

# LOYOLA-INTERNATIONAL ACADEMIC COLLABORATION

## LOYOLA COLLEGE CHENNAI – 600 034

### BBA-FRANCE – END SEMESTER EXAMINATION

I SEMESTER – OCTOBER / NOVEMBER 2019

### BBA 136 – FINANCIAL ACCOUNTING I



Date: 02/11/2019

Dept. No.

Max. : 100 Marks

Time: 9 A.M. – 12 P.M.

#### PART A

Answer **ALL** questions

Marks: 5 x 6 = 30

1. State whether the following are Capital, Revenue or Deferred revenue expenditure
  - a. Lawyer's fees paid to prepare Sale Deed on purchase of property.
  - b. Licence fee paid to the Corporation of Chennai to start a restaurant business.
  - c. Heavy expenditure incurred on advertising a new product introduced in the market.
  - d. Extra seats added in a theatre to increase its seating capacity.
  - e. Cost of replacement of a thatched roof of a building with a concrete roof.
  - f. Tyres replaced on an existing car.

2. Fill in the blanks

- a. Machinery purchased on 1/8/2017 Rs.50,000. The machine was depreciated under SLM at 20% per annum. On 1/9/2019 the machine was sold at 10% less than its book value. The Sale value will be -----
- b. Sales commission at 5% is paid in the month following the sale. In the year 2018 the commission paid was Rs.15,000. Sales of December 2018 was Rs.60,000 and for December 2017 was Rs.20,000. The commission expense shown in the P/L account of 2018 is -----
- c. A loan of Rs.40,000 at 12% interest was taken on 1/4/2019. Rs.10,000 loan was repaid on 1/12/2019. The amount of interest on loan to be shown in the P /L account for the year ending 31/12/2019 is -----
- d. Rent received on 1/8/2019 for 18 months is Rs.36000. The rent prepaid on 31/3/2020 is -----

- 3a. Gross profit Rs.40,000  
Gross profit rate 20%  
Opening stock Rs.2000  
Closing stock Rs.4000  
Calculate Inventory Turnover Ratio

- 3b. Current ratio 2.5  
Acid Test ratio 1.5  
Working capital Rs.1,80,000  
Calculate the closing stock.

4. From the following data compute the amount of service revenue and supplies consumed for the year 2019.

	<u>31/12/2018 ( Rs.)</u>	<u>31/12/2019 (Rs.)</u>
Revenue received	6000	8000
Unearned revenue	5000	8000
Stock of supplies	2000	2500
Creditors for supplies	1200	1000

Service revenue received during year 2018 was Rs.48,600.

Supplies paid for during 2018 was Rs.10,200.

5. Write short notes on
  - a. Entity concept

- b. Deferred revenue expenditure
- c. Consistency Principle.

**PART B**

Answer **ANY FIVE** questions

**Marks: 5 x 10 = 50**

6. Ramesh Stationery had an opening inventory on 1<sup>st</sup> January 2019 of 20 units at a cost of Rs.4 each. The following purchases were made during the month ending 31<sup>st</sup> January 2019
- |                  |                       |
|------------------|-----------------------|
| 5 <sup>th</sup>  | 30 units at Rs.4 each |
| 14 <sup>th</sup> | 50 units at Rs.6 each |
- Sales during the month were as follows
- |                  |                        |
|------------------|------------------------|
| 8 <sup>th</sup>  | 40 units at Rs.10 each |
| 28 <sup>th</sup> | 50 units at Rs.10 each |
- The company uses the perpetual inventory system. Determine the ending inventory on 31/1/2019 and the cost of goods sold during the period using Weighted average method and FIFO method for pricing issues.
- If the operating expenses during the month was Rs.1000, also calculate the profit or loss.
7. Bank Overdraft as per Cash Book on 31/3/2019 was Rs.20,000  
On comparison with Pass Book the following were noticed.  
Interest debited by bank Rs.1,250  
Insurance premium paid Rs.1,500  
Direct deposit of Rs.3,500 by a customer into bank was entered in the Cash book as 5,300.  
The bank had wrongly credited our account with Rs.1000.  
A cheque for Rs.3,000 paid into bank was omitted to be sent to the bank.  
The cash book credit side was added Rs.1,000 short.  
Prepare the adjusted Cash Book and the Bank Reconciliation statement as on 31/3/2019
8. Rectify the following errors, and prepare the Suspense Account :
- A) Goods purchased from A was entered in the Sales book Rs.600
  - B) A cash payment of Rs.1150 to Ravi was posted to his debit as Rs.500
  - C) Purchase book was undercast Rs.100
  - D) Sales return from Gopal Rs.500 was entered in the sales book as Rs.5000
  - E) Rent received Rs.2000 from Manav was credited to Manav's account.
  - F) Machinery purchased Rs.5000 was entered in the Purchase book.
  - G) Discount received Rs.500 on payment to X was not posted in X's account.
  - H) Purchase returns to R, Rs.500 was entered in the sales book.
9. For each of the following transactions, make the necessary adjusting journal entries for the M.R. Corporation at December 31, 2019.
- a) Received cash Rs.9,000 on September 1, 2019, for a half-year's rent in advance. On this date the unearned rental income account was credited for the amount received.
  - b) On November 1, 2019, M.R. Corporation loaned another party Rs.4,000 on an 8% six-month note.
  - c) The company stocks a large amount of supplies in the administrative department. The supplies account showed a balance of Rs.2,000. At the year's end the supplies on hand amounted to Rs.500.
  - d) On July 1, 2019, the company paid Rs.850 for a five-year insurance policy. The transaction was initially recorded as a debit to Prepaid insurance.
  - e) Interest accrued on bonds owned by the company as of the end of the year was Rs.200.
  - f) On December 1, 2019 the company signed a lease to rent an auto for six months at Rs.0.20 per mile. During December, 1000 miles were driven. No recognition has been given yet to the rental charge on such auto.

g) On December 18 the company signed an agreement to buy a new auto on March 2020, from a car dealer. No down payment was given.

10. John opened an antique shop by investing Rs.5000 cash on the first day of May. The following transactions occurred during the month of May.

- a) Purchased Rs.2000 of merchandise on account from a supplier.
- b) Purchased equipment for Rs.1500 cash.
- c) Sold merchandise for cash, cost Rs.1200, selling price Rs.1600.
- d) Paid salary for the month Rs.500
- e) Paid rental expense for the month Rs.350
- f) Sold merchandise for cash. Cost Rs.700, selling price Rs.1200
- g) Purchase merchandise for Rs.2500. Paid Rs.1200 and the remainder on credit.
- h) Withdrew Rs.1000 for personal use.

Record the transactions and the running balances in the form provided below.

	Cash	+ Inventory	+ Equipment	= Accounts payable	+ John's capital
	Rs.5000				Rs.5000
a)	-----	-----	-----	-----	-----
Balance					
b)	-----	-----	-----	-----	-----
Balance					
c)	-----	-----	-----	-----	-----
Balance					
d)	-----	-----	-----	-----	-----
Balance					
e)	-----	-----	-----	-----	-----
Balance					
f)	-----	-----	-----	-----	-----
Balance					
g)	-----	-----	-----	-----	-----
Balance					
h)	-----	-----	-----	-----	-----
Balance					

11. Enter the following transactions in the 3 columnar Cash Book, assuming all cheques received are immediately deposited into bank.

- January 1, 2000 Cash in hand Rs.20000; Cash at bank Rs.5000
- 2<sup>nd</sup> Sold goods for cash Rs.5000 out of which Rs.3000 was deposited into bank.
- 3<sup>rd</sup> Received Rs.4000 from X by cheque and allowed him a discount of Rs.100.
- 4<sup>th</sup> Paid rent Rs.2000 by cheque and postage Rs.100 in cash.
- 5<sup>th</sup> Withdrew from bank for office use Rs.6000.
- 7<sup>th</sup> Paid Y Rs.2000 and received discount Rs.100.
- 8<sup>th</sup> Paid Proprietor's insurance premium Rs.3000 by cheque.
- 9<sup>th</sup> Repaid loan from Rakesh Rs.2000 along with Rs.200 interest.

12a. On 1/10/2018 X gave a loan to Y for Rs.12,000 and received a 6 months 10% Bill for the amount due. On 1/11/2018 the bill was discounted with the bank At 16% interest per annum. On the due date the bill was dishonoured. The bank paying Rs.10 as noting charges. X drew a new bill for the amount due for 1 month carrying 14% interest p.a. This bill was dishonoured on the due date and 40 p in the rupee was received from X's estate.

12b. On 1 /11/2018 M received a 6 month 12% B/R from his debtor N for Rs.30,000. On the due date the bill was dishonoured. N paying Rs.200 as Noting charges. N accepted a new one month bill for the amount due which was met by him on the due date. Assume books are closed on 31<sup>st</sup> December every year

**PART C**

**Compulsory question**

**Marks : 1 x 20 = 20**

1. 13. The following Trial Balance is extracted from the books of Mr. Rahul on 31.12.94.

<u>Particulars</u>	<u>Debit</u> <u>Rs.</u>	<u>Credit</u> <u>Rs.</u>
Furniture and fittings	6,890	-
Buildings	7,500	-
Capital	-	12,500
Bad Debts	125	-
Sundry Debtors and Creditors	3,800	3,300
Stock on 1.1.94	3,460	-
Purchases and Sales	5,475	15,450
Bank loan @14%-		12,250
Sales and Purchases Returns	200	125
Advertising	568	-
Commission	-	375
Cash	650	
Taxes and Insurance	1,250	-
Salaries	4,082	-
10% Fixed deposit in SBI	14,000	
Discount	500	1,500
Commission received in advance		5,000
Drawings	6,000	
Bills receivable and bills payable	2,000	8,000
	-----	-----
	<u>58,500</u>	<u>58,500</u>

Adjustments:

- i) Stock on 31.12.18 was Rs.4,000
- ii) Provision for bad debts is to be made at 5% on Sundry Debtors.
- iii) Prepaid insurance Rs.250.
- iv) Depreciate furniture at 20% per annum.
- v) Bank loan was taken on 1/10/18.
- vi) Fixed deposit was made on 31/12/18.
- vii) Goods taken by proprietor Rs.1000

Prepare Final accounts

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