

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

SUBJECT CODE : CM/MC/FA34

B.Com. DEGREE EXAMINATION NOVEMBER 2009
COMMERCE
THIRD SEMESTER

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

SECTION – A

ANSWER ALL QUESTIONS: (10 x 3 = 30)

1. Define fictitious asset. Give examples.
2. Explain the meaning of and cause for depreciation.
3. What do you mean by default and repossession? Explain.
4. Define short workings. What are its types of recoupment?
5. What is Red-Ink interest? Explain.
6. A manager gets 5% commission on net profit after changing such commission, What shall be his commission if gross profit is Rs 96,000 and expenses of indirect nature other than manager's commission are Rs 12,000 ?
7. An asset is purchased for Rs 25,000 . Depreciation is to be provided annually according to straight-line method. The useful life of the asset is 10 years and its residual value is Rs 5,000 You are requested to find out the rate of depreciation.
8. Calculate interest form the following details:-
Cash price: Rs 20,000; Rate of interest: 10 % p.a; Down payment 20%;
Annual installment: first year (end) Rs 7,600 , Second year (end) Rs 5,000 ,
and third year (end) Rs 6,600.
9. Sam took a lease of mine for a period of 20 years. Royalty payable is Rs 10 per tonne subject to a minimum rent of Rs 1,20,000 p.a. The short workings are recoupable during the first three years of the lease. The output was: 2000 – Nil; 2001 – 4000 tonnes; 2002 – 20,000 tonnes; 2003- 40,000 tonnes. Calculate the short working recouped and transferred to P & L a/c for non-recoupment.
10. Find out the average due date from the following details relating to the bills accepted by a trader who wishes to settle them with one single payment.

Date of the bill	Amount of the bill (Rs)	Tenure of the bill
1.4.2005	8,000	3 months
30.4.2005	10,000	1 month
3.6.2005	4,000	2 months
15.6.2005	6,000	3 months

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

11. Pass necessary adjustment entries for the following adjustments:-
- Goods worth Rs 2,000 distributed as free samples to customers.
 - Rs 2,000 to be transferred to Reserve Fund.
 - Interest charged on drawings Rs 520.
 - The proprietor has withdrawn goods worth of Rs 200 from stock.
 - To provide 10% interest on capital of Rs 2,50,000.
 - Carriage inwards include carriage paid on purchase of furniture Rs 500
 - Commission received in advance Rs 1,000.
 - Insurance unexpired is Rs 2,000.
12. A company whose accounting year is the calendar year, purchased on 1.1.2003 a machine for Rs 4,00,000 . It purchased further machinery on 1st October, 2003 for Rs 2,00,000 and on 1st July, 2004 for Rs 1,00,000. On 1.7.2005 , 1/4th of the machinery was installed on 1.1.2003 became obsolete and was sold for Rs 68,000 . Show the machinery a/c for all the 3 years under diminishing balance method when the rate of depreciation is 10 % p.a.
13. X purchased a computer on hire-purchase system. As per the terms, he is required to pay Rs 8,000 down, Rs 4,000 at the end of the first year Rs 3,000 at the end of the second year and Rs 7,000 / - at the end of the third year. Interest is charged at 5 % p.a. Calculate the total cash price of the computer and the amount of interest payable on each instalment. Prepare the necessary ledger accounts in the books of X.
14. Knight purchased a truck for Rs 1,60,000 from S Waugh on 1.1.2003 payment to be made Rs 40,000 down and Rs 46,000 at the end of first year, Rs 44,000 at the end of second year and Rs 42,000 at the end if third year. Interest was charged at 5 % p.a. Knight depreciates the truck at 10 % p.a. on written down value method.
Knight after having paid down payment and first instalment at the end of the first year, could not pay second instalment. The seller took possession of the truck, and after spending Rs 4,000 on repairs of the asset, sold it for Rs 91,500. Prepare the necessary ledger accounts in the books of Knight and Repossessed stock account in the books of Hire vendor.
15. On 1.1.2002, Rama Collieries Ltd.; leased a piece of land agreeing to pay a minimum rent of Rs 2,000 in the first year, Rs 4,000 in the second year and thereafter Rs 6,000 per annum, merging into royalty of 40 paise per tonne, with power recoup short workings over the first three years only.
The annual output for four years up to 31st December 2005 were 1,000, 10,000, 18,000 and 20,000 tonnes respectively. Record these transactions in the ledger of Rama Collieries Ltd.

16. For goods sold, Nagarajan draws the following bills on Raj who accepts the same as per terms given under:-

Amount of the bill Rs	Date of drawing	Date of Acceptance	Tenure
16,000	6.1.2005	9.1.2005	3 months after date
18,000	15.2.2005	18.2.2005	60 days
16,000	21.2.2005	21.2.2005	2 months
30,000	14.3.2005	17.3.2005	30 days after sight

Calculate the average due date. It was agreed that the above bills will be withdrawn and the acceptor would pay the whole amount in one lump sum by a cheque, 15 days ahead of average due date and for this a rebate of Rs 1000 would be allowed. Also calculate the amount and the due date of the cheque.

17. Prepare account current for Naresh in respect of the following transactions with Bhavesh.

2004		Rs
Sept 16	Goods sold to Bhavesh	400 (Due 1 st Oct)
Oct 1	Cash received from Bhavesh	180
Oct 21	Goods purchased from Bhavesh	1,000 (Due 1 st Dec)
Nov 1	Paid to Bhavesh	660
Dec 1	Paid to Bhavesh	600
Dec 5	Goods purchased from Bhavesh	1,000 (Due 1 st Jan)
Dec 10	Goods purchased from Bhavesh	440 (Due 1 st Jan)
2005		
Jan 1	Paid to Bhavesh	1,200
Jan 9	Goods sold to Bhavesh	40 (Due 1 st Feb)

The account is to be prepared upto 1st February. Calculate interest @ 6% p.a.

SECTION – C

ANSWER ANY TWO QUESTIONS:

(2 x 15 = 30)

18. From the following trial balance of Sri. Narayanan, you are required to prepare a Trading and Profit & Loss a/c for the year ended 31.12.2007 and a balance sheet as on that date.

Debit Balances	Rs	Credit Balances	Rs
Stock on 1 st Jan, 2007	70,000	Capital	2,00,000
Plant & Machinery	50,000	Wages outstanding	4,000
Rent	3,000	Sales	5,00,000
Depreciation on plant & Machinery	5,000	Creditors	45,000
Drawings	40,000	Bills payable	16,000
Wages	20,000	Discount (cr)	12,000
Income Tax	2,000	Bank O/D	9,000
Salary for 11 months	11,000	Commission (cr)	8,000
Cash	5,000	Purchase returns	5,000
Buildings	1,60,000		
Depreciation on buildings	8,000		
Purchases	3,00,000		
Debtors	80,000		
Bills receivable	30,000		
Discount(Dr)	2,000		
Carriage Inwards	4,000		
Bad Debts	6,000		
Sales Returns	3,000		
	7,99,000		7,99,000

Adjustments:-

- i. Stock on 31.12.2007 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 rent of the office was debited to landlord a/c and was included in the list of debtors.
 - iv. Goods invoiced Rs 10,000 was sent to customers on sale or return basis on 28th December 2007, the customers still having the right to return the goods. The rate of Gross Profit was 1/5 of sale.
 - v. Write off further bad debts Rs 4,000 and maintain 5% provision for bad debts on debtors.
 - vi. One month's salary was outstanding.
19. Rajan purchased on 1.1.2005 three machines each costing Rs 60,000 under hire purchase from HMT. Down payment is Rs 30,000, the balance is payable in three equal instalments in three years with interest at 10% p.a. Rajan writes off depreciation at 20% under straight line method. He paid the first instalment, but could not pay the second instalment. HMT took back two machines at a valuation of 30% depreciation p.a. under written down value method. They have overhauled these machines spending Rs 5,000 and sold them for Rs 72,000 cash. Give Ledger A/C's in the books of both the parties.

20. A company acquired lease of a mine at a minimum rent of Rs 1,00,000 per annum. The royalty was fixed at Rs 5 per tonne. Shortworkings could be recouped within three years following the year in which the shortworkings occur. If there is stoppage of production due to strike in any year, the minimum rent would be proportionately reduced in regard to the length of the stoppage.

The output (in tones) of the mine was as follows:-

2001 –	8000 tonnes
2002 –	12500 tonnes
2003 -	21500 tonnes
2004 –	26000 tonnes
2005 –	17000 tonnes
2006 -	30000 tonnes

During 2005 there was a strike lasting for 3 months. Show the necessary ledger accounts for each of the years in the books of the company.

21. From the following prepare an account current by Ashok to Mahesh charging, interest on debits at 6% p.a. and on credits at 4% p.a for six months ended 30.06.2005

2005		Rs
Jan 1	Balance due from Mahesh	12,000
Jan 10	Sold goods to Mahesh	10,400
Jan 17	Mahesh returned goods	2,500
Feb 10	Mahesh paid by Cheque	8,000
Feb 14	Mahesh accepted Ashok's draft for 1 month	6,000
April 29	Goods sold to Mahesh	12,300
May 15	Received cash from Mahesh	14,000
June 5	Mahesh accepted Ashok's bill for 3 months	10,000

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