

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

B. COM. DEGREE EXAMINATION - APRIL 2024
HONOURS
SECOND SEMESTER

COURSE : MAJOR CORE
PAPER : FINANCIAL ACCOUNTING
SUBJECT CODE : 23BH/MC/FA24
TIME : 3 HOURS

MAX. MARKS: 100

SECTION A									
Q. No.	Answer all questions:	(5 x 2 =10)	CO KL						
1	Write a note on Non-Profit entities.	1	1						
2	What is a financial instrument?	1	1						
3	XYZ buys a machine for \$3000. It is expected to have a useful life of three years after which it will have a scrap value of \$300. Calculate the annual depreciation charge and carrying value at the end of 1 st year.	1	1						
4	Calculate the net load on goods sent to branch: <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Goods sent to branch (cost to head office)</td> <td style="text-align: right;">Rs. 180,000</td> </tr> <tr> <td>Goods returned by branch to head office</td> <td style="text-align: right;">Rs. 25,000</td> </tr> <tr> <td colspan="2">Goods are invoiced to the branch at cost plus 25%</td> </tr> </table>	Goods sent to branch (cost to head office)	Rs. 180,000	Goods returned by branch to head office	Rs. 25,000	Goods are invoiced to the branch at cost plus 25%		1	1
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5	Find out EPS Net profit after tax 2,00,000 10% preference share capital 4,00,000 Equity share capital (Rs. 100 each) 10,00,000	1	1						
SECTION B									
Q. No.	Answer any 4 questions:	(4 x 5 = 20)	CO KL						
6	Briefly explain the accounting treatment for subsequent expenditure under IAS16.	1	2						
7	Haseeb enters into an agreement to lease an asset. The term of the lease are as follows. <ul style="list-style-type: none"> • Primary period is for four years from 1 January 20X2 with a rental of \$2,000 p.a payable on 31 December each year. • The present value of the lease payment is \$5,710. • The interest rate implicit in the lease is 15%. What figures will be shown in the financial statements for the year ended 31 December 20X2?	1	2						
8	A company issues 5% loan notes at their nominal value of \$20,000 with an effective rate 5%. The loan notes are repayable at par after 4 years. <ul style="list-style-type: none"> • What amount will be recorded as a financial liability when the loan notes are issued? (2 marks) • What amounts will be shown in the statement of profit or loss and statement of financial position for years 1-4? (3 marks) 	1	2						

9	<p>Anand chess club conducts a tournament. The following items relating to the tournament are available. Show how these items will appear in the balance sheet.</p> <table border="1" data-bbox="355 331 1102 674"> <thead> <tr> <th>Particulars</th> <th>Rs</th> </tr> </thead> <tbody> <tr> <td>Tournament fund on 1-1-2018</td> <td>400,000</td> </tr> <tr> <td>Fund investments on 1-1-2018</td> <td>390,000</td> </tr> <tr> <td>Fund bank balance on 1-1-2018</td> <td>10,000</td> </tr> <tr> <td>Interest on investments received in 2018</td> <td>45,000</td> </tr> <tr> <td>Tournament entrance fee received</td> <td>20,000</td> </tr> <tr> <td>Tournament expenses</td> <td>180,000</td> </tr> <tr> <td>Cash received from sale of investments at par</td> <td>120,000</td> </tr> </tbody> </table>	Particulars	Rs	Tournament fund on 1-1-2018	400,000	Fund investments on 1-1-2018	390,000	Fund bank balance on 1-1-2018	10,000	Interest on investments received in 2018	45,000	Tournament entrance fee received	20,000	Tournament expenses	180,000	Cash received from sale of investments at par	120,000	1	2																																
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10	<p>Good luck Ltd. opened a branch on 1-1-20 at Calcutta. Prepare branch account.</p> <table border="1" data-bbox="355 770 1018 1088"> <thead> <tr> <th>Particulars</th> <th>Rs</th> </tr> </thead> <tbody> <tr> <td>Goods sent to branch</td> <td>50,000</td> </tr> <tr> <td>Sales: cash Rs. 20,000 credit Rs. 36,000</td> <td>56,000</td> </tr> <tr> <td>Cash received from debtors</td> <td>32,000</td> </tr> <tr> <td>Discount allowed to them</td> <td>600</td> </tr> <tr> <td>Cash sent to branch for expenses</td> <td>7,000</td> </tr> <tr> <td>Stock 31-12-20</td> <td>8,000</td> </tr> <tr> <td>Debtors 31-12-20</td> <td>3,400</td> </tr> </tbody> </table>	Particulars	Rs	Goods sent to branch	50,000	Sales: cash Rs. 20,000 credit Rs. 36,000	56,000	Cash received from debtors	32,000	Discount allowed to them	600	Cash sent to branch for expenses	7,000	Stock 31-12-20	8,000	Debtors 31-12-20	3,400	1	2																																
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11	<p>From the following Prepare common size statement :</p> <table border="1" data-bbox="355 1173 1158 1518"> <thead> <tr> <th>Liabilities</th> <th>2017</th> <th>2018</th> <th>Assets</th> <th>2017</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td>Share capital</td> <td>200</td> <td>250</td> <td>Fixed assets</td> <td>100</td> <td>120</td> </tr> <tr> <td>Reserves</td> <td>80</td> <td>100</td> <td>Investments</td> <td>50</td> <td>60</td> </tr> <tr> <td>Debentures</td> <td>100</td> <td>80</td> <td>Stock</td> <td>65</td> <td>75</td> </tr> <tr> <td>Creditors</td> <td>70</td> <td>95</td> <td>Debtors</td> <td>80</td> <td>90</td> </tr> <tr> <td>Bills payable</td> <td>50</td> <td>75</td> <td>Bills receivable</td> <td>95</td> <td>105</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Cash at bank</td> <td>110</td> <td>150</td> </tr> <tr> <td></td> <td>500</td> <td>600</td> <td></td> <td>500</td> <td>600</td> </tr> </tbody> </table>	Liabilities	2017	2018	Assets	2017	2018	Share capital	200	250	Fixed assets	100	120	Reserves	80	100	Investments	50	60	Debentures	100	80	Stock	65	75	Creditors	70	95	Debtors	80	90	Bills payable	50	75	Bills receivable	95	105				Cash at bank	110	150		500	600		500	600	1	2
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12 a.	<p>Answer the following questions: (4 x 10 =40)</p> <p>ABC Co purchased an investment property some year ago and carries it under the fair value model. On 1 January 20X1, the property had a fair value in ABC Co's financial statements of \$12 million. On 1 July 20X1 ABC Co decided to move into the property and use it for its own business. At this date the asset had a fair value \$14 million and a remaining useful life of 14 years.</p> <p>What amount should be recorded in ABC Co's statement of profit or loss for the year ended 31 December 20X1?</p> <p style="text-align: center;">(Or)</p>	2	3																																																

12 b.	<p>On 1 January 20X1, Dynamic entered into a two-year lease for a lorry. The contract contains an option to extend the term for a further year. Dynamic believes that it is reasonably certain to exercise this option. Lorries have a useful life of ten years. Lease payments are \$10,000 per year for the initial term and \$15,000 per year for the option period. All payments are due at the end of the year. To obtain the lease, Dynamic incurs initial direct costs of \$3,000. The interest rate within the lease is not readily determinable. Dynamic's incremental rate of borrowing is 5%.</p> <p>Required</p> <p>Calculate the initial carrying amount of the lease liability and the right-of-use asset and provide the double entries needed to record these amounts in Dynamic's financial records.</p>	2	3																																							
13 a.	<p>The following information relates to Madurai branch:</p> <table border="1" data-bbox="355 734 1059 1211"> <thead> <tr> <th>Particulars</th> <th>Rs</th> <th>Rs</th> </tr> </thead> <tbody> <tr> <td>Stock on 1-1-22</td> <td></td> <td>11,200</td> </tr> <tr> <td>Branch debtors on 1-1-22</td> <td></td> <td>6,300</td> </tr> <tr> <td>Goods sent to branch</td> <td></td> <td>51,000</td> </tr> <tr> <td>Cash sent to branch for:</td> <td></td> <td></td> </tr> <tr> <td> Rent</td> <td>1,500</td> <td></td> </tr> <tr> <td> Salaries</td> <td>3,000</td> <td></td> </tr> <tr> <td> Petty cash</td> <td>500</td> <td>5,000</td> </tr> <tr> <td>Sales at branch:</td> <td></td> <td></td> </tr> <tr> <td> Cash</td> <td>25,000</td> <td></td> </tr> <tr> <td> Credit</td> <td>39,000</td> <td>64,000</td> </tr> <tr> <td>Cash received from debtors</td> <td></td> <td>41,200</td> </tr> <tr> <td>Stock on 31-12-22</td> <td></td> <td>13,600</td> </tr> </tbody> </table> <p>Prepare branch account for the year 2022.</p> <p style="text-align: center;">(Or)</p>	Particulars	Rs	Rs	Stock on 1-1-22		11,200	Branch debtors on 1-1-22		6,300	Goods sent to branch		51,000	Cash sent to branch for:			Rent	1,500		Salaries	3,000		Petty cash	500	5,000	Sales at branch:			Cash	25,000		Credit	39,000	64,000	Cash received from debtors		41,200	Stock on 31-12-22		13,600	2	3
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13 b.	<p>Subramanian & Co of Chennai sends goods to its branch at Tanjore at cost plus 25%. All cash received by branch is remitted to the head office. All expenses are paid from Chennai. From the following particulars, show how the branch account will appear in the books of head office.</p> <table border="1" data-bbox="355 1473 1015 2022"> <thead> <tr> <th>Particulars</th> <th>Rs</th> </tr> </thead> <tbody> <tr> <td>Stock on 1-1-16 (invoice price)</td> <td>12,500</td> </tr> <tr> <td>Stock on 31-12-16 (invoice price)</td> <td>15,000</td> </tr> <tr> <td>Debtors on 1-1-16</td> <td>12,000</td> </tr> <tr> <td>Debtors on 31-12-16</td> <td>32,500</td> </tr> <tr> <td>Goods invoiced from Chennai</td> <td>60,900</td> </tr> <tr> <td>Remittance to Chennai:</td> <td></td> </tr> <tr> <td> Cash sales</td> <td>16,000</td> </tr> <tr> <td> Cash received from debtors</td> <td>29,500</td> </tr> <tr> <td> Goods returned to head office</td> <td>2,400</td> </tr> <tr> <td>Cheque received from madras:</td> <td></td> </tr> <tr> <td> Wages & salaries</td> <td>11,000</td> </tr> <tr> <td> Rent</td> <td>3,000</td> </tr> <tr> <td> Sundry expenses</td> <td>510</td> </tr> </tbody> </table>	Particulars	Rs	Stock on 1-1-16 (invoice price)	12,500	Stock on 31-12-16 (invoice price)	15,000	Debtors on 1-1-16	12,000	Debtors on 31-12-16	32,500	Goods invoiced from Chennai	60,900	Remittance to Chennai:		Cash sales	16,000	Cash received from debtors	29,500	Goods returned to head office	2,400	Cheque received from madras:		Wages & salaries	11,000	Rent	3,000	Sundry expenses	510	2	3											
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14 a.	<p>(i) On 1 December 20X1, Wade receives an order from a customer for a computer as well as 12 months to technical support. Wade delivers the computer (and transfers its legal title) to the customer on the same day.</p> <p>The customer paid \$420 on 1 December 20X1. The computer is normally sold for \$300 and the technical support for \$120.</p> <p>Explain how the transaction must be accounted for, using the Five Steps model for revenue recognition. (5 Marks)</p> <p>Ram Co sells a machine and one year's free technical support for \$50,000. It usually sells the machine for \$60,000 but does not sell technical support for this machine as a stand-alone product. Other support services offered by Ram Co attract a mark-up 50%. It is expected that the technical support will cost Ram Co \$10,000.</p> <p>How should the transaction price be allocated between the machine and the technical support? (5 marks)</p> <p style="text-align: center;">(Or)</p>	3	4
14 b.	<p>(i) XYZ Co has a year end of 31 December 20X1 and uses the dollar (\$) as its functional currency. On 25 October 20X1 XYZ Co buys goods from a Swedish supplier for Swedish Krona 286,000.</p> <p>Rate of exchange: 25 October 20X1 \$ 1 = SWK 11.16 16 November 20X1 \$ 1 = SWK 10.87 31 December 20X1 \$ 1 = SWK 11.02</p> <p>Show the accounting treatment for the above transactions if:</p> <ol style="list-style-type: none"> 1. A payment of SWK286,000 is made on 16 November 20X1. (3 marks) 2. The amount owed remains outstanding at the year end date. (2 marks) <p>(ii) Prepare a provision for tax account from the following details: (5 marks)</p> <ul style="list-style-type: none"> • Tax account Opening balance (Cr) \$2000 • Tax Paid \$1800 • Profit for the Current year \$100,000 • Tax 30% 	3	4

15 a.	<p>From the following receipts and payments account of the city club, Chennai for the year ended 31st March,2018, prepare Income and Expenditure Account.</p> <p style="text-align: center;">Receipts and Payments Account for the year ended 31-3-2018</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 15%; text-align: center;">Rs</th> <th style="width: 30%;"></th> <th style="width: 15%; text-align: center;">Rs</th> </tr> </thead> <tbody> <tr> <td>To balance 1-4-2017</td> <td style="text-align: center;">3,485</td> <td>By Books</td> <td style="text-align: center;">6,150</td> </tr> <tr> <td>To entrance fees</td> <td style="text-align: center;">650</td> <td>By printing & stationery</td> <td style="text-align: center;">465</td> </tr> <tr> <td>To Donations</td> <td style="text-align: center;">6,000</td> <td>By Newspapers</td> <td style="text-align: center;">1,110</td> </tr> <tr> <td>To Subscriptions</td> <td style="text-align: center;">6,865</td> <td>By sports materials</td> <td style="text-align: center;">5,000</td> </tr> <tr> <td>To interest on investments</td> <td style="text-align: center;">1,900</td> <td>By repairs</td> <td style="text-align: center;">650</td> </tr> <tr> <td>To sale of furniture</td> <td style="text-align: center;">685</td> <td>By Investments</td> <td style="text-align: center;">2,000</td> </tr> <tr> <td>To sale of old newspapers</td> <td style="text-align: center;">465</td> <td>By furniture</td> <td style="text-align: center;">1,000</td> </tr> <tr> <td>To proceeds from entertainments</td> <td style="text-align: center;">865</td> <td>By salary</td> <td style="text-align: center;">1,500</td> </tr> <tr> <td>To sundry receipts</td> <td style="text-align: center;">125</td> <td>By balance on 31-3-2018</td> <td style="text-align: center;">3,165</td> </tr> <tr> <td></td> <td style="text-align: center;">21,040</td> <td></td> <td style="text-align: center;">21,040</td> </tr> </tbody> </table> <p style="text-align: center;">(Or)</p> <p>15 b. Compute debtors turnover ratio from the following: Gross sales 1,42,000 Cash sales 28,000 Sales return 14,000 Opening debtors 15,000 Opening B/R 5,000 Closing debtors 26,000 Closing bills receivable 4,00</p>		Rs		Rs	To balance 1-4-2017	3,485	By Books	6,150	To entrance fees	650	By printing & stationery	465	To Donations	6,000	By Newspapers	1,110	To Subscriptions	6,865	By sports materials	5,000	To interest on investments	1,900	By repairs	650	To sale of furniture	685	By Investments	2,000	To sale of old newspapers	465	By furniture	1,000	To proceeds from entertainments	865	By salary	1,500	To sundry receipts	125	By balance on 31-3-2018	3,165		21,040		21,040	3	4
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16	<p>(i) Harris, a manufacturing entity purchases a property for \$1 million on 1 January 20X1 for its investment potential. The land element of the cost is believed to be \$400,000, and building elements is expected to have a useful life of 50 years. At 31 December 20X1, local property indices suggest that the fair value of the property has risen to \$1.1 million.</p> <p>Required: Show how the property would be presented in the financial statements as at 31 December 20X1 if Celine adopts.</p> <p style="margin-left: 20px;">i. The cost model (4 marks)</p> <p style="margin-left: 20px;">ii. The fair value model (4 marks)</p>	4	5																																												

	(ii) On 1 April 20X8 the fair value of ABC's property was \$100,000 with a remaining life of 20 years. ABC's policy is to value its property at each year end. At 31 March 20X9 the property was valued at \$86,000. The balance on the revaluation surplus at 1 April 20X8 was \$20,000 which relates entirely to the property. ABC does not make a transfer to realised profit in respect of excess depreciation. Required: Prepare extracts of ABC's financial statements for the year ended 31 March 20X9 reflecting the above information. (7 marks)																																										
17	Robert Co issues a convertible loan that pays interest of 2% per annum in arrears. The market rate is 8%, being the interest rate for an equivalent debt without the conversion option. The loan of \$5 million is repayable in full after three years or convertible to equity. Discount factors are as follows: <table style="margin-left: 40px;"> <tr> <td>Year</td> <td>Discount factor at 8%</td> </tr> <tr> <td>1</td> <td>0.963</td> </tr> <tr> <td>2</td> <td>0.857</td> </tr> <tr> <td>3</td> <td>0.794</td> </tr> </table> Required: Split the loan between debt and equity at inception and calculate the finance charge for each year until conversion/redemption.	Year	Discount factor at 8%	1	0.963	2	0.857	3	0.794	4	5																																
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Q. No.	Compulsory Case Study: (1 x 15 = 15)	CO	KL																																								
18	From the following figures relating to the trading activities of XYZ Co, for the year ended 31-12-2023, Interpret the profitability of the concern using ratio analysis. <table border="1" style="width: 100%; border-collapse: collapse;"> <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>sales</td> <td>1,00,000</td> <td>Salary of salesmen</td> <td>1,800</td> </tr> <tr> <td>purchases</td> <td>70,000</td> <td>advertising</td> <td>700</td> </tr> <tr> <td>Closing stock</td> <td>14,000</td> <td>Travelling expenses</td> <td>500</td> </tr> <tr> <td>Sales return</td> <td>4,000</td> <td>Salaries (office)</td> <td>3,000</td> </tr> <tr> <td>Dividend received</td> <td>1,200</td> <td>rent</td> <td>6,000</td> </tr> <tr> <td>Profit on sale of fixed assets</td> <td>600</td> <td>stationery</td> <td>200</td> </tr> <tr> <td>Loss on sale of shares</td> <td>300</td> <td>depreciation</td> <td>1,000</td> </tr> <tr> <td>Opening stock</td> <td>11,000</td> <td>Other expenses</td> <td>2,000</td> </tr> <tr> <td></td> <td></td> <td>Provision for tax</td> <td>7,000</td> </tr> </tbody> </table>	Particulars	Rs	Particulars	Rs	sales	1,00,000	Salary of salesmen	1,800	purchases	70,000	advertising	700	Closing stock	14,000	Travelling expenses	500	Sales return	4,000	Salaries (office)	3,000	Dividend received	1,200	rent	6,000	Profit on sale of fixed assets	600	stationery	200	Loss on sale of shares	300	depreciation	1,000	Opening stock	11,000	Other expenses	2,000			Provision for tax	7,000	5	6
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