

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – COMMERCE

FIRST SEMESTER – November 2009

CO 1500 - FINANCIAL ACCOUNTING

Date & Time: 10/11/2009 / 1:00 - 4:00 Dept. No.

Max. : 100 Marks

SECTION – A

(10 X 2 = 20 Marks)

Answer any TEN questions.

1. Sales – R.50,000/- ; profit – 12% on Cost. Calculate the amount of profit and Cost.
2. A Manager gets 5% commission on net profits after charging 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/-?
3. A company purchased a plant for Rs.50,000. The useful life of the plant is 10 years and the residual value is Rs.10,000. Find out the rate of depreciation under straight line method.
4. Purchases Rs.20,000; Sales Rs.30,000; closing stock Rs.2,000; wages Rs.500. Indirect expenses Rs.700. Rate of gross profit on cost price is at 50%. Calculate stock at the beginning.
5. Choose the correct answer:-
Profit for an accounting year equals:-
 - (a) Opening Capital + Additional Capital – Drawings – Closing Capital
 - (b) Opening Capital – Additional Capital + Drawings – Closing Capital
 - (c) Closing Capital – Additional Capital + Drawings – Opening Capital
 - (d) Closing Capital + Additional Capital – Drawings + Opening Capital
6. Write short notes on (i) Goods in Transit (ii) Cash in Transit.
7. Mr. X purchased a Machine on hire purchase system. The cash price of which is Rs.18,000. The hire purchase price is Rs.20,000 payable in 4 quarterly instalments of Rs.5000 each. The first payment is made at the end of the 1st quarter. Show how interest is calculated.
8. Define shortworking. How is it ascertained?
9. Goods worth of Rs.1,00,000 of M/s Raju & Sons are insured for Rs.70,000. Subject to average clause. Loss due to fire is assessed at Rs.30,000. Calculate what claim the insured will get from insurers.

10. Show what entries would be passed by head office to record the following transactions in the books on 31st December, the date of annual closing.
- Goods amounting to Rs.1500 transferred from Chennai branch to Tiruchy branch under the instructions from H.O.
 - Depreciation of Rs.1000 on Chennai branch fixed assets when such accounts are opened in the H.O. books.

SECTION – B

Answer any FIVE questions

(5 X 8 = 40 Marks)

- State the features and defects of single entry system.
- Explain the need for preparing departmental accounts and its advantages.
- What do you understand by hire purchase system? In what respects, does it differ from instalment system.
- A second hand machine was purchased on 1-1-2004 for Rs.40,000 overhauling and installation expenses for the Machine amounted to Rs.10,000. Another machine was purchased on 1-7-2004 for Rs.20,000.
On 1-7-2006, the machine installed on 1-1-2004 was sold for Rs.25,000. Dismantling charges for the machine sold on 1-7-2006 were Rs.1000. On the same date another machine was purchased for Rs.80,000 and commissioned on 30-9-2006. The company had adopted calendar year as its financial year. Under the existing practice, the company provides depreciation @ 10% p.a. on original cost. In 2007, it has been decided that depreciation will be charged on the diminishing balance @ 15% p.a. The change is not to be made with retrospective effect. Show machinery A/c from 2004 to 2008.
- From the following particulars, prepare Sales ledger adjustment A/c and General ledger adjustment A/c

1-1-2007	Rs.	31-12-2007	Rs.
Sales ledger balance	31500	Bills dishonoured	800
Provision for doubtful debts	2500	Sales during the month	75000
31-12-2007		Cash received from customers	65800
Bills accepted by customers	3200	Cheques dishonoured	250
Cheques recd. from customers	3150	Bills accepted by customers renewed	200
Bad debts previously written Off; now recovered	80	Cash discount allowed	1300
Carriage charged to customers	120	Interest cheque on bills renewed	5
Cash paid to customers by mistake	130	Bad debts written off	450

- A Mumbai head office sent goods to Chennai Branch at 25% profit over cost. From the following details, prepare the Branch account in the books of head office.

Opening stock of goods at branch at invoice price	-	20,000
Goods sent to Branch at invoice price	-	90,000
Loss of goods in transit at invoice price	-	6,000
Pilferage at branch at the cost to branch	-	1,200
Closing stock at branch at its cost to branch	-	16,000
Sales at branch	-	1,05,000
Salaries and wages at branch	-	6,000
Other expenses at branch	-	3,000

Chennai branch received Rs.4000 from the insurance company in settlement of the claim for the loss of goods in transit.

17. Madhan purchased a machine on hire purchase system on 1st January, 2006. The terms of payment are four annual instalments of Rs.12,690 at the end of each year. Interest is charged @ 5% p.a. and is included in the annual payment of Rs.12,690. Show machinery account and hire vendor account in the books Madhan who defaulted in the payment of third yearly payment whereupon the vendor repossessed the machinery. Madhan provides depreciation on the machinery @ 10% p.a. on the reducing balance.
18. A fire occurred in the business premises of Raj on 19-7-2007. From the following particulars ascertain the loss of stock and prepare a claim for insurance.

Stock on 1-1-2006	-	36,720	Stock on 31-12-2006	-	32,400
Sales for 2006	-	2,16,000	Purchases for 2006	-	1,46,400
Purchases from 1-1-07 to 19-7-07	-	1,76,400	Sales from 1-1-2007 to 19-7-2007	-	1,80,000

The stocks were always valued at 90% of cost. The stock saved from fire was worth Rs.21,600. The amount of policy was Rs.75,600. There was an average clause in the policy.

SECTION – C

Answer any TWO questions.

(2 x 20 = 40 Marks)

19. Mr. Rahim keeps his books under single entry system. From the following, prepare Trading and P&L A/c and Balance Sheet as on 31.12.2007.

Cash book analysis shows the following:

	Rs.		Rs.
Interest Charges	100	Personal withdrawals	2000
Staff Salaries	8,500	Other Business Expenses	7500
Payment to Creditors	15,000	Balance at Bank 31.12.2007	425
Cash in Hand as on 31.12.2007	75	Received from Debtors	25000
Cash Sales	15,000		

Further details available are

	As on 31.12.2006	As on 31.12.2007
	Rs.	Rs.
Stock on hand	9000	10220
Creditors	8000	5500
Debtors	22000	30000
Furniture	1000	1000
Office premises	15000	15000

Provide 5% interest on Rahim's capital balance as on 1.1.2007. Provide Rs.1500 for doubtful debts, 5% depreciation on all fixed assets. 5% group incentive commission to staff has to be provided for on net profit after meeting all expenses and the commission.

20. Modern company has two departments X and Y. Department X sells good to Y department at normal market price. From the following particulars, prepare departmental trading and Profit and Loss account for the year ended 31.12.2007.

	Dept. X	Dept. Y	General Total
Stock on 1.1.2007	15000	-	-
Purchases	250000	40000	-
Goods from Dept. X	-	40000	-
Wages	15000	20000	-
Salaries (Departmental)	7000	5000	-
Closing stock at cost to the Dept.	80000	20000	-
Sales	260000	145000	-
Printing & Stationery	2500	1500	-
Advertisement	-	-	12000
Salaries (General)	-	-	18000
Machinery	-	15000	-

Depreciate Machinery by 10%. The general unallocated expenses are to be apportioned in the ratio of 2:1 to the department X and Y. Half of the closing stock of department Y represents goods received from Department X.

21. Mura Bros. obtained a lease of a coal mine on 1st October 2002 on the following terms:

- i) Royalty Rs.1 per tonne (ii) Minimum rent Rs.12,000 p.a.
- iii) Recoupment of shortworkings of each year during the next 3 years subject to a maximum of Rs.2,500 p.a.
- iv) In the event of strike, the minimum rent would be taken pro-rata on the basis of actual working days, but in the even of lock out, the lessee would enjoy a concession in respect of minimum rent for 50% of the period of lockout.
- v) Workings for the first 5 years is as follows:

<u>Year</u>	<u>Actual Royalty</u>
	Rs.
2002	7000
2003	10200
2004	19000
2005	10800 (strike 73 days)
2006	9000 (lock out 4 months)

Show the ledger accounts in the books of Mura Bros.

