

DISTANCE EDUCATION**B.B.M. DEGREE EXAMINATION, MAY 2010.****FINANCIAL ACCOUNTING**

Time : Three hours

Maximum : 100 marks

SECTION A — (5 × 8 = 40 marks)

Answer any FIVE questions.

All questions carry equal marks.

1. What are the golden rules of accounting?
2. What is a bill of exchange?
3. Write a note on Garner vs. Murrey rule.
4. What is sacrificing and gaining ratio?
5. “Balance Sheet is a statement of sources and uses of capital”. Discuss .
6. Latika for mutual accommodation draws a bill for Rs. 3,000 on Sumita. Latika discounted the bill for Rs. 2,925 and remits Rs. 975 to Sumita. On the due date Latika is unable to remit her dues to Sumita to enable her to meet the bill. She however accepts a bill for Rs. 3,750 which Sumita discounts for Rs. 3,525. Sumita sends Rs. 175 to Latika. Pass Journal in the books of Latika.
7. A, B and C are carrying on partnership business as equal partners. On 31st December, 1998 C dies and the capital of the partners after necessary adjustments stood at Rs. 20,000. 30,000 and 50,000 respectively. A and B could settle the account of the executors of C only on 31st March, 1999, by which time the partnership made a profit of Rs. 9,000. As there was no contract regarding the share to be given in the subsequent profits made by the firm, the executors wanted to execute option available under Section 37 of the Partnership Act. Determine the amount payable to the executors.

8. From the following particulars prepare the profit and loss accounts of SJ bank Ltd. for the year ending 31st March, 2002.

	Rs.
Interest on loan	34,90,000
Interest on fixed deposits	36,50,000
Rebate on bills discounted (1.4.2001)	4,80,000
Commission charged to customers	94,000
Office expenses	15,50,000
Discount on bills discounted	19,40,000
Interest on cash credit	22,40,000
Amount charged against current accounts	1,20,000
Rent and taxes	1,80,000
Interest on Overdraft	12,80,000
Director's remuneration	42,000
Interest on savings deposit accounts	6,90,000
Postal expenses	15,000
Printing and stationery	39,000
Other expenses	18,000

Adjustments to be made :

Rebate on bills discounted 5,20,000

Provide for taxation @ 50% of the profits.

SECTION B — (4 × 15 = 60 marks)

Answer any FOUR questions.

All questions carry equal marks.

9. Explain the contents of a balance sheet of a business organisation.

10. Is there any restriction on the Issue of Debenture at discount? Comment on your answer in detail.

11. Distinguish between receipts and payment account and Income and Expenditure account.

12. A and B agreed to share the profit in proportion of 3/4 and 1/4 and has shown the following as their balance sheet as on 31.12.2005.

Liabilities	Rs.	Assets	Rs.
Creditors	37,500	Cash at bank	22,500
General reserve	4,000	Bills receivable	3,000
Capital account		Debtors	16,000
A	30,000	Stock	20,000
B	16,000	Office furniture	1,000
		Land and building	25,000
	<u>87,500</u>		<u>87,500</u>

They admitted C into the partnership on 1st January 2006 on the following terms

- (a) That C pays Rs. 10,000 as his capital for a 5th share in the future profit.
- (b) That a goodwill account be raised in the books of the new firm at a value Rs. 20,000.
- (c) That stock and furniture be reduced by 10% and a 5% provision for doubtful debts be created on debtors.
- (d) The value of land and building be appreciated by 20%.
- (e) That the capital accounts of the partners be readjusted on the basis of their profit sharing arrangement and any debited or credit to their current account.

Set out the profit and loss appropriation account, capital accounts of partners and the balance sheet of new firm.

13. The following balances have been extracted from the books of Mr. SJ. Prepare trading and profit and loss account for the year ended 31st December, 2000, and a balance sheet as on that date.

Debits	Rs.	Credits	Rs.
Purchases	71,280	Capital	60,000
Computer	18,380	Creditors	13,000
Cash at bank	4,000	Bills payable	10,220
Cash in hand	2,838	Discount received	22,000
Furniture	1,540	Sales	60,720
Rent	12,540	Returns outward	11,432
Bills receivable	6,720	Rent due	320
Trade charges	920		
Debtors	34,156		
Discount allowed	5,200		
Wages	1,800		
Salaries	16,780		
Returns inwards	1,000		

Adjustments :

- (a) Closing stock on 31st December Rs. 25,600
- (b) Rs. 6,000 paid to Mr. Red against bill payable were debited by mistake to Mr. Green's account and included in the list of sundry debtors
- (c) Depreciate furniture @ 10% p.a.
- (d) Provide for doubtful debts at 5% on debtors
- (e) Goods costing Rs. 1,500 used by the proprietor
- (f) Salaries outstanding Rs. 12,000.

14. R of chennai consigned 100 cases of medicine costing Rs. 1,000 per case to K of Kanpur on 1st January, 2007. The goods were to be at 25% above cost. Any deficiency in selling price was to be borne by K. K however entitled

to a special commission @ 25% of any surplus price realized. K was further entitled to an ordinary commission of 5% and del credere commission of $2\frac{1}{2}$ on all sales

R incurred the following expenses :

Packing charges 6000

Loading charges 1000

Lorry hire 12,000

Railway freight 21,000.

The cases were received by k on 15.1.2007. The account sales received from K on 30-6-2007 revealed the following.

40 cases sold on 21-3-2007@ Rs. 1,500 per case, 30 cases sold on 24-5-2007@ Rs. 1,200 per cases, 10 cases sold on 15-6-2007@ Rs. 1,300 per cases, 5 cases of medicine were stolen by a dishonest employee. A compensation of Rs. 2,000 was realized from him. K enclosed a bank draft for the balance due.

Write up necessary accounts in the books of R.

15. From the following balances as on 31st March, 2003 Prepare final accounts of Latha Bank Ltd.

Particulars	(Rs. in '000)	
	Dr.	Cr.
Interest on advances		800
Interest on investment		125
Commission, Exchange and brokerage		200
Profit on sale of Investment		20
Other revenue receipts		80
Share capital		2,000
Statutory reserve		900
Profit and loss account		650
Fixed deposits		275
Savings deposits		325
Current accounts		125
Borrowing from other banks		300
Borrowing from RBI		100
Bills payable (net)		25
Interest accrued		75
Cash balance	200	
Balance with other banks	400	
Cash with RBI	100	

Particulars	(Rs. in '000)	
	Dr.	Cr.
Investment in Government securities	300	
Other approved securities	100	
Bills purchased and discounted	250	
Cash credit, overdraft and demand loans	1,425	
Term loans	1,275	
Premises (net)	1,375	
Furniture	250	
Interest paid	120	
Salary	75	
Printing and stationery	35	
Postage and telegram	20	
Repairs	25	
Interest accrued	50	
	6,000	6,000
Bills for collection	235	

Additional information

Advances made have been classified as under

	Cash credit, Term loans overdraft etc	Bills purchased
Standard assets	1,000	225
Sub-standard assets	125	25
Doubtful-up to one year	100	—
One to three	120	—
year		
More than	50	—
three years		
Loss assets	30	—
	1425	250

No provision has been made so far against these assets. Doubtful assets are secured to the extent of 50 % of the dues.
