

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.

(For candidates admitted during the academic year 2010–11)

SUBJECT CODE : CM/MC/FA34

B.Com. DEGREE EXAMINATION NOVEMBER 2011

CORPORATE SECRETARYSHIP

THIRD SEMESTER

COURSE : MAJOR – CORE

PAPER : FINANCIAL ACCOUNTING

TIME : 3 HOURS

MAX. MARKS : 100

ANSWER ALL QUESTIONS:

(10 x 3 = 30)

SECTION – A

1. What is the need for providing depreciation?
2. Enumerate any three differences between hire-purchase system and installment-purchase system.
3. Write a short note on sinking fund method of depreciation.
4. What do you mean by recoupment of short workings?
5. What is an average due date? How is it ascertained?
6. Monovo & Son has purchased an asset for Rs. 30,500. It has spent an amount of Rs. 1,500 for installation. The useful life of the asset is 5 years and its scrap value is Rs. 2,000. Depreciation is to be provided according to the straight line method. You are required to find out the rate of depreciation
7. Maheer purchases a car on hire-purchase system. The total cash price of the car is Rs. 15,980, payable Rs. 4,000 down and three instalments of Rs. 6,000, Rs. 5,000 and Rs. 2,000 payable at the end of first, second and third year respectively. Interest is charged at 5% p.a. You are required to calculate interest paid by the buyer to the seller each year.
8. Calculate the gross profit and cost of goods sold from the following information
Net sales Rs. 2,00,000 gross profit is 25% on cost
9. A owes B the following sums of money due on the dates stated. Calculate the average due date.
Rs. 1,000 due on January 1, 2001, Rs. 2,000 due on February 1, 2001.
Rs. 3,000 due on March 1, 2001, Rs. 4,000 due on April 1, 2001.
10. The Zawar mines Co. Ltd. took from Mr. Raj, a lease of a mine for a period of 25 years from 1.1.2006 on a royalty of Rs. 5 per tonne of mineral raised with a dead rent of Rs. 20,000 and power to recoup short workings during the first five years of the lease.

The annual outputs were as follows

Year	2006	2007	2008	2009	2010
Tonne	2000	3000	4000	4500	5000

Prepare the table showing royalty payable and short workings of Mr. Raj.

SECTION – B**ANSWER ANY FIVE QUESTIONS:****(5 x 8 = 40)**

11. Grace co Ltd purchased a machine on January 2007 for Rs 50,000. On 1st July 2007 further machinery was purchased for Rs. 25,000. On 1st July 2008 the machinery purchased on 1st January 2007 having become obsolete, was sold off for Rs. 20,000. Depreciation has to be charged at 20% on the original cost assuming that the accounts are closed every year on 31st December. You are required to prepare:

- (a) Machinery A/c
(b) Provision for depreciation A/c

12. Selena purchased a typewriter on hire- purchase system. As per terms, she is required to pay Rs. 800 down, Rs. 400 at the end of the first year Rs. 300 at the end of the second year and Rs 700 at the end of the third year. Interest is charged at 5% p.a. Calculate the total cash price of the typewriter and the amount of interest payable on each instalment

13. A acquired the right to manufacture and sell locks from B on 1.1.2005. A has to pay a royalty of Rs. 5 for each lock sold with a minimum rent of Rs. 50,000. Accounts to be settled annually on December 31.

The number of locks sold was as follows:

Year	2005	2006	2007	2008
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Number of locks	8000	9000	11,000	18,000
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Prepare Royalty Account, B's Account and Short-workings Account in the books of A for the four years assuming that short workings cannot be recouped.

14. A limited company purchased on 1st January, 1998 a small plant for Rs. 10,000. On 1st July in the same year additional plant was purchased costing Rs. 5,000. On 1st July, 1999, the plant purchased on 1st January, 1998 having become obsolete, was sold off for Rs. 4,000. On the 1st July, 2000, a fresh plant was purchased for Rs. 12,000 and the plant purchased on 1st July, 1998 was sold at Rs. 4,200 on the same date.

Depreciation is to be provided at 10% per annum on the written down value every year. Show Machinery account.

15. Thiru.Ragavan involved in the following transaction with Sugumar in the year 2008.

1.7.2008	Balance b/d (dr)	900
15.7.2008	Sold to Sugumar	2850
10.8.2008	Cash received from sugumar	1650
19.8.2008	Purchase from sugumar	1050
3.9.2008	Goods sold to sugumar	450
16.9.2008	Cash received from Sugumar	750

Prepare the account current which Ragavan prepares and sent to Sugumar as on 30.9.2008. Calculate interest at the rate of 10% p.a.

16. Mr. Sham a partner in a firm has taken the following amounts from his firm for the half year ending 30.6.2009.

AMOUNT(Rs.)	DUE DATE
5,100	08.01.2009
3,500	12.02.2009
4,000	15.03.2009
3,600	10.04.2009
3,700	06.05.2009
6,000	08.06.2009

Interest is calculated @ 10% p.a. Calculate average due date and the amount of interest.

17. A company purchased 3 years lease on January 1, 2005 for Rs.30,000 and it is decided to provide for the replacement of the lease at the end of 3 years by setting up a Depreciation Fund. The expected rate of interest on the investments is 5% p.a. The sinking fund table shows that 0.317208 at 5% p.a. will in 3 years accumulate to Re. 1. On 31st December 2007 the investments are sold for Rs. 19,200. Prepare Depreciation Fund account and Depreciation Fund Investment account.

SECTION – C

ANSWER ANY TWO QUESTIONS:

(2 x 15 = 30)

18. On 1-1-1997, Basu obtained a mining lease and from that date he sub-leased a part of the mine to Ganeshan. Show ledger accounts in Basu's books from the following data:

Year	Lease	Sub-lease
2006 tonnes raised	1,000	1,000
2007 tonnes raised	3,000	2,000
2008 tonnes raised	12,000	5,000
2009 tonnes raised	9,000	7,000
2010 tonnes raised	5,000	12,000
Royalty per tone	Rs. 2	Rs. 3
Dead rent per annum	Rs. 15,000	Rs. 10,000
Shortworking recoverable	3 years	2 years

19. Sheela started business on 1-1-1990 and she purchased a machine for Rs.70,000. She purchased further machinery on 1st August 1991 costing Rs.15,000 and 30th September 1994 costing Rs.20,000. She adopted a policy of charging 15% p.a. depreciation under the diminishing balance method.

On 1.1.1994 it was decided to change the method and rate of depreciation to 10% on straight line basis with retrospective effect from 1.1.1990. The accounts are closed every year on 31st December. Calculate the difference in depreciation to be adjusted in the machinery Account on 1-1-94 and show the ledger account for the years 1990 to 1994.

20. Prepare Trading, Profit & Loss A/c. and Balance Sheet for the year 2009 from the following Trial Balance of Mr. Madan.

Debit Balance	Rs.	Credit Balance	Rs.
Sundry Debtors	92,000	Madan's Capital	70,000
Plant and machinery	20,000	Purchase returns	2,600
Interest	430	Sales	2,50,000
Rent, Rates, Taxes and Insurance	5,600	Sundry Creditors	60,000
Conveyance charges	1,320	Bank overdraft	20,000
Wages	7,000		
Sales return	5,400		
Purchase	1,50,000		
Opening Stock(1-1-09)	60,000		
Madan's drawings	22,000		
Trade expenses	1,350		
Salaries	11,200		
Advertising	840		
Discount	600		
Bad debts	800		
Business premises	12,000		
Furniture and Fixtures	10,000		
Cash in hand	2060		
	<u>4,02,600</u>		<u>4,02,600</u>

Adjustments

1. Stock on hand on 31-12-09 Rs. 90,000.
2. Provide depreciation on premises at 2.5% : Plant and machinery at 7.5% and furnishes and fixtures 10%
3. Write of Rs.800 as further bad debts.
4. Provide for doubtful debts at 5% on sundry debtors.
5. Outstanding rent was Rs.500 and outstanding wages Rs.400
6. Prepaid insurance Rs.300 and prepaid salaries Rs.700

21. P purchased four cars at Rs. 28,000 each on hire-purchase system. The hire-purchase price for all the four cars was Rs. 1,20,000 to be paid Rs. 30,000 down and three instalments of Rs. 30,000 each at the end of each year. Interest is charged at 5% per annum. Buyer depreciates cars at 10% per annum on straight line method. After having paid down payment and 1st instalment, buyer could not pay second instalment and seller took possession of three cars at an agreed value to be calculated after depreciating cars at 20% per annum, on written down value method. One car was left with the buyer. Seller after spending Rs. 2,400 on repairs sold away all the three cars to X for Rs. 70,000. Prepare ledger accounts in the books of both the parties.

