rent is a nominal account.
- (ii) Profit and loss account is a point statement whereas balance sheet is a period statement.
- (iii) A balance in an asset account always signifies a debit balance.
- (iv) Compensatory errors do not disturb agreement of trial balance.
- (v) If the business carried on by a partnership firm becomes illegal, the partnership firm stands dissolved.

(2 marks each)

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

- (i) The value of goods withdrawn by proprietor for personal use is debited to _____ account.
- (ii) Under accounting equation approach, all accounts are divided into three categories namely assets, liabilities and _____.
- (iii) If partners' capital accounts are fixed, drawings made by a partner will be recorded in his _____ account.
- (iv) The maximum number of partners in a partnership firm engaged in other than banking business is _____.

: 2 :

- (v) Fee paid for registration of a building is a _____ expenditure.
- (vi) The three parties to a bill of exchange are drawer, drawee and _____.
- (vii) The concession given by the seller to the buyer on the list price at the time of sale is known as _____.
- (viii) The bank reconciliation statement is prepared on a particular date to reconcile the bank balance as per cash book and bank balance as per _____ book.

(1 mark each)

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

- (i) 'Partnership' and 'joint venture'.
- (ii) 'Double entry system' and 'single entry system'.
- (iii) 'Consignment' and 'sale'.

(4 marks each)

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

- (i) Profit and loss account is prepared by transfer of —
 - (a) Nominal accounts
 - (b) Real accounts
 - (c) Personal accounts
 - (d) Real and nominal accounts.
- (ii) Cash book contains —
 - (a) All cash receipts only
 - (b) All cash payments only
 - (c) All cash receipts and cash payments
 - (d) All transactions for which no special journal has been kept by the business.
- (iii) Bills receivable book is a part of —
 - (a) Journal
 - (b) Ledger
 - (c) Trial balance
 - (d) Profit and loss account.

: 3 :

- (iv) An account to make the trial balance tally temporarily is called —
- (a) Suspense account
 - (b) Profit and loss adjustment account
 - (c) Trading account
 - (d) Profit and loss account.
- (v) When the goods are returned to the supplier, the statement sent to him by the buyer is called —
- (a) Debit note
 - (b) Credit note
 - (c) Invoice
 - (d) Bill of exchange.
- (vi) Income and expenditure account —
- (a) May have a debit opening balance
 - (b) May have a credit opening balance
 - (c) May have either a debit or a credit opening balance
 - (d) Does not have an opening balance.
- (vii) Name of the principal book of accounts is —
- (a) Journal
 - (b) Ledger
 - (c) Subsidiary book
 - (d) Cash book.
- (viii) General reserve is created on the basis of convention of —
- (a) Conservatism
 - (b) Uniformity
 - (c) Materiality
 - (d) Full disclosure.

(1 mark each)

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

- (i) Average clause is applicable only when the amount of insurance policy is less than the value of asset insured.
- (ii) Posting is the process of recording transactions in the ledger accounts based on the entries in the journal.
- (iii) Dissolution of a partnership is different from dissolution of a firm.

(4 marks each)

4. On 31st March, 2012 the following trial balance was extracted from the books of Prakash, a trader :

<i>Debit balances</i>	`	<i>Credit balances</i>	`
Drawings	30,000	Capital	2,80,000
Sundry debtors	2,01,000	Sundry creditors	1,04,010
Interest on loan	3,000	Loan on mortgage	95,000
Cash in hand	20,500	Provision for bad debts	7,100
Stock on 1 st April, 2011	68,390	Sales	21,02,430
Motor vehicles	1,00,000	Purchases return	13,460
Cash at bank	35,550	Discount earned	5,500
Building	1,20,000	Bills payable	26,140
Bad debts	5,250	Rent received	2,400
Purchases	16,64,580		
Sales return	78,210		
Carriage outwards	24,040		
Carriage inwards	29,290		
Salaries	90,970		
Rates and taxes	28,000		
Insurance	910		
Advertising	32,640		
General expenses	34,890		
Bills receivables	68,820		
	26,36,040		26,36,040

: 5 :

Prepare trading and profit and loss account for the year ended 31st March, 2012 and a balance sheet as on that date after making the following adjustments :

- (i) Depreciate building @ 2½% and motor vehicles @ 20%.
- (ii) Interest on loan @ 6% per annum is due for six months.
- (iii) Prepaid insurance on 31st March, 2012 was `150.
- (iv) On 31st March, 2012, the outstanding expenses were :

Salaries	`7,500
Rates and taxes	`3,500
- (v) Provision for bad debts is to be maintained @ 5% on sundry debtors.
- (vi) Manager's commission is to be provided @ 10% on net profit after charging such commission.
- (vii) Stock on 31st March, 2012 was `62,500.

(16 marks)

5. (a) On 15th September, 2012, the premises of a firm was destroyed by fire but sufficient records were saved from which the following information was gathered :

Stock at cost on 1 st April, 2011	73,500
Stock at cost on 31 st March, 2012	79,600
Purchases <i>less</i> return during the year ended 31 st March, 2012	3,98,000
Sales <i>less</i> return during the year ended 31 st March, 2012	4,87,000
Purchases <i>less</i> return during the period from 1 st April, 2012 to 15 th September, 2012	1,62,000
Sales <i>less</i> return from 1 st April, 2012 to 15 th September, 2012	2,31,200

While valuing the stock for preparation of balance sheet as on 31st March, 2012, `2,300 had been written-off on a certain stock which was of a poor selling line, having cost of `6,900. Half of these goods were sold in June, 2012 at a loss of `250 on the original cost of `3,450. The remainder of this stock was now estimated to be worth the original cost, subject to the above exception, gross profit remained at a uniform rate throughout. The stock salvaged was `5,800.

Show the amount of the insurance claim for the loss of goods by fire.

(8 marks)

- (b) The trial balance of Mohan showed a difference which was posted to a newly opened suspense account. Later, the following errors were detected :
- (i) The total of travelling expenses account has been written as `18,500 instead of `17,500.
 - (ii) Goods purchased for `5,000 have been posted from the purchases book to the supplier's account as `3,000.
 - (iii) The sales return of `2,000 from Jayant has been correctly credited to Jayant's personal account, but the transaction has not been recorded in sales return book.
 - (iv) A cheque of `6,000 issued to a supplier towards amount due has been debited to purchases account.
 - (v) A credit sale of `1,000 to Ramesh has been recorded in sales book as `10,000.

Pass the necessary journal entries for rectifying the above errors. Assuming that there are no other errors, prepare a suspense account as it would appear in the ledger.

(8 marks)

6. (a) On 31st March, 2012 the cash book of Gopal showed a bank overdraft of `38,200. On examination of cash book and bank statement, the following differences were noted :

Cheques deposited with bank but not collected by the bank	50,000
Interest on securities collected by the bank, but not yet recorded in the cash book	6,400
In March, 2012 dividends receivable were credited directly to the bank account, but no entries have been passed in the cash book yet	5,000
Cheques issued, but not presented to the bank for payment	1,87,000
Bank charges appearing in the bank statement, but not yet entered in the cash book	1,700

You are required to —

- (i) Show the adjustments required in the cash book.
- (ii) Prepare a bank reconciliation statement as on 31st March, 2012.

(8 marks)

: 7 :

- (b) Jolly, a trader prepares his accounts on the basis of single entry system. He furnishes you the following information :

<i>Assets and Liabilities</i>	<i>On 31st March, 2011</i>	<i>On 31st March, 2012</i>
	(`)	(`)
Cash at bank	4,500	3,000
Cash in hand	300	4,000
Stock in trade	40,000	45,000
Debtors	12,000	20,000
Office equipments	5,000	5,000
Sundry creditors	30,000	20,000
Furniture	4,000	4,000

During the year, Jolly introduced `8,000 as further capital and withdrew `500 every month for his household expenses. Write-off depreciation on furniture @ 10% and on office equipments @ 5%.

Prepare a profit and loss account for the year ended 31st March, 2012 and statement of affairs as on that date.

(8 marks)

7. Anand, Vineet and Manmeet were equal partners in a business. Their balance sheet as on 31st March, 2012 was as under :

<i>Liabilities</i>		<i>Assets</i>	
Bills payable	2,00,000	Bank	2,00,000
Creditors	4,00,000	Stock	2,00,000
Profit and loss account	60,000		
General reserve	3,00,000	Debtors	4,50,000
Capital accounts :		<i>Less : Provision for</i>	
		<i>bad debts</i>	<u>50,000</u>
Anand	6,00,000	Furniture	2,80,000
Vineet	4,00,000	Land and building	12,00,000
Manmeet	<u>3,20,000</u>		
	<u>13,20,000</u>		
	<u>22,80,000</u>		<u>22,80,000</u>

Vineet retired from business on 1st April, 2012. Anand and Manmeet decided to continue the business as equal partners on the following terms :

- (i) Goodwill of the firm was valued at `1,50,000. An adjustment entry was passed without raising goodwill account.

: 8 :

- (ii) Provision for bad debts on debtors was to be maintained @ 10%.
- (iii) The book value of land and building was to be increased to ₹13,20,000.
- (iv) Furniture was to be reduced by ₹80,000.
- (v) Rent outstanding ₹15,000, not provided for as yet, was to be provided.

The remaining partners decided to bring in an equal amount of cash sufficient to pay off Vineet and to maintain the bank balance of ₹2,00,000.

Prepare revaluation account, partners' capital accounts and cash book. Also prepare the initial balance sheet of the new firm.

(16 marks)

8. (a) The following figures appear in the books of Gaurav :

Provision for bad debts as on 1 st April, 2011	8,000
Provision for discount on debtors as on 1 st April, 2011	6,000
Discount allowed during the year ended 31 st March, 2012	8,000
Bad debts written-off during the year ended 31 st March, 2012	4,000
Sundry debtors as on 31 st March, 2012	98,000

Create the provision for bad debts @ 5% and provide for discount allowed on debtors @ 10%.

Show the bad debts account, provision for bad debts account, discount allowed account and provision for discount allowed account.

(8 marks)

- (b) Ramesh sells goods for ₹2,00,000 to Mukesh on 1st January, 2012. On the same day Ramesh draws a bill on Mukesh for three months for the amount. Mukesh accepts it and returns it to Ramesh who discounts it on 4th January, 2012 with his bank @ 12% per annum. The acceptance is dishonoured on due date and the bank pays ₹50 as noting charges. However, Mukesh requests Ramesh to accept ₹6,050 as interest and reimbursement of noting charges and renew the bill for a further period of three months. Ramesh agrees and on the due date, the bill is met by Mukesh.

Pass necessary journal entries in the books of Ramesh.

(8 marks)