

**STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.**  
**(For candidates admitted during the academic year 2011–12 & thereafter)**

**SUBJECT CODE : 11CM/MC/FA14**

**B.Com. / B.Com.(C.S) DEGREE EXAMINATION NOVEMBER 2013**  
**COMMERCE**  
**CORPORATE SECRETARYSHIP**  
**FIRST SEMESTER**

**COURSE : MAJOR – CORE**  
**PAPER : FINANCIAL ACCOUNTING**  
**TIME : 3 HOURS**

**MAX. MARKS : 100**

**SECTION – A**

**ANSWER ALL QUESTIONS:**

**( 10 x 3 = 30 )**

1. How does a trader ascertain the profit by statement of affairs method under single entry system?
2. Why do you create provision for bad debts? Explain its accounting treatment in final accounts.
3. Explain Hire-purchase agreement, and indicate any three features.
4. What are the essential features of branch accounting under debtors system?
5. What is a 'contingency' as per AS-4?
6. Capital as on 1.4.2004 Rs.50,000, Drawings @ Rs.1000 per month at the beginning of every month. Interest on capital at 12% p.a.; Interest on drawings at 6% p.a.; capital on 31.03.2005 Rs. 80,000. Calculate profit for 2004 – 2005.
7. An asset is purchased for Rs. 25,000. Depreciation is to be provided annually according to straightline method. The useful life of the asset is 10 years and it's residual value is Rs. 5000. You are required to calculate the amount of depreciation and rate of depreciation.
8. A television set cash price of which is Rs. 40,000 is sold on hire purchase system for Rs. 44,000 payable in 4 Quarterly instalments of Rs. 11,000 each. The first payment is made at the end of the 1<sup>st</sup> quarter. Show how interest is calculated.
9. Pass journal entries for the following transactions in the books of H.O.
  - (i) Stock at branch (on 1.1.2007) – Rs. 7,500
  - (ii) Goods received by branch sent by H.O – Rs. 1,30,000
  - (iii) Cash remitted by branch to H.O – Rs. 1,80,000
  - (iv) Cheque sent to branch for expenses – Rs. 20,000

10. Kannan purchased goods from Rama, the due dates for payment in cash being as follows:

Mar 15	Rs. 1000	Due 18 <sup>th</sup> April
Apr 21	Rs. 1500	Due 24 <sup>th</sup> May
Apr 27	Rs. 500	Due 30 <sup>th</sup> June
May 15	Rs. 600	Due 18 <sup>th</sup> July

Raman agreed to settle the total amount due on the average due date. Ascertain that date.

### SECTION – B

**ANSWER ANY FIVE QUESTIONS:**

**( 5 x 8 = 40 )**

11. Prepare Provision for Bad and doubtful debts account from the following information and also show the relevant entries in the Profit and loss account and the Balance sheet.

Figures as per Trial Balance:

- (i) Debtors Rs. 1,02,000
- (ii) Bad - debts Rs. 5,000
- (iii) Provision for doubtful debts Rs. 3,000

Provide further bad-debts of Rs. 2,000 and make a provision for doubtful debts at 5% on Sundry Debtors.

12. From the following facts you are required to calculate total sales:

Bills receivable in the beginning	Rs. 78,000	Returns inward	Rs. 87,000
Debtors in the beginning	3,08,000	Bills receivable dis-honoured	18,000
Bills receivable encashed during the year	2,09,000	Bills receivable at the end	60,000
Cash received from debtors	7,00,000	Debtors at the end	2,55,000
Bad debts written off	28,000	Cash sales (as per cash book)	4,09,000

13. Mr. X has maintained his books by single entry method. From the following details calculate profit for the year and a statement of affairs at the end of the year.

Rs. 10,000 (cost) furniture was sold for Rs. 50,000 on 1.1.2008. 10% depreciation is to be charged on furniture. Mr. X has drawn Rs. 10,000 p.m. Rs. 20,000 was invested by Mr. X in 2008 as further capital.

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	<b>1.1.2008</b>	<b>31.12.2008</b>
	<b>Rs.</b>	<b>Rs.</b>
Stock	4,00,000	6,00,000
Debtors	3,00,000	4,00,000
Cash	20,000	10,000
Bank	1,00,000	50,000 (over draft)
Creditors	1,50,000	2,50,000
Outstanding Expenses	50,000	80,000
Furniture (cost)	30,000	20,000

Bank balance on 1.1.2008 is as per cash book, but the bank overdraft on 31.12.2008 is as per bank statement. Rs. 20,000 cheque drawn in Dec 2008 have not been encashed within the year.

14. A company whose accounting year is the calendar year, purchased on 1.1.2009 a machine for Rs. 4,00,000. It purchased further machinery on 1<sup>st</sup> October, 2009 for Rs. 2,00,000 and on 1<sup>st</sup> July 2010 for Rs. 1,00,000. On 1.7.2011, 1/4<sup>th</sup> of the machinery which was installed on 1.1.2009 became obsolete was sold for Rs. 68,000.

Show how the machinery account would appear in the books of the Company for all the 3 years under diminishing balance method. Depreciation is to be provided at 10% p.a.

15. Mr. P purchased 4 cars for Rs. 4,20,000 each on 1.1.2009 under the hire purchase system. The hire purchase price for all the 4 cars was Rs. 18,00,000 to be paid as Rs. 4,50,000 down payment and 3 equal instalments of Rs. 4,50,000 each at the end of each year. Interest is charged at 5% p.a. The buyer depreciates the car at 10% p.a. on straight line method.

From the above particulars give journal entries in the books of hire vendor.

16. From the following particulars prepare a branch account showing the profit or loss at the branch.

	<b>Rs.</b>
Opening stock at branch	15,000
Goods sent to the branch	45,000
Sales	60,000
Salaries	5,000
Other Expenses	2,000

Closing stock could not be ascertained but it is known that the branch usually sells at cost plus 20%. The branch manager is entitled to a commission of 5% on the profit of the branch before charging such commission

17. Mani has accepted the following bills drawn by Sharma:-

On 08.03.2010	Rs. 8,000	For 4 months
On 16.03.2010	Rs. 10,000	For 3 months
On 07.04.2010	Rs. 12,000	For 5 months
On 17.05.2010	Rs. 10,000	For 3 months

He wants to pay all the bills on a single day. Find out this date. Interest is charged at 18% p.a. Mani wants to save Rs. 300 by way of interest. Find out the date on which he has to effect the payment to save the interest of Rs. 300.

### SECTION – C

**ANSWER ANY TWO QUESTIONS:**

**( 2 x 15 = 30 )**

18. The following is the schedule of balances on 31.03.2008 extracted from the books of Manikandan:-

<b>Debit Balances</b>	<b>Rs.</b>	<b>Credit Balances</b>	<b>Rs.</b>
Cash on hand	22,800	Capital	2,00,000
Cash at Bank	5,200	Wages outstanding	4,000
Sundry debtors	80,000	Sales	5,00,000
Buildings	1,37,000	Creditors	45,000
Stock on 1 <sup>st</sup> April 2007	70,000	Bills payable	25,000
Plant & Machinery	50,000	Discount (Cr)	12,000
Rent	3,000	Commission (Cr)	8,000
Depreciation on Plant & Machinery	5,000	Purchase returns	5,000
Drawings	40,000		
Wages	20,000		
Income tax	2,000		
Salary for 11 months	11,000		
Depreciation on Buildings	8,000		
Purchases	3,00,000		
Bills receivable	30,000		
Discount (dr)	2,000		
Carriage inwards	4,000		
Bad debts	6,000		
Sales Returns	3,000		
	<u>7,99,000</u>		<u>7,99,000</u>

You are required to prepare a Trading and Profit & Loss a/c for the year ending 31.3.2008 and a balance sheet as on that date.

Adjustments:-

- (i) Stock on 31.3.2008 was Rs. 96,000.
- (ii) Stock destroyed by fire was Rs. 6,000 and the Insurance company accepted a claim for Rs. 3,600.
- (iii) Rs. 1,600 paid as a rent of the office was included in the debtor.
- (iv) Goods invoiced Rs.10,000 was sent to customers on sale or return basis 28<sup>th</sup> March 2008, the customer still having the right to return the goods. The rate of Gross profit was 1/5<sup>th</sup> of sale.
- (v) Write off further bad debts Rs. 4,000 and maintain 5% provision for bad debts on debtors.
- (vi) One month salary was outstanding.

19. Rapid Engineering works sold to Pratap Industries a machine of the cash value of Rs. 31,360 on hire purchase basis on 1<sup>st</sup> April 2005. A sum of Rs. 9,000 was paid at the time of delivery. The balance was payable in three equal annual instalments of Rs.9,000 each payable on 31<sup>st</sup> March of every year. Interest was charged @ 10% p.a. The purchaser charged 10% depreciation p.a. on the diminishing balance method. Pratap Industries failed to pay the instalment due on March 31, 2007. Rapid Engineering Works obtained the permission of the court to repossess the machine as a result of default by the purchaser and took possession of machine on 31.3.2007. Prepare necessary ledger accounts in the books of Hire purchaser.
20. Crown Industries, Mumbai has a branch at Chennai to which goods are invoiced at cost plus 25%. The branch makes sales both for cash and on credit. Branch expenses are paid direct from the head office and the branch remits all cash to the head office. From the following details, prepare the necessary ledger accounts in the head office books to calculate branch profits as per stock and debtors system.

	<b>Rs.</b>
Goods received from H.O at Invoice price	60,000
Returns to H.O at invoice price	1,200
Branch stock on April 1, 2010	6,000
Cash Sales	20,000
Credit Sales	36,000
Branch debtors on April 1, 2010	7,200
Cash collected from debtors	32,000
Discount allowed to debtors	600
Bad debts in the year	400
Goods returned by debtors to branch	800
Rent, rates and taxes at branch	1,800
Branch office expenses	600
Branch stock on 31.3.2011 at invoice price	12,000

21. From the following information, prepare Account current on 30<sup>th</sup> September, 2010 to be submitted by M to F.

2010			Rs.
July	01	Debit balance	13,500
	05	Sold goods to F	9,000
	15	Received cash from F	13,500
August	04	Sold Goods to F	19,200
	16	Received Cash from F	9,000
September	01	Bought goods from F	21,000
	02	Paid cash to F	7,500
	12	Sold goods to F	9,600
	15	Paid cash to F	6,000

Interest is to be taken into account @ 10% p.a. It may be calculated to the nearest rupee.

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