



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.com. DEGREE EXAMINATION – CORPORATE SEC.

FIRST SEMESTER – NOVEMBER 2013

BC 1502/BC 2501/BC 2500 – FINANCIAL ACCOUNTING

Date : 12/11/2013
Time : 1:00 - 4:00

Dept. No.

Max. : 100 Marks

SECTION – A

ANSWER ALL THE QUESTIONS:

(10 x 2 =20)

1. What is Balance sheet?
2. What is net worth method?
3. A company purchased a second hand plant for Rs. 30,000. It immediately spent on it Rs. 5000. The plant was put to use on 1-1-90. After having used it for six years, it was sold for Rs. 15,000. You are required to calculate profit or loss on plant. The rate of depreciation is 10%. Company follows straight line method.
4. Ascertain the amount of claim under average clause from the following information:
Sum insured: Rs. 36,000; stock which is valued on the date of fire Rs. 60,000; stock salvaged was Rs. 12,000.
5. Calculate the capital at the beginning of the year:
Capital at the end Rs. 35,000; Drawings during the year Rs. 5,000; Capital introduced Rs. 2,500; Profit during the year Rs. 10,000.
6. From the following particulars, calculate the closing branch debtors
Branch Debtors (1.1.08) Rs. 6,300; Credit sales Rs. 39,000; Cash received from debtors Rs. 41,200.
7. Prepare Trading account of a trader for the year ending 31st December 2009.
Opening stock Rs. 50,000; purchases Rs. 2,80,000; Freight and packing Rs. 20,000 ;
Closing stock Rs. 60,000; sales Rs. 3,80,000; Packing expenses on sales for distribution Rs. 12,000.
8. What is repossessed stock?
9. Describe any four causes for depreciation.
10. How do you allocate the following expenses in departmental accounts?
a) Salaries b) Lighting c) Discount allowed d) Rent and taxes

SECTION – B

ANSWER ANY FIVE QUESTIONS:

(5 x 8=40)

11. Define Depreciation. Briefly explain the reducing balance method of providing depreciation and its merits and demerits.
12. Distinguish between Single entry system and Double entry system of accounting

13. Prepare Branch Account showing the profit or loss of the branch:

	(Rs.)
Opening stock at the branch	30,000
Goods sent to branch	90,000
Sales (cash)	1,20,000
Expenses:	
Salaries	10,000
Other expenses	4,000

Closing stock could not be ascertained, but it is known that the branch usually sells at cost plus 20%. The branch manager is entitled to a commission of 5% on the profit of the branch after charging such commission.

14. X, the proprietor of a departmental store, decided to calculate separate profits for his two departments L and M for the month ending 31st December. Stock on 31st December could not be valued for certain unavoidable reasons but his rates of gross profit on sales for the two departments are 40% and 30%. The following figures are

	Dept L (Rs.)	Dept M (Rs.)
Opening stock	9,000	8,400
Sales	42,000	36,000
Purchases	27,000	21,600
Direct expenses	5,490	8,520

Indirect expenses for the whole business containing five departments are Rs. 10,800 which are to be charged in proportion to department sales except as to 1/6th, which is to be divided equally. Sales for the remaining three departments were Rs. 1,02,000. Prepare a statement showing profits for the two departments.

15. A fire occurred in the premises of a company on 15-10-2002. From the following, ascertain the loss of stock and prepare a claim for insurance.

	(Rs.)
Stock on 1-1-2001	30,600
Purchases from 1-1-2001 to 31.12.2001	1,22,000
Sales from 1-1-2001 to 31.12.2001	1,80,000
Stock on 31-12-2001	27,000
Purchases from 1-1-2002 to 15.10.2002	1,47,000
Sales from 1-1-2002 to 15.10.2002	1,50,000

The stocks were always valued at 90% of cost. The stock saved from fire was worth Rs. 18,000. The amount of policy was Rs. 63,000. There was an average clause in the policy.

16. A & Co. having its head office at Delhi with branches at Lucknow and Allahabad close its annual accounts on 31st March, when the following transactions have taken place.

- Remittances of Rs. 45,000 made by Lucknow branch to its head office on 30th March received by the head office on 5th April.
- Goods valuing Rs. 22,000 despatched by Allahabad branch on 27th March under instructions from the head office and received by the Lucknow branch on 30th March
- Depreciation amounting to Rs. 11,000 on Lucknow branch fixed assets when accounts of such assets are maintained at the head office.
- Goods worth Rs. 9,000 despatched by the head office to Allahabad branch on 30th March received by that branch on 7th April.

Show the journal entries in the books of the head office and the Lucknow branch as at the close of the year.

17. Raj purchased some second hand machinery on 1st April 2003 for Rs. 3,70,000 and installed it at a cost of RS. 30,000. On 1st October 2004, it purchased another machine for Rs. 1,00,000 and on 1st October 2005, it sold off the first machine purchased in 2003 for Rs. 2,80,000.

On the same date it purchased a machinery for Rs. 2,50,000. On 1st October 2006, the second machinery purchased for Rs. 1,00,000 was also sold off for Rs. 20,000

In the beginning depreciation was provided on machinery at the rate of 10% p.a. on the original cost each year on 31st March. However, the trader changed the method of depreciation and adopted the written down value method @15% p.a. from 2003-2004

Prepare Machinery A/c.

18. Rangan has kept his books under single entry system. His position as on 31-12-2004 and 31-12-2005 was as follows:

	31-12-2004 (Rs.)	31-12-2005 (Rs.)
Cash in hand	1,000	1,500
Cash at Bank	15,000	10,000
Stock	1,00,000	70,000
Debtors	42,500	85,000
Furniture	10,000	10,000
Machinery	75,000	75,000
Creditors	1,25,000	1,45,000

During the year 2005, he introduced Rs. 25,000 as additional capital and withdrew Rs. 5,000 per month. Depreciate furniture by 5% and machinery by 10% per year. Ascertain profit for the year ended 31-12-2005 and prepare a balance sheet as on that date.

SECTION – C

ANSWER ANY TWO QUESTIONS:

(2 x20=40)

19. The following are the balances extracted from the books of Mr. Rajesh as on 31st December 2009.

	(Rs.)		(Rs.)
Rajesh's Capital	20,000	Reserve for discount on Debtors	200
Drawings	3,500	Loan at 9%	5,000
Building	10,000	Salaries	4,400
Machinery	2,500	Wages	7,500
Furniture and Fittings	600	Rent	2,750
Opening Stock	12,500	Travelling expenses	1,250
Cycle	400	Postage and Telegram	135
Purchases	75,000	Rates and Taxes	90
Sales	1,25,000	Carriage inwards	2,500
Sales returns	5,000	bad debts	300
Duty paid on purchases	15,000	Carriage outwards	750
Debtors	10,000	Interest paid	375
Creditors	7,500	General charges	900
Reserve for bad debts	400	Cash on hand	250
Cash at bank	2,400		

The following adjustments are necessary:

- 1) Stock on 31.12.2009 Rs. 14,000
 - 2) Provide the following outstanding: salary Rs. 400; Rent Rs. 250; Wages Rs. 600 and interest outstanding Rs. 75
 - 3) Maintain the reserve for doubtful debts at 5% and reserve for discount on debtors at 2 ½ %
 - 4) Provide depreciation for building 2 ½ %, Machinery 10%, Furniture 6%, Cycle 15%.
- Prepare Trading and Profit and Loss account and Balance Sheet as on that date.

20) Mr. Eden who keeps his books by single entry gives you the following information for the year ended 31st March 2012.

<u>Cash Book</u>			
To Bank balance	4,350	By Drawings	15,520
To Debtors	38,400	By Creditors	27,100
To B/R realized	12,000	By B/P Paid	9,300
To Commission received	1,500	By Wages	32,000
To Cash sales	48,600	By Salaries	16,500
To Balance c/d	3,350	By Rent and taxes	4,400
		By Insurance	800
		By Carriage	1,250
		By Advertising	1,330
	<u>1,08,200</u>		<u>1,08,200</u>

Particulars of other assets and liabilities:

	<u>1-4-2012(Rs.)</u>	<u>31-3-2013 (Rs.)</u>
Stock on hand	18,700	23,400
Debtors	12,000	14,000
Creditors	9,000	1,500
B/R	4,000	5,000
B/P	1,000	1,200
Furniture	600	600
Machinery	12,000	12,000

A provision of Rs. 1,450 is required for doubtful debts and depreciation at 5% is to be written off on machinery and furniture. Rs. 3,000 is outstanding for wages and Rs. 1,200 for salaries. Insurance had been prepaid to the extent of Rs. 250. Legal expenses are outstanding to the extent of Rs. 700. Find out the profit or loss under conversion method.

21) Ramu purchased four machines of Rs. 14,000 each by the hire purchase system. The hire- purchase price for all the four machines was Rs. 60,000 to be paid as Rs. 15,000 down and three instalments of Rs. 15,000 each at the end of each year. Depreciation is written off at 10% per annum on the straight line method. Interest is charged at 5% p.a.

Down payment and first instalment were paid. On the default, vendor took possession of three machines leaving one machine with buyer. The machines were taken by the vendor at a depreciated value of 20% p.a. under written down value method. Vendor spent Rs. 1,200 on repairs and sold the three machines for Rs. 35,000. Give the ledger accounts in the books of Ramu and Hire Vendor.

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