

DISTANCE EDUCATION
B.B.M. DEGREE EXAMINATION, DECEMBER 2009.
FINANCIAL ACCOUNTING

Time : Three hours

Maximum : 100 marks

SECTION A — (5 × 8 = 40 marks)

Answer any FIVE questions.

All questions carry equal marks.

1. Explain different types of cash books.
2. Distinguish between joint venture and consignment.
3. Define partnership. What are its essentials?
4. For what purpose the share premium can be utilized?
5. What are the accounting entries for the dissolution of partnership firms?
6. Journalise the following transactions, post them in the ledger and balance the accounts as on 31st Dec 2008.

- Dec. 1 Rajini started business with a capital of
Rs. 50,000
- 2 He purchased furniture for Rs. 5,000
- 3 He bought goods on credit from Vinod for
Rs. 8,000
- 14 He sold goods to Suresh for Rs. 5,000
- 15 He received cash from Suresh Rs. 3,000
- 18 He purchased goods for cash Rs. 12,000
- 27 He sold goods for cash Rs. 8,000
- 28 He paid rent Rs. 1,200
- 31 He paid Vinod Rs. 3,000 on account

7. A sold goods to B for Rs. 1,000. A drew a bill of exchange for Rs. 1,000 on B and the bill was duly accepted by B and returned to A. Pass necessary entries in the books of A and B in the following cases.

Case 1 : On the due date the bill was honoured

Case 2 : On the due date the bill was dishonoured

Case 3 : A discounts the bill with his banker for Rs. 980 and on the due date the bill was (a) honoured (b) dishonoured and the banker has paid a noting charge of Rs. 10.

8. While closing the books of a bank on March 31st, 2007, you find, in the loan ledger, an unsecured balance of Rs. 2 lakhs in the account of a merchant whose financial condition is reported to you as bad and doubtful. Interest on the same account amounted to Rs. 20,000 during the year. In 2008 the bank accepted 0.75 paise in the rupee on account of the total debt upto March 31, 2007. Pass the journal entries and ledger accounts to record the transactions.

SECTION B — (4 × 15 = 60 marks)

Answer any FOUR questions.

All questions carry equal marks.

9. What is the purpose of preparing a manufacturing account? What are its types?

10. State and explain the rule in Garner Vs. Murray's case.

11. State the difference between receipts and payments account and income and expenditure account.

12. The Trial Balance of Anbu prepared as on Dec. 31, 2008, did not tally. As he wanted to close his books and prepare the final accounts, he placed the difference to a newly opened suspense account which was carried forward to the next year. In the next year, the following errors were discovered.

(a) Rs. 80 owed by a debtor was omitted to be included in the schedule of debtors.

(b) A sum of Rs. 270 paid for repairs to furniture and fixtures was found debited to furniture and fixtures account as Rs. 720.

- (c) The purchases return book for the month of may was cast Rs. 50 short.
- (d) A bill receivable, received from Pallvan for Rs. 1,200, was found entered in the bills payable day book as Rs. 2,100.
- (e) A sum of Rs. 300 received from the estate of an insolvent debtors was found credited to his account which was already written off last year as bad.
- (f) Old machinery sold on credit for Rs. 700, was passed through the sales book.
- (g) A payment of Rs. 500 to a creditor, in full settlement of Rs. 540 was found credited to his account.

Pass journal entries to rectify the above errors and prepare the suspense account showing also how you would find out the difference in the trial balance.

13. X draw a bills for Rs. 1,500 and Y accepts the same for the mutual accommodation of both of them to the extent of X, 2/3 and Y, 1/3. X discounts the same for Rs. 1,410 and remits 1/3rd of the proceeds to Y. Before the due date, Y draws another bill for Rs. 2,100 on X in order to provide funds to meet the first bill. The second bill is discounted for Rs. 2,040 with the help of which first bill in met and Rs. 360 are remitted to X. Before the due date of the second bill, X becomes bankrupt and Y receives a dividend of 0.50 paise in the rupee in full satisfaction. Pass necessary entries in the books of X and Y respectively.

14. The following are the balances of Cholan Bank Ltd., for the year ended March 31, 2008.

	Rs.
Interest on loan	5,18,000
Interest on fixed deposits	5,50,000
Commission received	16,000
Salaries and allowances	1,08,000
Discount on bills discounted	2,92,000
Rebate on bills discounted	98,000
Interest on cash credits	4,46,000
Interest on current accounts	84,000
Rent and Taxes	36,000

	Rs.
Interest on overdrafts	3,08,000
Directors fees	6,000
Auditor fees	2,000
Interest on savings bank deposits	1,36,000
Postage and telegrams	3,000
Printing and stationery	6,000
Locker rent	2,000
Transfer fees	1,000
Depreciation on Bank's properties	10,000
Sundry charges	4,000

Other information :

- (a) Provision for Bad debts Rs. 80,000
- (b) Provision for income tax Rs. 3,00,000

From the above information, prepare the Profit and Loss Account of the bank for the year ended March 31, 2008.

15. Make out an account current to be submitted to A by B on 30th June 2008, in respect of the following transactions in the books of A.

2008	Rs.
Jan. 1 A sells goods to B	1,000
15 B sells goods to A	800
Feb. 4 A sells goods to B	500
23 B pays cash to A	200
Mar. 5 A sends his acceptance at one month	600
Apr. 10 B sells goods to A	400
May 5 A pays cash to B	300
10 B sends his acceptance at one month	200

Interest to be taken into account at 10% p.a.