



# LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – COMMERCE

FIRST SEMESTER – NOVEMBER 2011

CO 1500 - FINANCIAL ACCOUNTING

Date : 08-11-2011

Dept. No.

Max. : 100 Marks

Time : 1:00 - 4:00

## PART – A

**Answer ALL Questions:**

**(10 x 2 = 20 marks)**

- Why do you create provision for Bad debts?
- Explain the term “Goods in Transit” and “Cash in Transit”.
- What do you mean by “Standard Turnover”?
- Choose the correct answer:-  
It is given that the short sales were Rs.1,02,000 and that the rate of gross profit on sales was 25%. Hence the loss of profit will be equal to  
a) Rs.20,400      b) Rs.25,500      c) Rs.34,000      d) Rs.23,000
- Fill in the blanks:-  
Short workings account shows \_\_\_\_\_ balance in the books of lessee.
- General ledger Adjustment accounts are opened in \_\_\_\_\_ and \_\_\_\_\_.
- Ascertain the purchases from the following figures:-  
Cost of Goods sold Rs.80,700;      Opening stock Rs.5,800; Closing stock Rs.6,000.
- Calculate the missing figure:-  
Capital at the end Rs.1,82,000; Loss Rs.14,000; Capital in the beginning Rs.1,70,000; Capital Introduced Rs.47,000 Drawings?
- Calculate Insurance claim from the following facts assuming the insurance their liability under the policy on average basis:-  
A trader’s stock valued at Rs.40,000 was totally destroyed. It was insured for Rs.30,000 Subject to average. The balance of stock, left after fire, appeared in the books at Rs.24,000.
- Banerji and Sons has branch at Chennai. You are required to write up the Chennai branch account in the books of Head office from the following particulars:-  
Stock on 1.4.2009 Rs.10,000; Goods sent to branch Rs.50,000; Expenses of branch Rs.3000; petty expenses of branch Rs.1,000; goods sold by branch Rs.1,00,000 and stock on 31.3.2010 Rs.12,000.

## PART – B

**Answer any FIVE Questions:-**

**(5 x 8 = 40 marks)**

- Explain the salient features of single entry system of book keeping and their defects.
- How will you distinguish between branches and departments.
- What do you mean by Hire purchase system? What are the contents of Hire purchase agreement?
- Rohan Sons purchased a machine for Rs.2,00,000 on January 1, 2003. The machine was depreciated at 10% p.a. Under the written down value method. On January 1, 2005 the firm decided to change the method of depreciation from diminishing balance method to fixed instalment method without changing the rate with retrospective effect from January 1, 2003. Prepare machine account from 2003 to 2005.
- Below are given particulars from the books of shri Raman, a trader, for the month of October 2009. Prepare Sales ledger Adjustment A/C and general Ledger Adjustment A/C.

October 1, 2009	Rs	October 31, 2009	Rs.
Opening balance October 31, 2009	30,000	Bills dishonoured	1,500
Total Sales for the month	90,000	Discount allowed to debtors	400
Sales return	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

16. Hari Haran of Chennai opened a branch at Kolkata. Goods are invoiced from the head office at costs plus  $33\frac{1}{3}\%$ . Branch is allowed to make sales at invoice price only. Expenses of the branch are paid by the head office. Calculate net profit made by the branch on "Stock and debtors" system. Transactions during the year were as follows:-

	Rs.		Rs.
Stock in the beginning at (IP)	8,000	Goods returned by branch to head office (IP)	2,000
Goods invoiced by the Head office at (IP)	88,000	Stock at end at (IP)	7,000
Sales:		Branch expenses:-	
Cash     50,000		Freight & Cartage	500
Credit  36,000		Rent	1,000
-----	86,000	Salary	3,900
Sales return by branch debtors	800	Bad debts	50
		Advertisement	200
		Depreciation on Furniture	80

17. Kanan took a lease of a mine from Gobinath for a period of 20 years, from 1.1.2008 upon the terms of royalty of one rupee per tonne upon the output with a minimum rent of Rs.20,000. Kanan had the right of recouping the shortworkings during the first three years. The following were the production:-

2008	2,500 tonnes
2009	12,000 tonnes
2010	20,000 tonnes
2011	30,000 tonnes

Give necessary Journal entries in the books of Kanan.

18. A fire occurred in the premises of a company on 15.10.2009. From the following particulars, ascertain the loss of stock and prepare a claim for insurance:-

	Rs.
Stock on 1.1.2008	30,600
Purchases from 1.1.2008 to 31.12.2008	1,22,000
Sales from 1.1.2008 to 31.12.2008	1,80,000
Stock on 31.12.2008	27,000
Purchases from 1.1.2009 to 15.10.2009	1,47,000
Sales from 1.1.2009 to 15.10.2009	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.

### **SECTION - C**

**Answer any TWO Questions.**

**(2 x 20 = 40 marks)**

19. From the following Trial balance, Prepare Trading and Profit & Loss account and balance sheet for the year ended 31.3.2009.

### **TRIAL BALANCE**

Debit balances	Rs.	Credit balances	Rs.
Drawings	6,000	Capital	80,000
Opening stock 1.4.2008	45,000	Sales	3,10,000
Purchases	2,50,000	Commission earned	1,300
Furniture	10,000	Provision for Bad debts	900
Debtors	40,000	Creditors	20,000
Freight & Octroi	4,800		
Trade Expenses	500		
Salary	5,500		
Rent	2,400		
Advertisement	5,000		
Insurance Premium	400		

Discount allowed	200		
Bad debts	1,800		
Cash in hand	5,200		
Cash at bank	15,400		
Good will	20,000		
<b>Total</b>	<b>4,12,200</b>	<b>Total</b>	<b>4,12,200</b>

Adjustments:-

- (a) Closing stock Rs.53,000 (b) Salaries have been paid for 11 months only  
(c) Prepaid Insurance Premium Rs.100 (d) Commission earned but not received Rs.122, (e) Create 3% provision for Bad debts in debtors (f) Depreciation on furniture at 10% is to be charged (g) ¼ of Advertisement is to be written off.

20. A firm has two departments – cloth and readymade clothes department. The readymade clothes are made by the firm itself out of the cloth supplied by the cloth department at its usual selling price. From the following figures, prepare Departmental Trading and Profit & Loss account for the year ended 31.3.2009.

	<b>Cloth department</b>	<b>Readymade clothes dept.</b>
	<b>Rs.</b>	<b>Rs.</b>
Opening Stock	2,40,000	48,000
Purchases	18,00,000	24,000
Sales	20,00,000	6,00,000
Transfer to readymade clothes dept	4,00,000	-----
Manufacturing expenses	-----	68,000
Selling expenses	40,000	4,000
Closing stock	3,00,000	60,000

The stock is readymade clothes department may be considered as consisting of 80% cloth and rest are other expenses. The cloth department earned a gross profit of 25% in 2008.

21. Ramu purchased four machines of Rs.14,000 each by the hire purchase system. The hire purchase price for all the 4 machines was Rs.60,000 to be paid as Rs.15,000 down and three installments of Rs.15,000 each at the end by each year. Depreciation is written off at 10% p.a. on Straight line method. Interest is charged at 5% p.a. Down payment and 1<sup>st</sup> Installment were paid. 2<sup>nd</sup> installment could not be paid, on the default, vendor took possession of 3 machines leaving 1 with the 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 3 machines for Rs.35,000.

Prepare the ledger accounts in the books of Ramu and Hire vendor.

**\$\$\$\$\$\$\$**