LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

**B.Com.** DEGREE EXAMINATION – **CORPORATE SEC.**

FIRST SEMESTER – NOVEMBER 2012

# BC 1502 - FINANCIAL ACCOUNTING

 Date : 08/11/2012 Dept. No. Max. : 100 Marks

 Time : 1:00 - 4:00

**PART - A**

**ANSWER ALL THE QUESTIONS: (10 x 2 =20)**

1. What is single entry system?
2. State the causes of depreciation.
3. What is default?
4. Do we need a closing entry for carrying any account to a balance sheet?
5. Write a short note on independent branch.
6. On July 1, 2001, Gopal Ltd. Purchased second- hand machinery for Rs. 20,000 and spent Rs. 3,000 on reconditioning and installing it. The company writes off depreciation @ 10% on original cost. The machinery is sold for Rs. 10,000 on 31st march 2005, books were closed on 31st December every year. Calculate profit or loss on sale of machinery.
7. The hire purchase price of an item is payable in three instalments of Rs. 1,300;Rs. 1,200; and Rs.1,100 respectively. Compute the cash price if the rate of interest is 10%.
8. A trader has his stock insured against fire. Subsequently a fire destroyed a part of his stock which was valued at the date of the fire at RS. 60,000. The stock was insured subject to average clause. Stock valued at Rs. 12,000 was salvaged. Stock was insured for Rs. 36,000. Calculate the amount of claim.
9. Calculate the missing figure:

Capital in the beginning Rs. 5,000; drawings or capital introduced ?; profits made during the year Rs. 2,000; capital at the end Rs. 13,000.

1. How would you apportion the following items between departments: rent and taxes; printing and stationery; general charges; lighting.

PART - B

ANSWER ANY FIVE QUESTIONS : (5 x 8=40)

1. Distinguish between hire purchase system and instalment system.
2. Briefly describe the procedure to be adopted in the conversion of the books maintained by single entry to double entry.
3. Mohit purchased 5 trucks from Orient Transport Company on 1-1-2006. The cash price of a truck is Rs. 1,50,000 each. The amount is payable as Rs.50,000 down and the balance in 4 annual instalments of Rs.25,000 each along with interest @ 20% p.a. Mohit depreciates the trucks @ 10% of original cost. He pays the 1st instalment on time but fails to pay the 2nd due on 31-12-2007 and Orient Transport Company seizes all the trucks. Prepare the relevant accounts in the books of Mohit.

Also show necessary ledger accounts in books of hire vendor, assuming that it sells repossessed goods at Rs. 1,10,000 each on 31-12-2007 after overhauling trucks at a cost of Rs. 50,000.

1. From the following information, calculate the branch profits applying stock and debtors system.

Opening branch stock Rs. 15,000, opening branch debtors Rs. 5,000; Goods sent to branch Rs. 80,000; cash sent for expenses Rs. 4,000; Cash sales Rs. 25,000; credit sales Rs. 55,000(Excess over invoice price being Rs. 5,000); Goods returned by branch to head office Rs. 5,000; goods received from other branches Rs. 15,000, actual branch expenses Rs. 3,800; discount allowed to branch debtors Rs. 1,000; cash received Rss. 73,000 and closing branch cash Rs. 200.

Goods are invoiced to branch at cost plus 25% of cost.

1. On 1st April 2012, the Godown of H Ltd was destroyed by fire. From the books of accounts, the following particulars are gathered:

Stock at cost in 1st Jan 2011 Rs. 75,000

Stock as on 31st Dec 2011 80,000

Purchases during 2011 3,10,000

Purchases from 1st Jan to 31st March 2012 75,000

Sales during 2011 4,00,000

Sales from 1st Jan to 31st March 2012 1,00,000

Value of goods salvaged 5,000

In valuing closing stock of 2011 Rs. 5,000 were written off whose cost was Rs. 4,800. A part of this stock was sold in 2012 at a loss of Rs. 400 on the original cost of Rs. 2,400. The remainder of the stock is now estimated at original cost. The godown and the stock therein was fully insured. Indicate the amount of the claim to be made against the insurance company.

1. A firm is willing to change the system of providing for depreciation from diminishing balance method to straight line method with retrospective effect from 1.4.05. On 1.4.07, the machinery account in the ledger had a debit balance of Rs. 5,67,000. The rate of depreciation would, however , remain unchanged. Necessary adjustments for depreciation due to change in method should be made in the year 2007-08. Rate of depreciation 10%p.a.

You are further informed that new machinery were purchased on 1.10.2007 at a cost of Rs. 60,000. Show the machinery account.

1. You are required to prepare Departmental Trading and profit and loss account, after adjusting the unrealized department profits, if any.

Dept. A (Rs.) Dept. B (Rs.)

Opening stock 50,000 40,000

Purchases 6,50,000 9,10,000

Sales 10,00,000 15,00,000

General expenses incurred for both the departments were Rs. 1,25,000 and you are also supplied with the following information : a) closing stock of Dept. A Rs. 1,00,000 including goods from Dept. B for Rs. 20,000 at cost of Dept. A; b) closing stock of Dept. B Rs. 2,00,000 including goods from Dept. A for Rs.30,000 at cost to Dept. B. c) Opening stock of Dept. A and B include goods of the value of Rs. 10,000 and Rs. 15,000 taken from Dept. B and A respectively at cost to transferee departments; d) the gross profit is uniform from year to year.

1. Pass Adjusting entries:
2. Private purchases amounting to Rs. 300 had been included in the purchases day book
3. A manufacturer of medicines used for personal purposes medicine worth Rs. 200, distributed as samples worth Rs. 1500 and gave to his staff worth Rs. 800 for their personal use.
4. Goods sold on ‘sale or return’ basis and recorded as sale not consented upto 31st December Rs. 6,000
5. A machinery purchased for Rs. 50,000 but the amount was wrongly posted to furniture account as Rs. 5,000.
6. Stock of Rs. 10,000 was burnt by fire and claim of Rs. 4,000 is acceptable by the insurance company.

**SECTION C**

**ANSWER ANY TWO QUESTIONS (2 x20=40)**

1. From the following Trial Balance of Thiru. Rehman as on 31st March 1995, prepare Trading and Profit & Loss A/c and Balance Sheet taking into account the adjustment:

**Debit balance Rs. Credit Balances Rs.**

Land and Buildings 42, 000 Capital 62, 000

Machinery 20, 000 Sales 98, 780

Patents 7, 500 Return Outwards 500

Stock 1-4-1994 5, 760 Sunday Creditors 6, 300

Sundry debtors 14, 500 Bills payable 9, 000

Purchases 40, 675

Cash in hand 540

Cash at Bank 2, 630

Return Inwards 680

Wages 8, 480

Fuel & power 4, 730

Carriage on Sales 3, 200

Carriage on Purchases 2, 040

Salaries 15, 000

General Expenses 3, 000

Insurance 600

Drawings 5, 245

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 1, 76, 580 1, 76, 580

**Adjustments:**

1. Stock on 31-3-1995 was Rs. 6, 800.
2. Salary outstanding Rs. 1, 500.
3. Insurance Prepaid Rs. 150.
4. Depreciate machinery @ 10% and patents @ 20%.
5. Create a provision of 2% on debtors for bad debts.

20. A submits to you the following figures, relating to his business in respect of the year, ending 31st

 December 2012. You are required to prepare a trading and profit and loss account for the year ended.

 Any difference in the cash balance is assumed to be drawings.

 Rs.

Cash paid into bank 1,50,000

Private dividends paid into bank 2,000

Private payments out of bank 26,000

Payments for goods out of bank 1,22,000 Cash received from debtors 2,50,000 Payments for goods by cash and cheques 1,60,000

 Wages 40,000 Delivery expenses 7,000 Rents & Rates 2,000 Lighting and heating 1,000

 General expenses 4,600

The assets and liabilities are as follows:

Assets and liabilities 1st Jan 31st Dec

 Stock 20,000 15,000

 Bank balance 8,000 12,000

 Cash in hand 300 400

 Debtors 14,000 20,000

 Creditors 27,300 30,000

Investments 50,000 50,000

 21. The following purchases are made by Good Luck Co. having three departments:

Department A : 1,500 units

Department B: 2,500 units at a total cost of Rs. 1,18,000

Department C: 3,000 units

Stock on 1st April 2011.

Department A : 150 units

Department B: 200 units

Department C: 250 units

Sales during 2011-12

Department A : 1400 units @ Rs. 18 each

Department B: 2400 units @ Rs. 24 each

Department C: 2700 units @ Rs. 30 each

The rate of gross profit is the same in each

Other expenses were:

Salaries Rs. 18,200

Printing 4,550

Rent 2,000

Interest paid 2,730

Depreciation 3,640

Allocate rent in the ratio of 2:2:1 and other expenses in the ratio of departmental gross profits. Prepare Departmental Trading and profit and loss account.

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