

**STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.**  
**(For candidates admitted during the academic year 2015–16)**

**SUBJECT CODE: 15CM/MC/FA15**

**B.Com. / B.Com.(C.S) /B.Com (A&F) DEGREE EXAMINATION NOVEMBER 2015**  
**COMMERCE**  
**CORPORATE SECRETARYSHIP**  
**ACCOUNTING & FINANCE**  
**FIRST SEMESTER**

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

**MAX. MARKS: 100**

**SECTION – A**

**ANSWER ALL QUESTIONS:**

**(10 x 2 = 20)**

1. Distinguish between Capital Expenditure and Revenue Expenditure.
2. Explain “Revenue Recognition”.
3. What are the advantages of converting to IFRS?
4. What is Installment Purchase System?
5. Explain the features of an Independent branch.
6. Goods of Rs. 80,000 of M/s Ram & sons are insured for Rs. 70,000 subject to average clause, loss due to fire is assessed at Rs. 16,000. Calculate the claim the insured will get from the insurers?
7. How do you allocate the following expenses in departmental accounts?  
(i) Lighting (ii) Labour welfare Expenses.
8. Give journal entries in the books of H.O and Branch for the following transactions.  
(a) Goods in transit of Rs. 10,000 sent by head office to branch  
(b) H.O charged Rs. 5000 as depreciation on branch assets.
9. Calculate Gross profit and cost of goods sold from the following:  
Net sales: Rs. 2,00,000. Gross profit is 25% on Cost.
10. Compute interest under product method from the following:  
Rate of interest: 10%.  
Total of Products (Dr) 36,92,200.  
Total of Products (Cr) 20,53,500.

## SECTION – B

ANSWER ANY FIVE QUESTIONS:

(5 x 8 = 40)

11. Prepare Trading account for the year ending December 31, 2014 from the following balances as on December 31, 2014:

Particulars	Amount (Rs)
Stock 1.1.2014	10,000
Purchases	1,00,000
Carriage inward	1,000
Wages	5,000
Sales	1,70,000
Returns inward	5,000
Returns outward	8,000
Income tax paid	15,000
Freight	500
Exercise duty	2,500

Closing stock on December 31, 2014 was valued at Rs. 20,000.

12. From the following information, Calculate the amount of claim for Loss of Profit:

- i. The policy is for Rs. 49 lakhs with a six month period of indemnity.
- ii. A fire broke out on 1<sup>st</sup> October, 2011 and consequently, sales for the three months were affected, whereas sales for 3 months ended 31<sup>st</sup> December, 2010 were Rs. 10 lakhs, sales for 3 months ended 31<sup>st</sup> December, 2011 were only Rs. 4 lakhs.
- iii. Sales for 12 months ended 30<sup>th</sup> September, 2011 amounted to Rs. 50 lakhs.
- iv. Sales for the year ended 31<sup>st</sup> March, 2011 amounted to Rs. 45 lakhs.
- v. After debiting insured standing charges, Rs. 2,50,000, the net profit for the year ended 31<sup>st</sup> March, 2011 amounted to Rs. 20 lakh.
- vi. A sum of Rs. 10,000 was spent as additional expenses to reduce the loss due to fire.
- vii. Accounts are closed every year on 31<sup>st</sup> March.

13. X purchased a machine on Hire Purchase system from Y. Payment was to be made Rs. 18,000 as down payment and three annual installments of Rs. 18,000 each, interest charged at 20% Per annum. Calculate the Cash Price of the machine.

14. The following information relates to Chennai Branch:

Stock on 1 <sup>st</sup> Jan, 2012		Rs. 11,200
Branch debtors on 1 <sup>st</sup> January, 2012		Rs. 6,300
Goods sent to branch		Rs. 51,000
<b>Cash sent to branch for:</b>		
Rent	Rs. 1,500	
Salaries	Rs. 3,000	
Petty cash	Rs. 500	Rs. 5,000
<b>Sales at branch:</b>		
Cash sales		Rs. 25,000
Credit sales		Rs. 39,000
Cash received from debtors		Rs. 41,200
Stock on 31 <sup>st</sup> December, 2012		Rs. 13,600

Prepare Branch Account for the year 2012.

15. The Directors of Departmental Stores Ltd wish to ascertain, approximately, the net profit of A, B, and C departments separately for the quarter ended 31<sup>st</sup> March, 2014. It is found impracticable actually to take stock on that date but an adequate system of departmental accounting is use and the normal rates of gross profit, for the departments concerned are 40%, 30% and 20% on turnover respectively. Indirect expenses are charged in proportion to departmental turnover.

	A (Rs.)	B (Rs.)	C (Rs.)
Stock on 1.1.2014	39,100	35,000	15,000
Purchases to March 31, 2014	35,000	37,500	23,500
Sales to March 31, 2014	60,000	50,000	30,000
Direct expenses	10,100	7,250	3,550

Total indirect expenses for the period (including those relating to other departments) were Rs. 21,000 on total sales Rs. 4,20,000. Apportion the indirect expenses on the basis of sales.

Prepare a statement showing Gross profit, Net profit after making reserve for stock at 10% in respect of each department.

16. Find out the Average Due Date of the following bills accepted by a trader who wishes to settle them with one single payment:

Date of bill	Amount of bill (Rs)	Due date
1.4.2014	800	6.6.2014
30.4.2014	1,000	3.8.2014
3.6.2014	400	6.7.2014
15.06.2014	600	18.9.2014

17. On 02.01.2014 Ayesha opened an account with Indian Bank by depositing Rs. 5,000. Her deposits were: 20<sup>th</sup> Jan. Rs. 2,500, 20<sup>th</sup> March. Rs. 3,000, 20<sup>th</sup> May Rs. 3,500. Her withdrawals were: Rs. 6,000 on 20<sup>th</sup> February, Rs. 5,000 on 20<sup>th</sup> April and Rs. 2,500 on 20<sup>th</sup> June.

Prepare an Account Current to be rendered by bank for the period 30<sup>th</sup> June 2014 charging interest at 5% p.a. on Customer's debit balance and 2% p.a. on Customer's credit balance.

### SECTION – C

**ANSWER ANY TWO QUESTIONS:**

**(2 x 20 = 40)**

18. Essar Ltd has its head office in Mumbai and a branch at Delhi. Goods are invoiced to the branch at cost plus 33 $\frac{1}{3}$ %.

On 1<sup>st</sup> January, 2014, the following balances appeared in the books of Head Office:

Branch Debtors Account	Rs. 15,000
Branch Stock Account (at Invoice price)	Rs. 6,000
Branch Adjustment Account (Cr)	Rs. 1,500

The following were the transactions of the branch during the year ended 31<sup>st</sup> December, 2014:

Cash Sales Rs. 7,500; Credit Sales Rs. 1,50,000; Goods from Head Office at Invoice price Rs. 1,80,000; Cash Received from branch debtors Rs. 1,44,000; Discount allowed to branch debtors Rs. 3,690; Branch expenses paid by H.O Rs. 37,500.

The stock at the branch on 31<sup>st</sup> December, 2014 was Rs. 24,000 at Invoice price.

Prepare necessary ledger accounts relating to Branch transactions, in the books of Head Office according to Stock and Debtors' system.

19. The Following is the Trial balance of M/s. Jerome Agencies as on 31<sup>st</sup> March, 2014. Prepare Trading and Profit and Loss Account for the year ended 31<sup>st</sup> March, 2014 and a Balance Sheet on that date:

Particulars	Debit (Rs.)	Credit (Rs.)
Drawings	18,000	
Buildings	15,000	
Furniture	7,500	
Motor Van	25,000	
Purchases	75,000	
Opening stock	25,000	
Establishment expenses	15,000	
Wages	2,000	
Insurance	1,000	
Sundry debtors	28,100	
Bank balance	20,000	
Capital		1,00,000
Loan from Mary @ 12% Interest		15,000
Interest paid on above	900	
Sales		1,00,000
Commission received		4,500
Sundry creditors		10,000
Interest		3,000
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	2,32,500	2,32,500
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**Adjustments:**

- i. The value of stock on 31<sup>st</sup> March, 2014 was Rs. 32,000.
- ii. Outstanding wages Rs. 500.
- iii. Prepaid Insurance Rs. 300.
- iv. Commission received in advance Rs. 1,300.
- v. Allow Interest on capital @ 10%.
- vi. Depreciate buildings by 2½% ; Furniture 10% ; Motor Van 10%.
- vii. Charged Interest on drawings Rs. 500.
- viii. Accrued Interest Rs. 500.

20. X Ltd purchased 2 machines costing Rs. 80,000 each from Y Ltd on 1<sup>st</sup> January 2010 on hire purchase system. The terms were:

Payment on delivery Rs. 20,000 for each machine. Remainder in 3 equal installments together with interest at 10% p.a. to be paid at the end of each year.

X Ltd write off 25% depreciation each year on diminishing balance method.

X Ltd paid the installments due on 31<sup>st</sup> December, 2010 and on 31<sup>st</sup> December 2011, but could not pay the final installment.

Y repossessed one machine adjusting its value against the amount due. The repossession was done on the basis of 30% depreciation on diminishing balance method. The Vendor spent Rs. 8,560 for the repairs of the machines and sold it for Rs. 40,000.

Write up the ledger accounts in the books of both the parties.

21. Fire occurred in Premises of Bad Luck Ltd. On 20<sup>th</sup> February, 2014. The Company has taken out a fire insurance policy of Rs. 1, 00,000 covering its stock in trade and the policy was subject to Average Clause. From the following particulars ascertain the claim to be lodged.

Stock on 1 <sup>st</sup> January, 2013	Rs. 90,000
Purchases during the year 2013	Rs. 3, 65,000
Purchases returns during the year 2013	Rs. 5,000
Stock on 31 <sup>st</sup> December 2013	Rs. 1, 26,000
Sales for the year 2013	Rs. 4, 10,000
Sales returns during the year 2013	Rs. 10,000
Purchase from 1.1.2014 to the date of fire	Rs. 84,000
Sales from 1.1.2014 to date of fire	Rs. 1, 03,000
Sales returns from 1.1.2014 to date of fire	Rs. 4,000
Value of stock saved	Rs 19,800

It was the practice of the concern to value stocks at cost less 10%

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