



MAR IVANIOS COLLEGE (AUTONOMOUS)
THIRUVANANTHAPURAM

Reg. No. :.....

Name :.....

Second Semester B.Com. Degree Examination, June 2015

First Degree Programme under CBCSS

Core Course: Commerce – IV

AUCO242: Financial Accounting

Time: 3 Hours

Max. Marks: 80

SECTION – A

Answer ALL questions each in a word or in a sentence.

1. What is going concern concept ?
2. Give two examples for Fictitious asset ?
3. What do you mean by Errors of principle ?
4. What is Contingent asset ?
5. Give adjusting entry for the following;
Rs.1,000 p.m is paid as salary to an employee but during the year 2014 – 15 only
Rs.10,000 is paid as salary.
6. What do you mean by Deferred revenue expenditure ?
7. What is Primage ?
8. What do you mean by Hire purchase system ?
9. What is Self balancing ledger ?
10. Define Depreciation.

(10 x 1 = 10 Marks)

SECTION – B

Answer any EIGHT questions, each in a short paragraph not exceeding 50 words.

11. A machine costing Rs.15,000 is estimated to have a life of 10 years and the scrap value estimated is Rs.2,000 at the end of its life. Calculate amount of depreciation charged for the machinery.

P.T.O.

12. State the difference between errors of commission and errors of omission.
13. What do you mean by accrued income and explain its treatment on final accounts ?
14. Describe the features of hire purchase system.
15. Distinguish between journal and ledger.
16. State the objectives of accounting.
17. Write note on the following;
 - i). Gross profit
 - ii). Net profit
18. What is suspense account ?
19. Describe the need of charging depreciation.
20. Calculate gross profit from the following information;

	Rs.
Opening stock	15,040
Purchases	85,522
Carriage inwards	1,291
Carriage outwards	800
Sales	1,21,850
Return inwards	285
Closing stock	15,500

21. Explain the following accounting concepts;
 - i). Separate entity concept
 - ii). Money measurement concept
22. Pass journal entry for the following transactions;
 - i). Payment made to Sam Rs.1,000. He allowed a cash discount of Rs50
 - ii). Goods distributed by way of free sample Rs.500

(8 x 2 = 16 Marks)

SECTION – C

*Answer any **SIX** questions, each in a paragraph not exceeding 120 words.*

23. Distinguish between Hire Purchase System and Instalment Purchase System.
24. What are the advantages of Self Balancing System ?
25. On 1st January 2010, Dobsons Ltd purchased a machine from a Vendor on hire purchase basis. The particulars are given below;

- i). Cash price – Rs.10,000.
 - ii). Rs.4,000 to be paid on signing the contract and the balance in three equal instalments of Rs.2,000 plus interest.
 - iii). Interest charged on outstanding balance at 5%p.a.
 - iv). Instalments are to be paid annually from December each year.
 - v). Depreciation charged at 10% on straight line method.
 - vi). Give journal entries in the books of purchaser.
26. Pass necessary journal entries to rectify the following errors;
- i). A sum of Rs.100 written off as depreciation on furniture was not debited to Depreciation account.
 - ii). A machine bought for Rs.5,000 has been debited to Purchase account.
 - iii). A sale of Rs.359 to Ramu has been entered correctly in Sales book but credited to Ramu's account as Rs.395.
 - iv). Cash received from Joseph Rs.300 was debited to Jose's account.
27. S.S. Jalasakti commenced a voyage on 1st March 2014 from Bombay to London and back. The voyage was completed on 30th April 2014. It carried a consignment of tea on its outward journey and of machinery on its return journey. The ship was insured and annual premium was Rs.1,20,000.
- Prepare voyage account from the following;
- | | Rs. |
|--------------------------|----------|
| Freight earned (outward) | 5,00,000 |
| Freight earned (inward) | 3,50,000 |
| Port dues | 25,000 |
| Bunker cost | 1,50,000 |
| Wages and salaries | 2,50,000 |
| Stores | 84,000 |
| Sundry expenses | 25,000 |
| Passage money received | 50,000 |
| Ligherage charges | 33,000 |
| Annual depreciation | 4,80,000 |
- Address commission 5% on outward and 4% on inward freight.
- Primage is 5% on freight.
- Stores and coal on hand were valued Rs.15,000 on 30th April 2014.

28. Prepare Total Debtors account from the following information;

	Rs.
Balance of debtors on 1 st January	12,000
Cash sales	12,000
Credit sales	66,000
Returns inward	5,000
Cash received from customers	45,000
Discount allowed	3,000
Bills receivable received from customer	17,000
Bad debts	1,500
Bills receivable dishonoured	3,500

29. On 1st January 2011 a machinery was purchased for Rs.50,000 and a further sum of Rs.2,000 was spent on its installation. You are required to prepare machinery account for three years under the following methods; i). Straight line method
ii). Written down value method.

Rate of depreciation is 10% p.a.

30. Explain different methods of charging depreciation.

31. What are the advantages and limitations of financial accounting ?

(6 x 4 = 24 Marks)

SECTION – D

*Answer any **TWO** questions, not exceeding four pages.*

32. The Trial Balance of Asha Traders appeared as follows on 31st December 2012:

	Debit	Credit
Capital	-	92,000
Creditors	-	18,852
Bills Payable	-	6,930
Sales	-	1,21,850
Reserve for doubtful debts	-	1,320
Interest	-	340
Buildings	70,000	-
Motor trucks	12,000	-
Furniture	1,640	-

Debtors	15,600	-
Opening stock	15,040	-
Cash in hand	988	-
Cash at bank	14,534	-
Bills receivable	5,844	-
Purchases	85,522	-
Carriage inwards	1,291	-
Carriage outwards	800	-
General expenses	6,085	-
Insurance	783	-
Bad debts	613	-
Audit fees	400	-
Travelling expenses	325	-
Discount	620	-
Sales returns	285	-
investment	8,922	-
	2,41,292	2,41,292

Prepare the Trading And Profit And Loss account for the year ending 31st December 2012 and a Balance Sheet as on that date after making the following adjustments;

- i). Stock on 31st December 2012 was valued at Rs.15,500.
 - ii). Depreciation has been provided for motor trucks at 10% and furniture at 5%.
 - iii). Write off a further Rs.140 as bad debts and maintain reserve at 5% on debtors.
 - iv). Insurance Rs.150 is still unexpired.
 - v). Interest on investment outstanding Rs.120.
33. A firm has three ledgers in use viz. Debtors, creditors ledger and nominal ledger. Prepare adjustment accounts under self balancing system:

		Rs.
1 st January	Balance of debtors	16,000
1 st January	Balance of creditors	18,500
31 st January	Credit purchases	4,500
„	Paid to creditors	9,875
	Received from debtors	7,800
	Returns inward	875

Bills payable accepted	1,500
Bad debts	450
Allowance to debtors	275
Credit sales	9,800
Discount received	325
Discount allowed	200
Bills receivable received	3,000
Returns outwards	600
Allowance from creditors	150
Bills receivable dishonoured	375

34. Mr. X bought a plant on 1.1.2010 for a sum of Rs.1,00,000 having a useful life of 5 years. It is estimated that the plant will have a scrap value of Rs.16,000 at the end of its useful life. Mr. X decides to charge depreciation according to the depreciation fund method. The depreciation fund investments are expected to earn an interest @5% p.a. The Sinking Fund Table shows that Re.0.180975, if invested yearly at 5% p.a, produces Re.1 at the end of 5 years. The investments are sold at the end of the 5th year for a sum of Rs.65,000. A new plant was purchased for Rs.1,20,000 on 1.1.2015. The scrap of the old plant realises Rs.17,000. You are required to prepare necessary accounts in the books of Mr. X.
35. On 1st January, 2009 A Ltd purchased from B Ltd. five machines under hire purchase system, Rs.50,000 being paid on delivery and the balance in five instalments of Rs.75,000 each payable annually on 31st December. The vendor charges 5% p.a interest on yearly balances. The cash price on five machines was Rs.3,75,000.
- Show how this transactions should be recorded in the books of both companies , if A Ltd. writes off depreciation at 10% p.a on the written down value method. Also show how the items will appear in the balance sheet as on 31st December 2009.
- You may round the interest amount to nearest ten.

(2 x 15 = 30 Marks)

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