

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2008– 2009 & thereafter)

SUBJECT CODE : CM/MC/FA34

B.Com. DEGREE EXAMINATION NOVEMBER 2010
COMMERCE
THIRD SEMESTER

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

ANSWER ALL QUESTIONS: (10 x 3 = 30)

SECTION – A

1. Explain the meaning of 'Liquidity Order' in arranging Balance Sheet items.
2. Describe any three causes for depreciation.
3. Enumerate the methods of computing interest under hire purchase system.
4. What is 'Minimum Rent' or 'Dead Rent'?
5. What is the purpose of Average due date?
6. On 1-1-2007, X purchased machinery on hire purchase system. The payment is to be made Rs. 4,000 down (on signing of the contract) and Rs. 4,000 annually for three years. The cash price of the machinery is Rs. 14,900 and the rate of interest is 5%. Calculate the interest in each year's installment.
7. A machine was purchased on 1st July 2005 at a cost of Rs. 14,000 and Rs. 1,000 was spent on its installation. The depreciation is written off at 10% on the original cost every year. The books are closed on 31st December each year. The machine was sold for Rs. 9,500 on 31st March 2006. Show the machinery account.
8. Find out the Average due date of the following bills accepted by a trader who wishes to settle them by one single payment.

Date of Bill	Amount of bill	Due date
	Rs.	
1.4.2008	800	6.6.2008
30.4.2008	1000	3.8.2008
3.6.2008	400	6.7.2008
15.6.2008	600	18.9.2008

9. Give the adjustment entry for the following:
 - a) Outstanding salary Rs. 3,500
 - b) Provision for doubtful debts at 6% on Debtors Rs. 60,000
 - c) Interest on capital at 10% on capital Rs. 1,80,000

10. Compute the amount payable to the lessor from the following details.
 Royalty Rs. 1 per unit
 Minimum rent Rs. 5000
 Right of recoupment 1 year from the year of occurrence.
 Production 1 year 4000 units
 2 year 5500 units
 3 year 7000 units

SECTION – B

ANSWER ANY FIVE QUESTIONS:

(5 x 8 = 40)

11. The following are the ledger balances extracted from the books of Mr. Bharath.

	Rs.		Rs.
Bharath's Capital	50,000	Sales	3,01,000
Bank Overdraft	8,400	Return inwards	5,000
Furniture	5,200	Discount (Cr.)	800
Business premises	40,000	Taxes & Insurance	4,000
Creditors	26,600	General Expenses	8,000
Opening Stock	44,000	Salaries	18,000
Debtors	36,000	Commission allowed	4,400
Rent from tenants	2,000	Carriage on purchases	3,600
Purchases	2,20,000	Provision for Doubtful debts	1,000
		Bad debts written off	1,600

Adjustments:

- (i) Stock on hand on 31.12.2009 was estimated as Rs. 40,120.
- (ii) Write off depreciation on business premises Rs. 600 and furniture Rs. 520.
- (iii) Make a provision of 5% on debtors for bad & doubtful debts.
- (iv) Allow interest on Capital at 5% and carry forward Rs. 1,400 for unexpired insurance.

Prepare Final Accounts for the year ended 31.12.2009.

12. A firm purchased a machine for Rs. 80,000 on 1st January 2006 and decided to depreciate it at 10% p.a. on diminishing balance method.

On 31st December 2009, the management decided to depreciate it @ 10% p.a. on straight line method with retrospective effect from 1st January 2006 and adjust the difference in depreciation arising from the change in method through profit & loss A/c of 2009.

Show Machinery A/c from 2006 to 2009.

13. X purchased a machine under hire purchase system. According to the terms of the agreement Rs. 40,000 was to be paid on signing the contract and the balance was to be paid in four annual instalments of Rs. 25,000 each plus interest. The cash price was Rs. 1,40,000. Interest is chargeable on outstanding balance at 20% per annum. X could not pay the second instalment & the machine was repossessed. The vendor spent Rs. 3000 on repairing the machine & sold the machine for Rs. 1,00,000. X depreciates the machine at 10% per annum on straight line method. Give the necessary ledger accounts in the books of the Hire vendor.

14. A company leased a colliery on 1.1.2008 at a minimum rent of Rs. 20,000 merging into a royalty of Rs. 1.50 per tonne with power to recoup short workings over the first four years of the lease. The output of the colliery for the first four years was 9,000 tonnes, 12,000 tonnes, 16,000 tonnes and 20,000 tonnes respectively.

Give the necessary ledger accounts in the books of the lessee.

15. The following balance appear in the books of Mohan
 1.1.2000 Machinery A/c Rs.50,000
 1.1.2000 Provision for Depreciation A/c Rs.20,000
 On 1.8.2000 they decided to sell a machine for Rs. 4,500. This machine was purchased for Rs. 9,000 in January 1996.
 You are required to prepare Machinery A/c and the Provision for Depreciation A/c on 31.12.2000 assuming the firm has been charging depreciation at 10% p.a. on straight line method.

16. A partner has withdrawn the following sums of money during the half year ending 30.6.2009.

Jan 15	Rs. 300	April 20	Rs. 400
Feb 18	Rs. 250	May 16	Rs. 300
Mar 10	Rs. 150	June 18	Rs. 500
Mar 26	Rs. 200		

Interest is to be charged at 8% p.a. Find out the average due date and calculate the amount of interest to be debited to the partner.

17. The following transactions took place between Ram and Krishna from 1.1.2009 to 30.6.2009.

		Rs.
2009		
Jan. 1	Sold goods to Ram	2,240
Jan. 10	Received Ram's acceptance at 2 months	1,000
Feb. 15	Received cash from Ram	1,200
Mar. 2	Bought goods from Ram	5,500
Mar. 3	Accepted Ram's bill at 1 month	2,000
Apr. 11	Paid cash to Ram	2,000
Apr. 30	Sold goods to Ram	2,400
May 11	Bought goods from Ram	1,500
May 31	Sold goods to Ram	2,200
June 15	Bought goods from Ram	3,000

Prepare the account current to be sent by Krishna on 30th June 2009. The rate of interest is 5%.

SECTION – C

ANSWER ANY TWO QUESTIONS:

(2 x 15 = 30)

18. From the following Trial Balance extracted from the books of Kamalnath. Prepare Trading and Profit & Loss A/c and Balance Sheet for the year ended 31-12-96.

Debit Balances	Rs.	Credit Balances	Rs.
Cash at Bank	2610	Creditors	4700
Debtors	11070	Discounts	150
Salaries	4950	Creditors for expenses	400
Carriage inwards	1450	Returns outwards	2520
Carriage outwards	1590	Sales	80140
Bad debts	1310	Capital	40000
Office expenses	5100		
Purchases	67350		
Return inwards	1590		
Furniture & Fixtures	1500		
Stock	14360		
Insurance	3300		
Depreciation on property	1200		
Freehold Property	10800		
	128180		128180

Adjustments:

1. Make provision for doubtful debts at 5%.
 2. Calculate discount on creditors @ 2%
 3. Office expenses include stationery purchased Rs. 800
 4. Carriage inwards include carriage paid on purchase of furniture Rs. 50.
 5. Outstanding salaries Rs. 150.
 6. Prepaid insurance Rs. 300
 7. Stock on hand Rs. 10700 (including stationery stock Rs. 200)
19. A company purchased machinery on 1.7.1997 for Rs. 80,000. On 1.1.1999 they purchased another machine for Rs. 60,000 and again on 1.10.2001 machinery costing Rs. 1,50,000 was purchased. They adopted a policy of charging depreciation @ 20% p.a. on diminishing balance.
- On 1.7.2001, they however changed the method of providing depreciation and adopted the method of writing off the machinery A/c at 15% p.a. under straight line method with retrospective effect from 1.7.1997, the adjustment being made in the accounts for the year ended 30.6.2002. The depreciation has been charged on time basis, you are required to calculate the difference in depreciation to be adjusted and show the machinery a/c from 1997-98 to 2001-02. (Accounts are closed on 30th June each year)

20. Ravi took a colliery on lease. The dead rent was Rs. 750 a year, merging into a royalty of 35 paise per tonne of coal raised, with the right to recover short workings out of royalties of two subsequent years from the period in which the short workings arose. The output raised were:

I Year	-	1,000 tonnes	IVth year	-	1,500 tonnes
II Year	-	1,500 tonnes	Vth year	-	1,000 tonnes
III Year	-	2,500 tonnes			

Give necessary ledger A/cs for each of the five years in the books of Ravi.

21. On 1.1.2006 National Transport Company purchased from Metro Motors five trucks costing Rs. 40,000 each on the hire purchase system. It was agreed that Rs. 50,000 should be paid immediately and the balance in three instalments of Rs. 60,000 each at the end of each year. The Metro Motors charges interest @ 10% p.a. The buyer depreciates trucks at 20% p.a. on the diminishing balance Method. The buyer paid cash down and two instalments but failed to pay the last instalment. Consequently, the Metro motors repossessed three trucks leaving two trucks with the buyer and adjusting the value of 3 trucks against the amount due. The trucks repossessed were valued on the basis of 30% depreciation p.a. on the written down value. The trucks repossessed were sold by Metro Motors for Rs. 60,000 after necessary repairs amounting to Rs. 10,000. Open the necessary ledger accounts in the books of both the parties.

