

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 86
(For candidates admitted from the academic year 2023 – 2024)

B.COM. DEGREE EXAMINATION, NOVEMBER 2023
HONOURS
FIRST SEMESTER

COURSE : **MAJOR CORE**
PAPER : **FINANCIAL ACCOUNTING CONCEPTS**
SUBJECT CODE : **23BH/MC/FC14**
TIME : **3 HOURS** **MAX. MARKS: 100**

Q. No.	SECTION A (5 x 2 =10) Answer all questions	CO	KL																
1	Write a note on accrual concept.	1	1																
2	What is an Incomplete record?	1	1																
3	Ascertain cost of goods sold: <table border="1" style="width: 100%; margin-top: 5px;"> <thead> <tr> <th style="width: 25%;">Particulars</th> <th style="width: 12.5%;">Rs</th> <th style="width: 25%;">Particulars</th> <th style="width: 12.5%;">Rs</th> </tr> </thead> <tbody> <tr> <td>Opening stock</td> <td style="text-align: right;">17,000</td> <td>Indirect expenses</td> <td style="text-align: right;">10,400</td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">61,400</td> <td>Closing stock</td> <td style="text-align: right;">18,000</td> </tr> <tr> <td>Direct expenses</td> <td style="text-align: right;">9,600</td> <td></td> <td></td> </tr> </tbody> </table>	Particulars	Rs	Particulars	Rs	Opening stock	17,000	Indirect expenses	10,400	Purchases	61,400	Closing stock	18,000	Direct expenses	9,600			1	1
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4	Calculate debtors balance at the end: <table border="1" style="width: 100%; margin-top: 5px;"> <tbody> <tr> <td style="width: 25%;">Opening debtors</td> <td style="width: 12.5%;">40,000</td> <td style="width: 25%;">Bad debts</td> <td style="width: 12.5%;">4,000</td> </tr> <tr> <td>Total sales</td> <td style="text-align: right;">160,000</td> <td>Return inwards</td> <td style="text-align: right;">1,000</td> </tr> <tr> <td>Cash sales</td> <td style="text-align: right;">20,000</td> <td>Bills received from customers</td> <td style="text-align: right;">18,000</td> </tr> <tr> <td>Cash received from customer</td> <td style="text-align: right;">60,000</td> <td></td> <td></td> </tr> </tbody> </table>	Opening debtors	40,000	Bad debts	4,000	Total sales	160,000	Return inwards	1,000	Cash sales	20,000	Bills received from customers	18,000	Cash received from customer	60,000			1	1
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5	Find the rate of depreciation under Straight-line method. <table border="1" style="width: 100%; margin-top: 5px;"> <tbody> <tr> <td style="width: 30%;">Plant</td> <td style="width: 70%;">Rs.100,000</td> </tr> <tr> <td>Useful life</td> <td style="text-align: center;">10 years</td> </tr> <tr> <td>Residual value</td> <td style="text-align: center;">Rs. 10,000</td> </tr> </tbody> </table>	Plant	Rs.100,000	Useful life	10 years	Residual value	Rs. 10,000	1	1										
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Q. No.	SECTION B (4 x 5 = 20) Answer any 4 questions	CO	KL																
6	Expand the acronym PIRATE, with reference to intangible asset and explain briefly any four of the conditions.	1	2																
7	XYZ sold chemicals with value of \$2700 to John, a credit customer. When recording the same, XYZ accounting posted the transaction to the correct accounts but passed incorrect debits and credits. Requirements- show: <ul style="list-style-type: none"> • Original entry • Entry necessary to correct the transactions. 	1	2																

8	Develop the accounting equation from the above transaction: <table border="1" data-bbox="308 405 994 678"> <tr> <td>Kumar started business with cash</td> <td>Rs.50,000</td> </tr> <tr> <td>Goods purchased for cash</td> <td>Rs.13,000</td> </tr> <tr> <td>Goods purchased on credit</td> <td>Rs.12,000</td> </tr> <tr> <td>Goods sold (costing Rs.10,000) for Rs.12,000</td> <td></td> </tr> <tr> <td>Furniture purchased on credit</td> <td>Rs. 2,000</td> </tr> <tr> <td>Cash paid to a creditor</td> <td>Rs. 5,000</td> </tr> <tr> <td>Rent outstanding</td> <td>Rs. 1,000</td> </tr> </table>	Kumar started business with cash	Rs.50,000	Goods purchased for cash	Rs.13,000	Goods purchased on credit	Rs.12,000	Goods sold (costing Rs.10,000) for Rs.12,000		Furniture purchased on credit	Rs. 2,000	Cash paid to a creditor	Rs. 5,000	Rent outstanding	Rs. 1,000	1	2
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9	A machine purchased on 1st July 2018 at a cost of Rs.20,000 and Rs.1,000 was spent on installation. The depreciation is written off at 10% on the original cost every year. The books are closed on 31st December each year. The machine was sold for Rs.9,000 on 31st march 2021. Show the machinery account for all the years.	1	2														
10	XYZ purchased a machine for \$10000. Depreciation is charged at 10% per annum the company spend \$1000 for transportation and \$500 for installation. Passed the journal entries for the same.	1	2														
11	Prepare a bank reconciliation statement from the following data as on 31/12/2020: <table border="1" data-bbox="355 1350 1042 1765"> <tr> <td>Balance as per cash book</td> <td>Rs. 85,000</td> </tr> <tr> <td>Cheques issues but not presented for payment</td> <td>Rs. 9,000</td> </tr> <tr> <td>Cheques deposited in bank but not collected</td> <td>Rs. 1,200</td> </tr> <tr> <td>Bank paid insurance premium</td> <td>Rs. 500</td> </tr> <tr> <td>Direct deposit by customer</td> <td>Rs. 800</td> </tr> <tr> <td>Interest on investment collected by bank</td> <td>Rs. 2,000</td> </tr> <tr> <td>Bank charges</td> <td>Rs. 100</td> </tr> </table>	Balance as per cash book	Rs. 85,000	Cheques issues but not presented for payment	Rs. 9,000	Cheques deposited in bank but not collected	Rs. 1,200	Bank paid insurance premium	Rs. 500	Direct deposit by customer	Rs. 800	Interest on investment collected by bank	Rs. 2,000	Bank charges	Rs. 100	1	2
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SECTION C		(4 x 10 =40)		CO	KL
Q. No.	Answer the following questions				
12 a.	The following is the trial balance of John in Madras as on 31 st December 2022.			2	3
	Debit balances	Rs	Credit balances	Rs	
	Opening stock	6,200	Sales	82,920	
	Buildings	34,000	Capital	24,000	
	Furniture	2,000	Bank loan	6,000	
	Purchases	42,400	Sundry creditors	9,840	
	Salaries	4,400	Return outwards	840	
	Rent	1,200	Interest	260	
	Other expenses	1,000	dividend	220	
	Postage	560			
	Stationery	520			
	Wages	10,400			
	Freight on purchases	1,120			
	Carriage on sales	1,600			
	Repairs	1,800			
	Sundry debtors	12,000			
	Bad debts	240			
	Cash in hand	2,600			
	Return inwards	2,040			
		1,24,080		1,24,080	
	Make the necessary closing entries as on 31 st December 2022.				
	(Or)				
12 b.	The following particulars are extracted from the books of Kalyani.			2	3
	Jan 1, 2022	Provision for bad & doubtful debts	12,000		
		Provision for discount on debtors	5,600		
	Dec 31, 2022	Discount allowed during the year	9,300		
		Bad debts written off	4,700		
		Bad debts recovered	250		
		Debtors	1,00,600		
	Write off further Rs. 2,400 (definitely bad). Provision for discount allowed at 2% and for doubtful debts at 10% are to be maintained.				
	Show how the relevant items would appear in ledger and profit & loss as on Dec 2022.				

13 a.	A second-hand machine was purchased on 1/1/17 for Rs. 40,000 and repair charges amounted to 5,000. It was installed at a cost of Rs. 4,000. On 1 st July 2018, another machine was purchased for Rs. 26,000. On 1 st July 2019 the first machine was sold for Rs. 30,000. On the same day, one more machine was bought for Rs. 25,000. On 31/12/19, the machine bought on 1 st July 2018 was sold for Rs. 25,000. Accounts are closed every year on 1 st December. Depreciation is written off at 15% per annum. Prepare the machinery account on written down value for 3 years ending 31/12/19.	2	3																										
13 b.	<p style="text-align: center;">(Or)</p> <p>On 1/1/20 an organization purchased 6 machines for Rs. 15,000 each. The accounting year of the organization ends on 31st December. Depreciation at the rate of 10% on cost has been charged to profit & loss account and credited to a separate depreciation provision account.</p> <p>On 1/1/21 one machine was sold for Rs. 12,500 and on 1/1/22 a second machine was sold for the same amount (Rs. 12,500). Another machine was purchased on 1st July 2021 for Rs. 28,000. The same rate of depreciation was to be charged for the new machine as well.</p> <p>You are required to show:</p> <p>a) Asset account b) Asset disposal account c) Depreciation provision account</p>	2	3																										
14 a.	<p>Prepare SOPL from the following details in the appropriate prescribed format.</p> <p>Admin Expenses- \$40000 Revenue- \$500000 Distribution expenses- \$30000 Provision for Tax- \$80000 Cost of Sales- \$240000 Finance cost- \$10000 Investment income- \$4000</p>	3	4																										
14 b.	<p style="text-align: center;">(Or)</p> <p>Mr. Sachin keeps his books on single entry system. From the following particulars prepare trading and P&L A/c and balance sheet as on 31.12.21.</p> <p>Cash book information:</p> <table border="1" data-bbox="357 1615 1043 2096"> <tbody> <tr><td>Receipt from Drs</td><td>80,000</td></tr> <tr><td>Cash sales</td><td>30,000</td></tr> <tr><td>Payment to crs</td><td>40,000</td></tr> <tr><td>Cash purchases</td><td>25,000</td></tr> <tr><td>Rent</td><td>2,200</td></tr> <tr><td>Int on bank OD</td><td>4500</td></tr> <tr><td>Salaries</td><td>5000</td></tr> <tr><td>Drawings</td><td>4000</td></tr> <tr><td>General expenses</td><td>8000</td></tr> <tr><td>Discount allowed</td><td>4000</td></tr> <tr><td>discount received</td><td>3500</td></tr> <tr><td>Goods were returned by customers</td><td>3000</td></tr> <tr><td>goods were returned to suppliers</td><td>4500</td></tr> </tbody> </table>	Receipt from Drs	80,000	Cash sales	30,000	Payment to crs	40,000	Cash purchases	25,000	Rent	2,200	Int on bank OD	4500	Salaries	5000	Drawings	4000	General expenses	8000	Discount allowed	4000	discount received	3500	Goods were returned by customers	3000	goods were returned to suppliers	4500	3	4
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	<p>On 1.1.21, his assets and liabilities were as follows:</p> <table border="1" data-bbox="347 255 1050 486"> <tr><td>Stock</td><td>50,000</td></tr> <tr><td>Sundry debtors</td><td>60,000</td></tr> <tr><td>Machinery</td><td>60,000</td></tr> <tr><td>Furniture</td><td>5,000</td></tr> <tr><td>Sundry creditors</td><td>30,000</td></tr> <tr><td>Bank overdraft</td><td>10,000</td></tr> </table> <p>on 31.12.21 his position was as follows</p> <table border="1" data-bbox="327 557 1070 786"> <tr><td>Stock</td><td>45,000</td><td>Machinery</td><td>60,000</td></tr> <tr><td>Sundry Debtors</td><td>70,000</td><td>Furniture</td><td>5,000</td></tr> <tr><td>Bills receivable</td><td>6,000</td><td>Sundry Creditors</td><td>25,000</td></tr> <tr><td>Bills payable</td><td>4,000</td><td>Salary o/s</td><td>500</td></tr> </table> <p>Depreciation: machinery 10% and furniture 6%</p>	Stock	50,000	Sundry debtors	60,000	Machinery	60,000	Furniture	5,000	Sundry creditors	30,000	Bank overdraft	10,000	Stock	45,000	Machinery	60,000	Sundry Debtors	70,000	Furniture	5,000	Bills receivable	6,000	Sundry Creditors	25,000	Bills payable	4,000	Salary o/s	500		
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<p>15 a.</p>	<p>Following are the details of revaluation done for an asset by Lucky enterprises Ltd. Carrying value of the machine before revaluation was \$41000. This machine was revalued to \$54500. Required: Show the effect of revaluation in the following statements wherever applicable. Depreciation can be ignored.</p> <ol style="list-style-type: none"> 1. SOPL 2. OCI 3. SOCIE 4. SOFP 5. Prepare Machinery account, Revaluation account ledgers. 	<p>3</p>	<p>4</p>																												
<p>15 b.</p>	<p style="text-align: center;">(Or)</p> <p>In preparing a bank reconciliation statement following data was revealed as on 31December 2015 .</p> <ol style="list-style-type: none"> a. The cash book has a credit balance of \$1,500. b. Cheques drawn but not yet presented to the bank amounts to \$900. c. Cheques paid in but not credited by the bank amounted to \$1,200. d. Bank paid insurance premium of \$200. e. Interest on investment collected by the bank is \$1,000. f. A customer directly deposited in the bank which amounted to \$800. g. The bank debited \$50 as charges for maintenance of account. <p>Calculate the original balance on the bank statement.</p>	<p>3</p>	<p>4</p>																												

Q. No.	SECTION D Answer any one question (1 x 15 = 15)	CO	KL																																																				
16	<p>A Ltd prepares monthly receivable and payables ledger control accounts. On December 1st 20X0 the following balances existed in the company's records.</p> <table border="1" data-bbox="416 510 986 741"> <thead> <tr> <th rowspan="2">Particulars</th> <th>\$</th> <th>\$</th> </tr> <tr> <th>Dr.</th> <th>Cr.</th> </tr> </thead> <tbody> <tr> <td>Receivable Ledger Control account</td> <td>54000</td> <td>1000</td> </tr> <tr> <td>Payables Ledger Control account</td> <td>200</td> <td>43000</td> </tr> </tbody> </table> <p>The following information is extracted in December 20X0 from the company's records.</p> <table border="1" data-bbox="320 891 1082 1536"> <thead> <tr> <th>Particulars</th> <th>Amount (in \$)</th> </tr> </thead> <tbody> <tr><td>Credit sales</td><td>250000</td></tr> <tr><td>Cash Sales</td><td>35000</td></tr> <tr><td>Credit Purchases</td><td>80000</td></tr> <tr><td>Cash Purchases</td><td>30000</td></tr> <tr><td>Credit Sales Returns</td><td>10000</td></tr> <tr><td>Credit Purchase Returns</td><td>3000</td></tr> <tr><td>Amount received from credit customers</td><td>240000</td></tr> <tr><td>Dehorned Cheque</td><td>500</td></tr> <tr><td>Amounts paid to credit suppliers</td><td>73000</td></tr> <tr><td>Cash discount allowed</td><td>2000</td></tr> <tr><td>Cash discount received</td><td>1500</td></tr> <tr><td>Irrecoverable debts written off</td><td>1000</td></tr> <tr><td>Increase in allowance for receivables</td><td>1000</td></tr> <tr><td>Interest charge to customers</td><td>1200</td></tr> <tr><td>Contra Settlement</td><td>600</td></tr> </tbody> </table> <p>At 31st December 20X0, The balances in the receivables and payables ledgers as extracted total</p> <table border="1" data-bbox="347 1644 1054 1834"> <thead> <tr> <th></th> <th>Dr.</th> <th>Cr.</th> </tr> </thead> <tbody> <tr> <td>Receivables Ledger Balance</td> <td>To be calculated</td> <td>\$ 2000</td> </tr> <tr> <td>Payables Ledger Balance</td> <td>\$ 200</td> <td>To be calculated</td> </tr> </tbody> </table> <p>You are required to prepare the receivables ledger control account and payables ledger control account for the month of December 20X0 to determine the closing debit and closing credit balances on the receivables ledger control account and payables ledger control account respectively.</p>	Particulars	\$	\$	Dr.	Cr.	Receivable Ledger Control account	54000	1000	Payables Ledger Control account	200	43000	Particulars	Amount (in \$)	Credit sales	250000	Cash Sales	35000	Credit Purchases	80000	Cash Purchases	30000	Credit Sales Returns	10000	Credit Purchase Returns	3000	Amount received from credit customers	240000	Dehorned Cheque	500	Amounts paid to credit suppliers	73000	Cash discount allowed	2000	Cash discount received	1500	Irrecoverable debts written off	1000	Increase in allowance for receivables	1000	Interest charge to customers	1200	Contra Settlement	600		Dr.	Cr.	Receivables Ledger Balance	To be calculated	\$ 2000	Payables Ledger Balance	\$ 200	To be calculated	4	5
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17	<p>Mr. Mano keeps his books of accounts under single entry system. His financial position on 31.12.21 and 31.12.22</p> <table border="1" data-bbox="400 365 999 707"> <thead> <tr> <th>Particulars</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Cash</td> <td>9860</td> <td>800</td> </tr> <tr> <td>Stock in trade</td> <td>38520</td> <td>57020</td> </tr> <tr> <td>Plant & machinery</td> <td>54420</td> <td>61000</td> </tr> <tr> <td>Bills receivable</td> <td>-</td> <td>16480</td> </tr> <tr> <td>Sundry debtors</td> <td>24840</td> <td>43940</td> </tr> <tr> <td>Sundry creditors</td> <td>72040</td> <td>80000</td> </tr> <tr> <td>Furniture</td> <td>4960</td> <td>5220</td> </tr> <tr> <td>drawings</td> <td>-</td> <td>5000</td> </tr> </tbody> </table> <p>During the year he introduced additional capital of Rs.20,000. From the above prepare a statement of profit and loss for the year ended 31.12.22</p>	Particulars	2021	2022	Cash	9860	800	Stock in trade	38520	57020	Plant & machinery	54420	61000	Bills receivable	-	16480	Sundry debtors	24840	43940	Sundry creditors	72040	80000	Furniture	4960	5220	drawings	-	5000	4	5																								
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Q. No.	SECTION E (1 x 15 = 15) Compulsory Case Study	CO	KL																																																			
18	<p>Reynold Co has an accounting year end of 31 October. The accountant is preparing the financial statements as at 31 October 20X7. A trial balance has been prepared but no year-end adjustments have been made.</p> <p>Requirements:</p> <p>a) With the following Trial Balance, prepare a statement of financial position (SOFP) as at 31 October 20X7 before any year-end adjustments (5 marks)</p> <table border="1" data-bbox="328 1227 1070 2163"> <thead> <tr> <th>Particulars</th> <th>Dr \$'000</th> <th>Cr \$'000</th> </tr> </thead> <tbody> <tr> <td>Buildings at cost</td> <td>740</td> <td></td> </tr> <tr> <td>Buildings accumulated depreciation on 1 November 20X6</td> <td></td> <td>60</td> </tr> <tr> <td>Plant at cost</td> <td>220</td> <td></td> </tr> <tr> <td>Plant accumulated depreciation at 1 November 20X6</td> <td></td> <td>110</td> </tr> <tr> <td>Bank balance</td> <td></td> <td>70</td> </tr> <tr> <td>Revenue</td> <td></td> <td>1,800</td> </tr> <tr> <td>Net purchases</td> <td>1,140</td> <td></td> </tr> <tr> <td>Inventory at 1 November 20X6</td> <td>160</td> <td></td> </tr> <tr> <td>Cash</td> <td>20</td> <td></td> </tr> <tr> <td>Trade payables</td> <td></td> <td>250</td> </tr> <tr> <td>Trade receivables</td> <td>320</td> <td></td> </tr> <tr> <td>Administrative expenses</td> <td>325</td> <td></td> </tr> <tr> <td>Allowance for irrecoverable debts at 1 November 20X6</td> <td></td> <td>10</td> </tr> <tr> <td>Retained earnings at 1 November 20X6</td> <td></td> <td>130</td> </tr> <tr> <td>Equity shares, \$1</td> <td></td> <td>415</td> </tr> <tr> <td>Share premium account</td> <td></td> <td>80</td> </tr> </tbody> </table>	Particulars	Dr \$'000	Cr \$'000	Buildings at cost	740		Buildings accumulated depreciation on 1 November 20X6		60	Plant at cost	220		Plant accumulated depreciation at 1 November 20X6		110	Bank balance		70	Revenue		1,800	Net purchases	1,140		Inventory at 1 November 20X6	160		Cash	20		Trade payables		250	Trade receivables	320		Administrative expenses	325		Allowance for irrecoverable debts at 1 November 20X6		10	Retained earnings at 1 November 20X6		130	Equity shares, \$1		415	Share premium account		80	5	6
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		2,925	2,925		
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	<p>b) The allowance for irrecoverable debts is to be increased to 5% of trade receivables. The allowance for irrecoverable debts is treated as an administrative expense.</p> <p>I. Prepare the year end journal for allowance for irrecoverable debts. (2 marks)</p> <p>II. What is the amount included in the statement of profit or loss after the allowance is increased to 5% of trade receivables. (1 mark)</p> <p>c) Plant is depreciated at 20% per annum using the reducing balance method and buildings are depreciated at 5% per annum on their original cost. Depreciation is treated as a cost of sales expense.</p> <p>I. Prepare the year end journal for buildings and plant depreciation. (2 marks)</p> <p>II. Calculate the depreciation charge for the year ended 31 October 20X7. (1 mark)</p> <p>d) Closing inventory has been counted and is valued at \$75,000. Ignoring the depreciation charge calculated earlier, what is the cost of sales for the year? (1 mark)</p> <p>e) An invoice of \$15,000 for energy costs relating to the quarter ended 30 November 20X7 was received on 2 December 20X7. Energy costs are included in administrative expenses.</p> <p>I. Prepare the double entry to post the year end adjustment for energy costs. (2 marks)</p> <p>II. Calculate the amount to be posted within the year end adjustment double entry. (1 mark)</p>		
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