



# LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

## B.com. DEGREE EXAMINATION – COMMERCE

FIRST SEMESTER – NOVEMBER 2013

### CO 1502 – FINANCIAL ACCOUNTING

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

Dept. No.

Max. : 100 Marks

#### PART - A

ANSWER ALL QUESTIONS:

(10 x 2 = 20)

1. Distinguish between branch accounts and departmental accounting?
2. What is the need of inflation accounting?
3. Prepare trading account  
Opening stock 80,000, purchases 8,60,000, wages 52,000, sales 14,40,000, purchase returns 10,000, sales returns 3,16,000, closing stock 1,00,000
4. Calculate drawings : profit for the year 28,900. Opening capital 60,500, closing capital 1,04,460, additional capital 20,000.
5. Calculate closing stock given opening stock 15,000, goods sent to branch 45,000 sales is 60,000 and the branch usually sells at cost plus 20%.
6. On 1.1. 2010 X brought some cars for 51,000 payable by three equal installments combining principal and interest, the latter being a normal rate of 5% per annum. Calculate the cash price given the present annuity of one rupee for three years at 5% is Rs 2.72325
7. In departmental accounting on what basis the following expenses are apportioned  
i. Lighting      ii. Rent      iii. Bad debts      iv. Workmen amenities
8. What do you understand by stock reserve?
9. A company purchased a plant for Rs 50,000. The useful life of the plant is 10 years and the residual value is Rs 10,000. Find out the rate of depreciation under the straight line method.
10. Write any two objectives of social responsibility accounting.

#### PART - B

ANSWER ANY FOUR QUESTIONS:

(4 x 10 = 40)

11. Distinguish between Hire Purchase system and Installment system.
12. (i) What are limitations of Historical Accounts? (ii) Describe the different methods of Inflation Accounting.
13. From the following prepare final accounts of Mr. Ram.

	Rs.	Rs.
Cash	1,000	
Stock	3,500	
creditors		3,900
Debtors	19,200	
Drawings	5,230	
Sales		92,800
Purchases	81,200	
Wages	7,200	
General expenses	5,170	
Furniture	4,000	
Goodwill	3,000	
Capital		32,700
	<b>1,29,400</b>	<b>1,29,400</b>

Adjustments:

1. Depreciate furniture by 10%
2. Closing stock Rs 4,500. Due to price fall it is decided to write off stock by 10%
3. Private purchases of Rs 100 is included in the purchases.
4. Wages outstanding is Rs 50

14. A firm had two departments Timber and Furniture was made by the firm itself out of the timber supplied by the Timber department as its usual selling price. From the following figures prepare departmental Trading and profit and loss account for the year 2010

	Timber	Furniture
	Rs.	Rs.
Opening stock	3,00,000	50,000
Purchases	20,00,000	15,000
Sales	22,00,000	4,50,000
Transfer to Furniture department	3,00,000	-
Expenses Manufacturing	-	60,000
Selling	20,000	6,000
Closing Stock	2,00,000	60,000

The stock in the Furniture department may be considered as consisting of 75% of timber and 25% other expenses. Timber department earned gross profit at the rate of 20% in 2009. General expense of the business as a whole came to Rs.1,10,000.

15. On 1<sup>st</sup> Jan 2000 Mr. D took delivery of one motor cycle on hire purchase system from Auto car ltd. Rs. 2000 being paid on delivery and the balance in five installments of Rs 3000 each payable annually on 31<sup>st</sup> Dec. The vendor company charges interest at 5% per year on yearly balance. The cash down value of motor cycle was Rs 15,000

Show the vendors account, Motor cycle a/c and interest calculations in the books of d for five years. Provide depreciation at the rate of 20% on diminishing balance.

16. X ltd which depreciates its machinery at 10% diminishing balance method had on 1<sup>st</sup> Jan 2004 Rs 4,86,000 to the debit of Machinery account

During 2004 part of the machinery purchased on 1<sup>st</sup> Jan 2002 for Rs 60,000 was sold for Rs 40,000/. On 1<sup>st</sup> July 2004 a new machinery at a cost of Rs. 70,000 was purchased and installed at the same date installation charges being Rs 5,000

The company wanted to change its method of depreciation from Diminishing balance method to straight line method with effect from 1<sup>st</sup> Jan 2002 and adjust the difference before 31<sup>st</sup> December 2004. The rate of depreciation remains the same as before.

Show the machinery account for 2004.

17. A head office in Bombay sends goods to its branch at Madras marked 20% above cost. From the following particulars show how the branch account will appear in the head office books. Also give the journal entries necessary for the head office to adjust the branch account for arriving at the profit or loss made by the branch

	Rs		Rs.
Stock on 1.7.2010 at branch	1,800	Cheques sent to branch	
		Salary	900
		Rent	150
		Petty cash	<u>110</u>
			1,160
Debtors as on 1.7.2010 at branch	3,000	Stock at branch on 30.6.2011	3,000
Petty cash in hand at branch	30	Debtors as on 30.6.2011 at branch	4,800
Goods supplied to the branch	30,000	Petty cash in hand at branch on 30.6.2011	20
Remittance from the branch			
Cash sales	6000		
Money received from Debtors	<u>21,000</u>		
	27,000		

**PART - C**

ANSWER ANY **TWO** QUESTIONS:

(2 x 20 = 40)

18. Mr. Joseph carries on a small business but he does not maintain a complete set of account books. He banks all receipts and makes all payments by cheques. From such records you are required to prepare the Trading and profit and loss account and balance sheet as on 31<sup>st</sup> December 2004.

Receipts as on 31<sup>st</sup> Dec 2004.

Cash from debtors	35,250
Cash sales	8,250
Sale proceeds of his scooter	5,000

Payments as on 31<sup>st</sup> December 2004

Furniture's purchased	1250
Drawings	3,000
Wages	13,450
Salaries	2,650
Rent	2,400
Sundry expenses	5,200
Paid to creditors	15,250

Assets and Liabilities

	As on 1.1.2004	As on 31.12.2004
Furniture	15,000	15,500
Debtors	7,500	12,250
Stock	12,500	6,250
Bank	1,250	?
Creditors	5,050	4,800
Rs 250 reserve for doubtful debts is to be provided		

19. 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 installments 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 installment were paid. On the default vendor took possession of three machines leaving one machine with the buyer. The machines were taken by the vendor at a depreciated value of 20% per annum 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 the Hire vendor.

20. B Ltd opened a new Branch on 1<sup>st</sup> Jan where goods are sent by HO at 25% above cost. All expenses of branch are met from branch cash and the balance remitted to HO branch sells goods both for cash and credit. From the following particulars prepare the necessary accounts in the books of HO and ascertain the profits or loss made by branch for the year ended 31<sup>st</sup> December assuming that the Branch does not maintain double entry books of accounts.

	Rs.
Cost of goods sent to branch	1,00,000
Goods received by branch till December (invoice price)	90,000
Normal loss during transit (at invoice price)	5,000
Debtors on 31 <sup>st</sup> Dec.	10,000
Cash at Branch 31 <sup>st</sup> Dec.	4,000
Cash remitted to HO	90,000
HO remitted cash to branch	5,000
Expenses paid by Ho	10,000
Credit sales	95,000
Bad debts	1,000
Closing stock at invoice price	20,000

21. Explain the concept of Human Resource Accounting. Explain the salient features and scope of Human Resource Accounting with special reference to India.