

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – COMMERCE

FIRST SEMESTER – NOVEMBER 2007

CO 1500 - FINANCIAL ACCOUNTING

AU 1

Date : 01/11/2007
Time : 1:00 - 4:00

Dept. No.

Max. : 100 Marks

SECTION - A

Answer all questions

(10 x 2 = 20 marks)

1. A proprietor has used a part of his stores for household consumption and has charged it to stores a/c Rs.3000. What difference would it make in the net profit already arrived Rs.1, 20,000.

2. Hire purchase price of a machine is on the following terms: cash down Rs. 10,000; three annual installments of 25000; Rate of interest is at 8% p.a. Calculate the cash price of the machine.

3. Choose the correct answer:

Hire Purchase agreement gives effect to

- a) change of ownership and possession
- b) change of possession with out the change of ownership
- c) change of ownership without the change of possession.
- d) None of the above.

4. Do you agree with the following statements:

- a) Sundry debtors accounts will show total sales-both cash and credit.
- b) The Reserve for doubtful debts will be credited in the Sundry debtors a/c.

5. Mrs. Sheela had started business on 1 April 2005 with a capital balance of Rs.3, 20,000 and she found that her closing capital balance on 31 March 2006 was Rs. 3, 00,000 and she reports that she had introduced further capital of Rs. 20,000 on 1 October 2005 and she has withdrawn Rs. 25,000 each in four quarters. Interest on capital is charged at 3% p.a and no interest on drawings. Find out the net profit for the year 2005-2006.

6. A department (X) transfers its output cost Rs. 24,000 at 10% margin on the transfer price to another department (Y) in the company. How to treat this transaction in the books of accounts if it remains unsold by Dept. Y?

7. A machine which was bought on 1 October 2004 for Rs. 1, 20,000 is sold on 1st January 2006 for Rs. 30,000. The machine is depreciated at 15% written down value method. Give the journal entry for sale on 1 January 2006.

8. Explain Dead rent, and short workings recovered.

9. How will you apportion the following expenses in departmental accounts:

- a) Rent
- b) general electricity charges;
- c) welfare expenses; d) sales discount

10. Give journal entries for the following:

- a) Free Samples given to customers Rs. 2,500.
- b) Bad debts written off in the previous years as bad from Mr. Anil, Rs. 20,000 is received now in the current year at 50 paise per rupee.

SECTION - B

Answer any FIVE questions

(5 x 8 = 40 marks)

- 11.** Explain the salient features of a Dependent Branch to which goods are invoiced at cost plus price.
- 12.** Explain the steps involved in arriving at the claim for loss of profits under a consequential loss policy.
- 13.** What are the consequences of default made by a hire buyer of assets?
- 14.** A fire occurred on the premises of a merchant on 15 June 2006 and a considerable part of the stock was destroyed. The value of the stock saved was Rs. 4,500. The books disclosed that on 1st April 2006 the stock was valued at Rs. 36,750, the purchases to the date of the fire amounted to Rs. 1,04,940 and the sales to Rs. 1,56,500. On investigation it is found that during the past five years the average gross profit on the sales was 36%.

You are required to prepare a statement showing the amount the merchant would claim from the insurance company in respect of stock destroyed by the fire.

- 15.** Mr. X started a business on his own with a capital of 20,000 on 1.4.98. On the same day he purchased furniture for Rs. 6000. He is maintaining books on single entry. Find out cash on hand, the Net profit/ loss for the year 1998-99.

Sales (including cash sales of Rs. 14000) 34,000
Purchases (including cash purchases of Rs. 8000) 30,000
Drawings 2400; Salaries to staff 4000; Bad debts written off 1000;
Business Expenses 1400; Stock on 31.3.99 Rs. 13000;
Sundry debtors on 31.3.99 Rs. 10400; Sundry creditors on 31.3.99
Rs. 7200. Mr. X took from stock worth Rs. 1000 for his personal use and
paid Rs.400.

Cash to his son but omitted to record these transactions in his books. Provide depreciation at 10% per annum.

- 16.** From the following details write the Sales ledger adjustment account and the Bought ledger adjustment account in the General ledger as on 31st March 2006.

Debtors on 1 April 2005 Dr: Rs.17,425 and Cr: Rs.320
Creditors on 1 April 2005 Cr: Rs. 27,408 and Dr: Rs.204;
Purchases and sales Rs. 25,200 and Rs. 28,209 respectively;
Returns inwards Rs.208 and outwards Rs. 714;
Cash paid to creditors Rs. 12,700 and Bills received from debtors Rs. 9,300;
Bills dishonoured Rs.200;
Bills accepted for creditors Rs. 7,400;
Discount allowed to debtors Rs.215 and discount allowed but later disallowed Rs. 100;
Discount allowed by creditors Rs. 1020; cash received from debtors 8700; cash
paid to debtors Rs. 25; transfers from debtors and to creditors ledger Rs. 1242;
Cash purchases Rs. 4320 and cash sales 7400
Bad debts written off (after deducting bad debts received Rs.200) Rs. 215.

17. G Transport Company purchased ten trucks at Rs. 90,000 each on 1 July 2002. On 1 January 2004 one of the trucks is involved in an accident and is completely destroyed. Rs. 54,000 is received from the insurers in full settlement. On the same date another truck is purchased by the company for the sum of Rs. 1,00,000. The company writes off 20% on the original cost per annum. Show the trucks a/c for the two years 2002-2004.

18. A head office in Bombay has a branch in Ahmedabad to which goods are invoiced by the head office at cost price plus 25%. All cash received by the branch is daily remitted to the head office. All expenses are paid from Bombay. From the following particulars show how the Branch account will appear in the head office Books. Entries are to be made at invoice price.

Stock on 1 July 2005 at invoice price Rs. 12,500

Debtors on 1 July 2005 Rs. 12,000

Goods invoiced from Bombay Rs. 40,000

Remittances to Bombay; Cash sales Rs. 16000; Cash received from debtors Rs. 29,500

Goods returned to the head office Rs. 2400;

Cheques received from Bombay: Wages & salaries Rs. 11,000;

Rent & rates etc Rs. 3000;

And Sundry expenses Rs. 510

Stock on 31 December 2005 (invoice price) Rs. 15000

Debtors on 31st December 2005 Rs. 22,500;

SECTION - C

Answer any TWO questions

(2 x 20 = 40 marks)

19. The R Co Ltd leased a property from A at royalty of Rs.15 per tonne with a minimum rent of Rs. 20,000. Each year's excess of minimum rent over royalties is recoverable out of the royalties of the next year only. In the event of a strike and the minimum rental not being reached, the lease provided that short workings would stand reduced proportionately to the time actually worked.

The results of the working were as follows:

Year ended 31 March and production in tones

2001	nil	2002	650
2003	1850	2004	2250
2005	3500	2006(strike for four months)	600
2007	3000		

Write up the Minimum rent a/c, Royalties and short workings a/c and show the amount charged to profit and loss a/c in the Books of R Co Ltd.

20. Sri Guru keeps his books on Single entry system. His balance sheet on 31.12.2001 is as follows:

Capital	31, 500	Freehold premises	15, 600
Creditors	7, 210	Plant and machinery	4, 200
		Stock	8, 760
		Debtors	9, 820
		Cash	330
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	38, 710		38, 710
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The following is a summary of his receipts and payments for the year-ended 31.12.2002

<u>Receipts:</u>		<u>Payments:</u>	
Cash on account of credit sales	42,760	Creditors for goods purchased	39,540
Cash sales	18,630	general expenses	6,270
Capital paid in	2,000	wages	7,430
		Additions to machinery (1-7-02)	1,600
		Drawings	5,360

On 31.12.2002 the amount due to creditors was Rs. 8170 and the debtors and stock amounted to Rs. 9200 and Rs. 8540 respectively. You are required to prepare Trading and profit and loss account for the rear ended 31st December 2002 and a Balance sheet as on that date after making adjustments in respect of the following:

Depreciation of 10% per annum to be written off Machinery and Plant; Rs.500 is to be provided for bad debts;

General expenses include Rs.1,400 paid as Life Insurance Premium for Sri Guru; Wages include Rs.150 paid for erection of new machinery.

A sum of Rs.350 for goods supplied to the proprietor was included in Debtors balance as at 31st December 2002.

The amount of Rs. 8170 due to creditors on 31.12.2002 includes the admission of an old claim by a creditor of Rs. 600 relating to purchases before 1st January 2002 but the claim as not shown in the Balance Sheet as on 31st December 2001.

21. Transport Corporation purchased a truck on hire purchase from Hindustan Motors for Rs. 56,000 payment to be made Rs. 15,000 down cash and three installments of Rs. 15,000 each at the end of each year. Rate of interest is charged at 5% per annum. Buyer depreciated assets at 10% per annum on written value method.

Because of financial difficulties Transport corporation after having paid the down cash and the first installment at the end of the first year, could not pay the second installment Hindustan Motors took possession of the truck. The seller Hindustan Motors after spending Rs.350 on repairs of the truck, sold it for Rs.30,110. Prepare a). the truck a/c and the seller's a/c in the books of the buyer Transport corporation and b) the purchaser's a/c and Goods on Hire Purchase returned a/c in the books of Hindustan Motors.