

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2004 – 2005 & thereafter)

SUBJECT CODE : CM/MC/FA14

B.Com. DEGREE EXAMINATION NOVEMBER 2007
COMMERCE
FIRST SEMESTER

COURSE : MAJOR – CORE
PAPER : FINANCIAL ACCOUNTING – I
TIME : 3 HOURS MAX. MARKS : 100

SECTION – A

ANSWER ALL QUESTIONS: (10 x 3 = 30)

1. What is an error of principle?
2. What is Life Membership Fund?
3. How will you value the inventories as per AS – 2 (Accounting standard).
4. Write a note on short sales.
5. What do you mean by instalment purchase system?
6. The bank passbook shows Rs.3,260 but the cash book gives a different figure. The difference are found to be a cheque for Rs.34 sent to a creditor but wrongly entered in the cash book as Rs.142. An error by the bank, Rs.324 paid in has not been credited by them to the customer. Find out the cash book balance.
7. Ascertain cost of goods sold from the following particulars:
opening stock Rs.8,500; purchases Rs.30,700; Direct expenses Rs.4,800; Indirect expenses Rs.5,200; closing stock Rs.9,000.
8. A machine cost Rs.50,000, residual value is Rs.2,000 and expected life is 10 years. You are required to determine the rate of depreciation under written down value method.
9. Stock of Rs.80,000 of M/S. K & Sons has been insured for Rs.70,000. Loss due to fire is assessed at Rs.20,000. Calculate what claim M/S. K & Sons will get from the insurance company.
10. Pass Adjusting entries:
 - a) Charge interest on Drawing at 5% on Rs.1,000
 - b) Write off Bad debts Rs.500
 - c) Depreciate machinery by Rs.1,000.

SECTION – B

ANSWER ANY FIVE QUESTIONS:

(5 x 8 = 40)

11. Prepare a Bank Reconciliation statement from the following data on 30.11.2006.
- i) Balance as per Bank Pass Book overdrawn Rs.9,204.
 - ii) Cheque drawn on 30.11.2006 but not cleared till December 2006 Rs.3,225, Rs.745 and Rs.926.
 - iii) Bank overdraft interest charged on 28.11.2006 not entered in the cash book Rs.1,610.
 - iv) Cheque received on 29.11.2006 entered in the cash book but not deposited into bank Rs.11,322 and Rs.1,730.
 - v) Cheque received amounting to Rs.35 entered in the cash book twice.
 - vi) Bills receivable for Rs.2,980 due on 29.11.2006 sent to bank for collection on 28.11.2006 but not collected by the banker on 31.12.2006.
 - vii) A periodic payment by bank for Rs.80 under standing instruction not entered in the cash book.
 - viii) Cheque deposited on 30.11.2006 dishonoured but the entry was not made in the cash book Rs.1,890.
12. In balancing the accounts of a business organization, there was an excess credit of Rs.860 in the Trial Balance. The difference was placed in a suspense account and the books were closed. The following errors were located later:-
- a) Rs.3,000 sale proceeds of old machinery has been posted to sales account.
 - b) Rs.50 purchases from Ram, has been shown on the credit side of his account as Rs.500.
 - c) Rs.30 discount allowed by Ramesh had been shown in his account but not posted to Discount account.
 - d) A sum of Rs.640 owed by Mohan, had not been included in the list of debtors.
 - e) Account of Sam has been debited with Rs.100 on account of goods returned by him.
- Give journal entries to rectify the errors and prepare suspense account.
13. Give adjusting entry for the following:-
- a) Rent received in advance is Rs.2,000
 - b) commission accrued but not yet received Rs.250.
 - c) prepaid insurance premium Rs.500.
 - d) Wages outstanding Rs.200 yet to be paid
 - e) Depreciation at 10% on furniture of Rs.5,000.
 - f) Goods costing Rs.1,200 distributed as free samples.
 - g) Rs.1,000 worth of goods (cost price) taken by the proprietor for personal use.
 - h) Goods costing Rs.40,000 were destroyed by fire but insurance company admitted the claim only for Rs.25,000.
- 14.
- i) Subscriptions received for 2005-06 as per Income and Expenditures Account Rs.90,000.
 - ii) Advance subscriptions received in 2004-05 Rs.4,000.
 - iii) Subscriptions outstanding at the end of 2005-06 (This includes Rs.1,000 for 2003-04 Rs.9,500)
 - iv) Advance subscriptions received for 2006-07 Rs.2,000.
 - v) Subscriptions written off during 2005-06 Rs.500.

- vi) Subscriptions receivable on 1.4.2005 Rs.5,000.
 vii) Subscriptions collected by the secretary (2005-06) but not deposited Rs.1,000.

Prepare a statement showing subscriptions received as per Receipts and Payments account.

15. Sun Automobile Ltd. purchased a machine for Rs.60,000 on 1st July 2004. On 1st January 2005 company purchased an additional machine costing Rs.20,000. On 31st December 2006 the machine purchased on 1st July 2004 became obsolete and was sold for Rs.40,000. Depreciation was provided annually on 31st December at the rate of 10% per annum on the Reducing Balance Method.
 Prepare machinery account and Depreciation account for the period from 2004 to 2006.
16. A fire occurred in the premises of a company on 15.10.2006 from the following particulars, ascertain the loss of stock and prepare a claim for insurance:
 Stock on 1.1.2005 Rs.30,600.
 Purchases from 1.1.2005 to 31.12.2005 Rs.1,22,000
 Sales from 1.1.2005 to 31.12.2005 Rs.1,80,000
 Stock 31.12.2005 Rs.27,000
 Purchases from 1.1.2006 to 15.10.2006 Rs.1,47,000
 Sales from 1.1.2006 to 15.10.2006 Rs.1,50,000
 The stock 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.
17. Arun sells goods on hire-purchase basis at a profit of 50% on cost. Following particulars are given to you relating to the business during 2006:-
 Hire purchase stock (at selling price) as on 1.1.2006 Rs.9,000 Instalments due on 1st January, 2006. Rs.5,000.
 Goods sold on hire-purchase during the year (at selling price) Rs.87,000
 Cash received from hire-purchase customers during the year Rs.60,000
 Goods repossessed (Instalment due Rs.2,000) valued at Rs.500
 Hire-purchase stock (at selling price) as on 31st December, 2006 Rs.30,000
 Instalments due on 31st December, 2006 Rs.9,000
 Prepare Hire-purchase Trading Account showing the profit earned for 2006.

SECTION – C

ANSWER ANY TWO QUESTIONS:

(2 x 15 = 30)

18. Given below is the trail balance of Balan as at December 31, 2006.

DEBIT BALANCES		CREDIT BALANCES	
	Rs.		Rs.
Balan's current account	1,500	Balan's capital account	50,000
Adjusted purchases	6,99,200	Loan from Devan @9%	
Salaries	4,200	(taken on 1.7.2006)	20,000
Carriage on purchases	400	Sales	7,20,000
Carriage on sales	500	Discount	500
Lighting	300	Sundry creditors	20,000
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Rates & Insurance	400	
Buildings	27,000	
Furniture	6,000	
Sundry debtors	8,000	
Cash on hand	250	
Cash on bank	1,500	
Stock (31 st Dec. 2006)	61,250	
	<u>8,10,500</u>	<u>8,10,500</u>

Rates have been prepaid to the extent of Rs.175. Bad debts totalling Rs.500 have to be written off. A provision for doubtful debts @ 5% on debtors is necessary, Buildings have to be depreciated at 2% and furniture at 10%. The Manager is entitled to a commission of 5% of net profit before charging such commission. Prepare trading and profit & loss account and balance sheet as at 31.12.2006.

19. On 1.4.2003, a trader purchases a three year lease of premises for Rs.3,00,000 and it is decided to make provision for replacement by means of a depreciation fund. The expected rate of interest on the investment is 5% p.a. The sinking fund table shows that Re.0.317208 at 5% will in three years accumulate to Re.1.00. Open depreciation fund a/c, depreciation fund investment a/c and lease a/c.
20. On 1.4.2006 the godown of Hindustan Ltd. was destroyed by fire from the following particulars, calculate the value of goods destroyed by fire and the claim to be lodged with insurers.

	Rs.		Rs.
Stock at cost on 1.1.2005	27,570	Stock at cost on 31.12.2005	51,120
Purchases during 2005	2,71,350	Purchases during 2006 up to 31.3.2006	75,000
Sales during 2005	3,51,000	Value of Goods salvaged	6,300
Sales from 1.1.2006 to 31.3.2006	91,500		

Goods whose value was Rs.3,600 has been valued at Rs.1,500 on 31.12.2005. These were sold in March 2006 for Rs.2,700. Except this transaction the rate of gross profit remained constant.

On 31.3.2006 goods worth Rs.15,000 had been received by the godown keeper not been recorded in the purchases account.

21. X Ltd. purchased from Chennai motor company three trucks costing Rs.50,000 each on the hire-purchase system. Payment to be made Rs.30,000 down and the remainder in three equal instalments together with interest at 9%. X Ltd. writes off depreciation at 20% on diminishing balance. X Ltd. cleared its dues upto the end of first year but could not pay the next. Chennai motor company repossessed two trucks and left one with the purchaser, adjusting the value of the other two trucks against the amount due. The repossessed trucks were valued on the basis of 30% depreciation on written down value basis. The hire-vendor resold the goods for Rs.55,000. Show the necessary accounts in one books of X Ltd. & Chennai motor company.

