LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

**B.B.A.** DEGREE EXAMINATION – **BUSINESS ADMINISTRATION**

FIRST SEMESTER – NOVEMBER 2012

# BU 1502 - FINANCIAL ACCOUNTING

Date : 08/11/2012 Dept. No. Max. : 100 Marks

Time : 1:00 - 4:00

**SECTION A (10X2=20Marks)**

**ANSWER ALL THE QUESTIONS**

1. What is amortization?
2. What is a statement of affairs?
3. What do you mean by independent system of branch accounting?
4. Give the meaning of the term “Average Clause” in fire insurance.
5. Single entry is
   1. considering one aspect of a transaction
   2. calculating the profit of sole proprietorship
   3. considering dual aspect of a transaction
   4. considering multiple aspect of a transaction
6. Provision is a charge against --------------------
7. Depreciation is provided to
   1. To increase the value of the asset
   2. To find out the book value of the asset
   3. To find out the market value of the asset
   4. To find out the actual value of the asset
8. Which method of depreciation is accepted by income tax authorities---------------------
9. Why statement of affairs is prepared?
10. Who is a hire vendor?

**Section-B(5 x 8=40)**

**Answer any five of the following**

1. Mr.A commenced business on 1st january, 2010 with a capital of Rs.25,000. He immediately bought furniture for Rs.6,000. During the year he borrowed Rs.15,000 from his wife and introduced a further capital of his own amounting to Rs.9,500. He had withdrawn Rs.900 at the end of each month for family expenses. On 31st December,2010, his position was as follows:

Cash in hand- Rs.600, Cash at bank- Rs.7,800, Sundry Debtors- Rs.14,400, Stock- Rs.20,400, Bills Receivable- Rs.4,800, Sundry Creditors- Rs.1,500, Rent due Rs.450. Furniture to be depreciated by 10%. Ascertain the profit or loss made by Mr.A during 2010.

1. On 1st Jan 2007, Mr.Sagayam purchased a machine on hire purchase under a hire purchase agreement which provided for an initial payment of Rs.1, 500 and the balance in 4 equal half- yearly instalments of Rs. 2,000 each, the first instalment falling due on 30th June 2007. Assuming the rate of interest of 6% p.a. Determine the cash price of the machine.
2. Distinguish Hire Purchase System from Installment Purchase.
3. A company purchased a second-hand plant for Rs.30,000. It spent Rs.5,000 immediately for improving the productivity. The plant was put to use on 1.1.2001. after using the plant for 6 years it was sold for Rs.15,000. Prepare the plant account for all the six 6 years. Provide depreciation 10% on original cost.
4. A fire occurred in premises of unlucky Ltd.. on 20th Feb, 2002. 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. Compute the claim to be made by the company.

**Rs.**

* Stock on 1st Jan 2001 90,000
* Purchases made during the period 2001 3,65,000
* Purchase returns during the period 2001 5,000
* Stock as on 31st Dec,2001 1,26,000
* Sales for the year 2001 4,10,000
* Sales returns made during the year 2001 10,000
* Purchases from 1-1-2002 to the date of fire 84,000
* Sales from 1-1-2002 to date of fire 1,03,000
* Sales returns from 1-1-2002 to date of fire 4,000
* Value of stock saved 19,800
* It was the practice of the concern to value stocks at cost less 10%

1. Discuss the different methods of providing depreciation.
2. From the following transactions prepare the Chennai branch account for the year ended 31st December, 2010.

* Stock at branch 1st jan 2010 -Rs.36,200
* Stock at branch31st dec 2010 -Rs.33,140
* Branch debtors 1st jan 2010 -Rs.11,300
* Branch debtors 31st dec 2010 -Rs.6040
* Petty cash1st jan 2010 -Rs.220
* Petty cash 31st dec 2010 -Rs.140
* Goods sent to branch - Rs.1,56,680
* Branch expenses met by H.O.- Rs.7,000
* Cash sent by H.O. to branch to meet petty expenses – Rs.1040
* Cash sales- Rs.1,68,200
* Cash received from branch debtors - Rs.27,700.

1. **A firm had two departments, Cloth and Garments. The garments were made by the firm itself out of cloth supplied by the cloth department at its usual selling price. From the following prepare departmental trading and profit and loss account.**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **Cloth dept.**  **Rs.** | **Garments dept.**  **Rs.** |
| **Opening stock** | **2,50,000** | **60,000** |
| **Purchases** | **12,50,000** | **40,000** |
| **Sales** | **16,00,000** | **5,00,000** |
| **Transfer to Garments dept.** | **2,50,000** | **-** |
| **Expenses:**  **Manufacturing**  **Selling** | **-**  **30,000** | **30,000**  **10,000** |
| **Closing stock** | **1,50,000** | **50,000** |

The stock in the Garments Deptt. may be considered as consisting of 60% cloth and 40% other expenses. The cloth deptt. earned Gross profit at the rate of 20%. General expenses of the business as a whole amounted to Rs.1,00,000.

**SECTION-C(2 x 20 =40)**

**Answer any two of the following**

1. What do you mean by single entry system? State the features of single entry system.

Why it is not accepted by Income tax authorities?

1. FROM THE FOLLOWING TRIAL BALANCE PREPARE FINAL ACCOUNTS OF Ms. Vidhya Vilas Ltd…as on 30th june 2002.

|  |  |  |
| --- | --- | --- |
| **Particulars** | **Debit** | **Credit** |
| Capital & drawing | 10,550 | 1,19,400 |
| Bills receivable | 9,500 |  |
| Purchase and sales | 2,56,590 | 3,56,430 |
| Return inwards | 2780 |  |
| Stock as on 1st july | 89,680 |  |
| Commission |  | 5640 |
| Plant & Machinery | 28,800 |  |
| Salaries | 11,000 |  |
| Travelling expenses | 1,880 |  |
| Debtors(including mohan for dishonoured cheque Rs.1,000) | 62,000 |  |
| Stationery | 2,000 |  |
| Telephone charges | 1370 |  |
| Interest & discount | 5870 |  |
| Bad debts | 3620 |  |
| Fixtures & Fittings | 8970 |  |
| Creditors |  | 59,630 |
| 6% loan |  | 20,000 |
| Wages | 40,970 |  |
| Cash in hand | 530 |  |
| Cash at bank | 18,970 |  |
| Insurance (including premium of Rs.300 per annum paid upto 31st dec,2002) | 400 |  |
| Rent & taxes paid | 5620 |  |
|  | 5,61,100 | 5,61,100 |

* Stock in trade as on 30th june, 2002 was 1,28,960.
* Write off half of mohan’s cheque
* Create a provision of 5% on debtors
* Manufacturing wages includes Rs.1,200 for erection of new machinery purchased last year.
* Depreciate plant & machinery by 5% fixtures & fittings by 10%
* Commission accrued Rs.600
* Interest on loan for the last 2 month is not paid.

1. Rapid engineering works sold pratap industries a machine of the each value of Rs.31,360, on hire purchase basis on 1st April, 1995. 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 31st March of every year. Interest was charged @10% per annum. The purchaser charged 10% depreciation per annum on the diminishing balances of the machine.

Pratap industries failed to pay the instalment due on March 31, 1997. Rapid engineering works obtained the permission of the court to repossess the machine as a result of default by the purchaser and having completed all statutory requirements took possession of the machine on May 31, 1997.

Prepare necessary ledger accounts in the books of hire-purchaser.

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