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) Accounting policies.

(ii) Capital receipts and revenue receipts.

(iii) Accrual system of accounting.

(5 marks each)

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

(i) Revaluation account is a real account.

(ii) For claiming loss of profit due to fire, it is necessary to take a separate policy.

(iii) Fixed assets are stated in the balance sheet at their market value.

(iv) Interest on capital is an income of the business.

(v) Even if there appears a sports fund in the books of a club, the expenses incurred on sports activities will be debited to income and expenditure account.

(2 marks each)

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

(i) Accounting records only those events which are of ____________ character.

(ii) The amount spent on machinery to keep it in working condition is a ____________ expenditure.

(iii) ____________ method of depreciation is used to have a uniform charge for depreciation.

(iv) The accounting period mostly consists of ____________ months.

(v) Noting charges are paid in the event of ____________ of a bill.

(vi) When cash is withdrawn from the bank, the entries passed in the three columnar cash book are called ____________ entries.

(vii) A sum of ₹2,000 earlier written off as bad debts, is now received, it will be credited to ____________ account.

(viii) In final accounts, carriage inwards appears in ____________ account while carriage outwards appears in profit and loss account.

(1 mark each)

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

(i) 'Fixed capital accounts' and 'fluctuating capital accounts' in partnership accounts.

(ii) 'Invoice' and 'account sales'.

(iii) 'Trial balance by balance method' and 'trial balance by totals method'.

(4 marks each)

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

(i) The ruling of a purchases book does not include —

(a) Ledger folio
(b) Invoice number
(c) Details
(d) Debit and credit columns for amounts.

(ii) The statement showing balance of all the ledger accounts is known as —

(a) Trial balance
(b) Balance sheet
(c) Bank reconciliation statement
(d) Account sales.

(iii) At the time of admission of a new partner, reserves and undistributed profits are credited to old partners' capital accounts in —

(a) Old profit-sharing ratio
(b) New profit-sharing ratio
(c) The ratio of sacrifice
(d) The ratio of gain.

(iv) Which of the following item is not financial in nature —

(a) Purchase of a car on credit
(b) Dismissing an employee from job
(c) Withdrawal of cash by proprietor for his personal use
(d) Purchase of building for cash.

(v) Which of the following will be goods for a business run by a furniture merchant —

(a) Electrical appliances
(b) Shoes
(c) Tables and chairs
(d) Pens and pencils.

(vi) Balance of a petty cash book denotes —

(a) An expense
(b) An asset
(c) A liability
(d) Capital.

(vii) Balance sheet discloses —

(a) Cash position of the business
(b) Financial position of the business
(c) Income position of the business
(d) Profit-earning capacity of the business.

(viii) Capital + liabilities =

(a) Total assets
(b) Losses
(c) Current assets
(d) Fixed assets.

(1 mark each)

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

(i) If stock at the end appears in the trial balance, it will be shown only in the balance sheet in final accounts.
(ii) Joint venture is in the nature of a partnership but without a firm's name.
(iii) Accounting is a science as well as an art.

(4 marks each)

4. (a) The cash book of Giriraj shows a balance of ₹44,000 standing to his credit in bank on 30th June, 2011. On comparison of entries in the cash book with those in the pass book, it is found that —

(i) Cheques amounting to ₹60,000 issued to creditors have not been presented till that date.

(ii) Cheques amounting to ₹55,000 only were collected by bank upto 30th June, 2011 out of the cheques of ₹1,05,000 paid into bank.

(iii) A dividend of ₹10,000 received by bank has not been recorded in cash book.

(iv) Insurance premium (upto 30th June, 2011) paid by the bank ₹2,700 has not been recorded in the cash book.

(v) A bill receivable for ₹6,000 discounted with bank at a discount of ₹100 has not been recorded in the cash book.

Record in the bank column of the cash book entries not yet recorded, ascertain the amended bank balance as per cash book and then prepare a bank reconciliation statement showing bank balance as per pass book.

(8 marks)

(b) While preparing final accounts on 31st March, 2011, the trial balance of Suman did not match. Suman transferred the difference to a newly opened suspense account. In the next accounting period, the following errors were discovered in the books of account for the year 2010-11 :

(i) The total of the sales book for January, 2011 was short by ₹2,500.

(ii) Entertainment expenses ₹375 incurred on 5th February, 2011 were omitted to be posted from the cash book to the ledger.

(iii) Discount column on the receipt side of the cash book for February, 2011 was added as ₹5,575 instead of ₹5,325.

Pass the necessary journal entries to rectify the abovementioned errors without affecting the profit for the year ended 31st March, 2011. Also prepare — (i) Suspense account; and (ii) Profit and loss adjustment account. Assume that all the errors have been located.

(8 marks)

5. On 31st March, 2011, the capital accounts of three partners, namely X, Y and Z stood at ₹8,00,000, ₹6,00,000 and ₹4,00,000 respectively after making adjustments for profit for the year and drawings during the year. Subsequently, it was discovered that interest on capital, and on drawings had been omitted to be charged both being @ 5% per annum. The drawings during the year were X : ₹2,00,000; Y : ₹1,30,000; Z : ₹90,000 and interest on drawings chargeable to partners were X : ₹5,000; Y : ₹3,600; and Z : ₹2,000. The profit for the year amounted to ₹12,00,000 to be distributed among X, Y and Z in the ratio of 3:2:1 respectively. You are required to prepare —

(i) Statement showing capital as on 1st April, 2010.

(ii) Profit and loss adjustment account.

(iii) Partners' capital accounts, showing the amended closing balances as on 31st March, 2011.

(16 marks)

6. (a) On 1st July, 2011, Sohan sold to Mohan goods for ₹10,00,000. On the same date, Mohan accepted four bills drawn by Sohan on him, the first bill being for ₹1,00,000 at 1 month, the second bill for ₹2,00,000 at 2 months, the third bill for ₹3,00,000 at 3 months and the fourth bill for ₹4,00,000 at 4 months.

Sohan decided to keep the first bill till maturity with himself. On 4th July, 2011, he got the second bill discounted with the bank @ 12% per annum. On 29th July, 2011, he endorsed the third bill for ₹3,00,000 in favour of his creditor Tahir and sent the fourth bill for ₹4,00,000 to his bank for collection on the date of maturity.

All the bills were duly met on due dates.

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

(8 marks)

(b) A fire broke out on 10th January, 2011 in the premises of Vikrant Ltd. The entire stock was destroyed except to the extent of ₹2,48,000. From the following figures, ascertain the amount of loss suffered by the company :

	₹
Book value of opening stock as on 1st April, 2009	14,40,000
Purchases during the accounting year ended 31st March, 2010	58,00,000
Sales *less* returns during the accounting year ended 31st March, 2010	80,00,000
Book value of closing stock as on 31st March, 2010	9,00,000
Purchases from 1st April, 2010 to 10th January, 2011	58,40,000
Sales from 1st April, 2010 to 10th January, 2011	75,60,000

It is the practice of the company to value stock at 20% less than cost. On 1st April, 2010, the company raised the prices by 10%.

(8 marks)

7. For Roshanara Club, prepare the receipts and payments account for the year ended 31st March, 2011 and the balance sheet as on that date from the following information :

Income and Expenditure Account for the year ended 31st March, 2011

Expenditure	₹	*Income*	₹
To Drama expenses	68,300	By Subscriptions	1,50,000
To Salaries	1,00,000	By Donations	20,000
To Postage and stationery	4,800	By Surplus from annual meet	26,000
To Printing of souvenirs	56,000	By Sale of souvenirs	1,24,000
To Journals and newspapers	3,500		
To General expenses	19,000		
To Insurance	11,800		
To Depreciation on fixed assets	13,000		
To Surplus, *i.e.*, excess of income over expenditure	43,600		
	3,20,000		3,20,000

Additional information :

	As on 31st March, 2010 (₹)	*As on 31st March, 2011 (₹)*
Subscriptions due	8,000	12,000
Subscriptions received in advance	3,000	2,000
Salaries outstanding	7,000	7,500
Prepaid insurance	3,800	4,000

The club had sports equipments on 1st April, 2010 valued at ₹55,000 and at the end of accounting year 2010-11 after depreciation of ₹11,000, it amounted to ₹60,000. Also, the club had furniture costing ₹20,000 at the beginning of the year and as on 31st March, 2011 after depreciation of ₹2,000, it amounted to ₹30,000. On 31st March, 2011, cash in hand amounted to ₹24,500.

(16 marks)

8. (a) A lease is purchased on 1st April, 2006 for 5 years at a cost of ₹5,00,000. The firm decided to depreciate the lease by annuity method charging interest @ 10% per annum. Show the lease account for the entire period of 5 years assuming that accounts are closed every year on 31st March.

A reference to the annuity table shows that to depreciate ₹1 by annuity method over 5 years, charging interest @10% per annum, one must write off a sum of ₹0.263797 every year.

(8 marks)

(b) A trader does not maintain proper books of account as required under the double entry system. However, he prepares a statement of affairs at the end of every accounting year on 31st March and maintains a proper cash book. An analysis of his cash book for the accounting year ended 31st March, 2011 reveals the following figures for the year :

	₹
Cash received from sundry debtors	4,01,150
Discount allowed to sundry debtors	3,960
Cash paid to sundry creditors	2,08,460
Discount received from sundry creditors	3,010
Amount received on maturity of bills receivable	35,000
Amount paid for bills payable	67,000
Cash purchases	97,500
Cash sales	1,65,000

Statements of affairs reveal the following :

	As on 31st March, 2010 (₹)	*As on 31st March, 2011 (₹)*
Sundry debtors	44,250	59,490
Sundry creditors	26,910	38,000
Bills receivable	5,000	6,000
Bills payable	11,000	13,000

Ascertain total sales and total purchases for the year.

(8 marks)

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