LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.com. DEGREE EXAMINATION – **COMMERCE**

FIRST SEMESTER – **NOVEMBER 2013**

CO 1500 – FINANCIAL ACCOUNTING

Date : 12/11/2013 Dept. No. Max. : 100 Marks
Time : 1:00 - 4:00

PART - A

Answer **ALL** questions: (10x2=20marks)

1. What is Average Clause?
2. What are inter-departmental transfers?
3. Write a short note on Minimum Rent.
4. Goods of Rs. 80,000 of M/s Raju & Sons are insured for Rs.70,000 subject to average clause. Loss due to fire is assessed at Rs.16,000. Calculate what claim the insured will get from the insurers.
5. Compute Opening branch debtors balance from the following transactions:

Credit sales	Rs.51,000
Received from debtors by the branch	Rs.42,500
Branch debtors (closing)	Rs. 7,700
Discount allowed to customers by branch	Rs. 1,800

6. From the following facts, you are required to determine the amount of total sales.

Stock at the beginning	Rs. 8,000
Purchases	Rs. 40,000
Stock at the end	Rs. 7,000
Rate of Gross Profit on Sale	1/6

7. A) Expenses which can be directly identified with or incurred for particular departments are called -------------- expenses.

   B) Profit/Loss = ----------- + Drawings – Opening Capital – Additional Capital.

8. Match the following:

a. Carriage Inward	-	Under insurance
b. Indirect expenses	-	Purchase value
c. Average clause	-	Original cost
d. Straight line method	-	Debenture interest

9. a) Branch a/c is ----------- a/c in nature.

   (i) Personal (ii) Real (iii) Nominal

   b) When goods are sent to branch at cost price --------- account need not be prepared.

   (i) Branch debtors a/c (ii) Branch Adjustment a/c (iii) Branch expenses a/c

10. An asset is purchased for Rs.1,00,000. The rate of depreciation is 10%. Calculate the annual depreciation for the first two years under the diminishing balance method.

PART – B

Answer any **FIVE** questions: (5x8=40marks)

11. What are the causes for depreciation?
12. Distinguish between Single Entry and Double Entry System.
13. What are the bases on which common expenses are apportioned among departments?
14. A company whose accounting year is the calender year, purchased on 1st April, 2002 machinery costing Rs.30,000. It purchased further machinery on 1st October, 2002 costing Rs.20,000 and on 1st July 2003, costing Rs.10,000. On 1st January 2004 one third of the machinery installed on 1st April, 2002 became obsolete and was sold for Rs.3,000. Show how machinery account would appear in the books of the company assuming that machinery was depreciated by Fixed Instalment method at 10% per annum.
15. Chidambaram commenced business on 1st January 2000 with capital of Rs.20,000. Soon thereafter, he bought furniture and fixture for Rs.4,000. On 30th June, 2000 he borrowed Rs.10,000 from his brother at 12% per annum (interest not yet paid) and introduced a further capital of his own amounting to Rs. 3,000. He withdrew @ Rs.600 p.m. at the end of each month for household expenses. On 31st December, 2000 his position was as follows:
    Cash in hand Rs.400; Cash at bank Rs.5,200; Sundry Debtors Rs.9,600; Stock Rs.10,000; Bills Receivable Rs.3,200; Sundry Creditors Rs.1,000 and owing for rent Rs.300.
    Furniture and Fittings are to be depreciated by 10%. Ascertain the profit or loss made by Chidambaram during 2000.
16. Mehta Ram of Ram Nagar purchased goods for his three departments as follows:
    Dept X - 200 units;
    Dept Y- 1,400 units; Total cost Rs.5,100
    Dept Z - 400 units;
    Sales of the three departments were as follows.
    Dept X – 180 units @ Rs.15 per unit
    Dept Y – 1,500 units @ Rs.18 per unit
    Dept Z -- 450 units @ Rs.6 per unit
    Other information about stock in the beginning was as follows:
    Dept X - 100 units
    Dept Y - 400 units
    Dept Z - 60 units
    Mehta Ram informs you that the rate of gross profit is the same in all departments.
    You are required to prepare Departmental trading A/c.
17. X Ltd has given its coal mine to Z Ltd. It was decided that royalty of Rs.10 per tonne of coal extracted is to be paid by Z Ltd. Minimum rent per year would be Rs.80,000 and if there is any shortworkings it should be recouped within the first 2 years of lease. The production for the first three years is as follows:

Year	2006	2007	2008
Quantity produced (tonnes)	5,000	9,000	8,000

    Give journal entries in the books of the Landlord.
18. A fire occurred in the premises of a company on 15-10-2007. From the following particulars ascertain the loss of stock and prepare a claim for insurance.

	Rs.
Stock on 1.1.2006	30,600
Purchases from 1.1.2006 to 31.12.2006	1,22,000
Sales from 1.1.2006 to 31.12.2006	1,80,000
Stock on 31.12.2006	27,000
Purchases from 1.1.2007 to 15.10.2007	1,47,000
Sales from 1.1.2007 to 15.10.2007	1,50,000

    The stock 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.

PART – C

Answer any **TWO** of the following: (2x20=40marks)

19. Prepare Trading, Profit and Loss a/c and Balance Sheet as on 31st March 2004.

	Rs.
S.Chandra's capital account	1,19,400
S.Chandra's drawings account	10,550
Sundry creditors	59,630
6% loan account (credit)	20,000
Cash in hand	3,030
Cash at bank	18,970
Sundry debtors (including Kalpana for dishonoured bill of Rs.1,000)	62,000
Bills receivable	9,500
Provision for doubtful debts	2,500
Fixtures and fittings	8,970
Plant and Machinery	28,800
Stock on 1st April 2003	89,680
Purchases	2,56,590
Manufacturing wages	40,970
Sales	3,56,430
Return inwards	2,780
Salaries	11,000
Rent and taxes	5,620
Interest and discount (debit)	5,870
Travelling expenses	1,880
Repair and renewals	3,370
Insurance (including premium of Rs.300 per annum paid upto 30th Sep 2005)	400
Bad debts	3,620
Commission received	5,640

Adjustments:

1. Stock on hand on 31st March 2004 was Rs. 1,28,960.
2. Write off half of Kalpana's dishonoured bill.
3. Create a provision of 5% on sundry debtors.
4. Charge 5% interest on capital.
5. Manufacturing wages include Rs.1,200 for erection of new machinery purchased last year.
6. Depreciate plant and machinery by 5% and fixtures and fittings by 10% per annum.
7. Commission earned but not received amount to Rs.600.
8. Interest on loan for the last two months is not paid.

20. Arun Agencies opened a branch in Vellore on 1st January 2000. Goods were invoiced at selling price which was at cost plus 25%. From the following particulars relating to the year 2000, you are required to prepare different accounts under, the stock and debtors system.

		Rs.
Goods sent to branch		30,000
Sales:		
Cash		10,000
Credit		14,000
Goods returned by customers		300
Cash received from customers		8,000
Discount allowed		100
Cash remitted to branch for:		
	Rent and Rates	150
	Salaries	600
	Sundry expenses	100
Defective goods written off		100
Goods returned by branch		1,200
Stock at the end		5,000

21. Raja purchased four machines of Rs.7,000 each by the Hire Purchase system. The hire-purchase price for all the four machines was Rs.30,000 to be paid at Rs.7,500 down and three instalments of Rs.7,500 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 machines leaving one machine with buyer. The machines were taken by the vendor at a depreciated value of 20% per annum under written down value method. Vendor spent Rs.600 on repairs and sold the three machines for Rs.17,500.

Give the ledger accounts in the books of Raju and Hire Vendor.

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