

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – COMMERCE

FIRST SEMESTER – APRIL 2010

CO 1500 - FINANCIAL ACCOUNTING

Date & Time: 28/04/2010 / 9:00 - 12:00 Dept. No.

Max. : 100 Marks

PART – A

Answer ALL Questions

(10 x 2 = 20 marks)

1. What is depreciation?
2. State any two differences between Hire purchase and installment systems.
3. What should be the basis of allocation for the following expenses under Department Accounts?
(a) Lighting (b) Rent and Taxes
4. What do you mean by “Average Clause” in fire insurance?
5. Calculate gross profit and cost of goods sold from the following information:-
Net Sales Rs.2,00,000
Gross Profit is 25% on cost.
6. Calculate debtor's balance at the end:

	Rs.		Rs.
Opening Debtors	40,000	Bad debts	4,000
Total Sales	1,60,000	Returns Inward	1,000
Cash Sales	20,000	Bills received from customers	18,000
Cash received from customers	60,000		

7. The kanpur shoe company opened a branch at Delhi in 2008. From the following particulars prepare Delhi Branch A/c for the year 2008:-

	Rs.
Goods sent to branch	15,000
Cash sent to branch for expenses	6000
Cash received from the branch	24,000
Stock on 31.12.08	2,300
Petty cash in hand	40

8. On April 1, 2005 shyam purchased a plant on hire-purchase system. As per the agreement Rs.80,000 was to be paid on the signing of the contract. The balance was to be paid in four annual installments of Rs.50,000 each plus interest. The cash price of the plant was Rs.2,80,000. Interest chargeable on outstanding balance was 20% p.a. you are required to calculate interest.
9. Calculate insurance claim from the following facts assuming that the insurers met their liability under the policy on 'average basis'.
A trader's stock valued at Rs.40,000 was totally destroyed. The stock in the godown was insured for Rs.30,000 subject to average clause. The balance of stock, left after fire, appeared in the books at Rs.24,000.
10. Calculate profit made by Mr. Rafi who maintains his books on single entry system, from the following information:

	Rs.
Capital at the beginning of the year	32,000
Capital at the end of the year	36,000
Drawings during the year	10,000
Capital introduced during the year	6,000

PART – B

Answer any FIVE questions

(5 x 8 = 40 marks)

11. Explain the salient features of Single entry system.
12. What are departmental Accounts? What are the objectives of preparing such accounts?
13. Discuss the causes for depreciation.
14. Following information is available in respect of three departments of a departmental stores namely A, B and C for the quarter ended March 31, 2002.

	A Rs.	B Rs.	C Rs.
Stock 1.1.2002	30,000	35,000	15,000
Purchases to March 31, 2002	35,000	37,500	23,500
Sales of March 31, 2002	60,000	50,000	30,000
Direct expenses	10,100	7,250	3,550

The normal rates of gross profits are A- 40% b-30% and C-20% on turnover. Indirect expenses are charged in proportion to departmental Turnover. Total indirect expenses for the period (including those relating to other departments) were Rs.21,000 on total sales of Rs.4,20,000.

Prepare a statement showing gross profit, net profit after making a reserve for stock at 10% in respect of each department for the quarter ended march 31, 2002.

15. Below are given particulars from the books of shriram, a trader, for the month of October, 2008.

	Rs.		Rs.
October 1,2008 Opening balance	30,000	October 31, 2008 Bills dishonoured	1,500
October 31, 2008 Total Sales for the month	90,000	Discount allowed to Debtors	400
Sales returns	500	Bad debts	350
Cash received from debtors	40,000	Transfer from another ledger	750
Bills Receivable	15,000	Bills Receivable endorsed to suppliers	1,200

You are required to prepare the relative 'Sales ledger' and 'general ledger' adjustment accounts.

16. On 31st December 2008, as five occurred on the premises of a firm which carried on the business of general merchandise. The following was ascertained from various books, which were saved from fire:

	Rs.
Sales from 1 st January to 31 st December 2008	12,80,000
Purchases from 1 st January to 31 st December 2008	8,40,000
Stock on hand on 31 st December 2007	2,36,000

Gross profit for the past five years had averaged at 35% on sales. The value of stock salvaged was agreed at Rs.25,000. Prepare a statement showing amount of claim on the insurance company. There was no average clause in the policy.

17. An asset is purchased for Rs.1,60,000 under hire-purchase agreement on 1.1.2006. The amount payable is Rs.40,000 on 1.1.2006 on entering the agreement and the balance in three annual installments of Rs.50,000 each at the end of each year. Depreciation is charged at 10% an written down value method. Show the asset account and the hire vendor's account in the books of the purchaser.
18. A machine was purchased on 1st July 2003 at a cost of Rs.14,000 and Rs.1,000 was spent on its installation. The depreciation is written off at 10% on the original cost every year. The books are closed on 31st December each year. The machine was sold for Rs. 9,500 on 31st March 2006. Show machinery account for all the years.

PART – C

Answer any TWO questions

(2 x 20 = 40 marks)

19. The following are the balances extracted from the books of Ganesh as on 31.12.2008. Prepare Trading and Profit and Loss Account for the year ending 31.12.2008 and a Balance sheet as on that date.

Trial Balance as on 31.12.2008.			
Debit Balances	Rs.	Credit Balances	Rs.
Drawings	4,000	Capital	20,000
Cash at Bank	1,700	Sales	16,000
Cash in hand	6,500	Sundry Creditors	4,500
Wages	1,000		
Purchases	2,000		
Stock 1.1.2008	6,000		
Buildings	10,000		
Sundry Debtors	4,400		
Bills Receivable	2,900		
Rent	450		
Commission	250		
General expenses	800		
Furniture	500		
	40,500		40,500

The following adjustments are to be made:-

- a) Stock on 31.12.2008 was Rs.4,000.
 - b) Interest on capital at 6% to be provided
 - c) Interest on Drawings at 5% to be provided
 - d) Wages yet to be paid Rs.100
 - e) Rent prepaid Rs.50
20. Crown Industries, Mumbai has a branch at Madurai to which goods are invoiced at cost plus 25%. The branch makes sales both for cash and on credit. Branch expenses are paid direct from head office and the branch remits all cash to head office.
From the following details, prepare the necessary ledger accounts in Head office books to calculate profits as per the stock and Debtors system.

	Rs.
Goods received from H.O. at invoice price	60,000
Returns to H.O. at Invoice price	1,200
Branch stock on April 1, 2002 at invoice price	6,000
Cash sales	20,000
Credit sales	36,000
Branch Debtors on April 1, 2002	7,200
Cash collected from Debtors	32,000
Discount allowed to Debtors	600
Bad debts on the year	400
Goods returned by Debtors to branch	800
Rents, rates and taxes at branch	1,800
Branch office expenses	600
Branch stock at invoice price on March 31, 2003	12,000

21. Mehfooz owned the patent of a safety lock, Rao & company acquired the right to manufacture and sell locks for six years on the following terms.
- (a) Rao & co to pay Mehfooz a royalty of Rs.5 for each lock sold with a minimum annual payment of Rs.50,000. Accounts to be settled annually on 31st December.
 - (b) If in any year the royalty calculated on locks sold amounted to less than Rs.50,000, Rao & co is to have the right to deduct the deficiency from the royalty payable in excess of that sum in the two following years.

The number of locks sold was as follows:-

	Rs.
Year ended 31 st December 2002	8,000
2003	9,000
2004	11,000
2005	19,000

You are required to prepare necessary ledger accounts to record the above royalty transactions in the books of Rao & co which are closed annually on 31st December.

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