

DISTANCE EDUCATION

B.C.S. DEGREE EXAMINATION, MAY 2008.

BASIC FINANCIAL ACCOUNTING

(1999 onwards)

Time : Three hours

Maximum : 100 marks

SECTION A — (5 × 8 = 40 marks)

Answer any FIVE of the following.

All questions carry equal marks.

1. What is double entry system of book keeping? Explain its advantages.
2. Distinguish between balance sheet and trial balance.
3. Define depreciation. What is the necessity for providing depreciation?
4. What is single entry? What are its limitations?
5. Distinguish between a trade bill and an accommodation bill.
6. Santhi, a retail merchant commenced business with a capital of Rs. 24,000 on 1.1.2007. Subsequently on 1.5.2007 she invested further capital of Rs. 10,000. During the year, she has withdrawn Rs. 4,000 for her personal use. On 31.12.2007, her assets and liabilities were as follows :

Cash at bank Rs. 6,000; Debtors Rs. 8,000;
Stock Rs. 32,000; Furniture Rs. 4,000; Creditors Rs. 10,000.

Calculate the profit or loss made during the year 2007.

7. Ramalingam Mills Ltd. of Chennai sent 500 pieces shirting to Malliga Fancy Stores, Coimbatore, on consignment basis. The consignees are entitled to receive 5 percent commission plus expenses. The cost to Ramalingam Mills Ltd. is Rs. 240 per piece. Malliga Fancy Store's, Coimbatore, pay the following expenses : Railway Freight Rs. 2,000 and Godown Rent and Insurance Rs. 3,000.

Ramalingam Mills Ltd., drew on the consignees a draft for Rs. 60,000 which is duly accepted. It is discounted for Rs. 57,300. Later Malliga Fancy Stores, Coimbatore, report that the entire consignment has been sold for Rs. 1,56,000. Show journal entries and prepare consignment account in the books of the consignor.

8. Arvind and Adarsh were partners in a joint venture sharing profits and losses in the proportion of four fifths and one-fifth respectively. Arvind supplies goods to the value of Rs. 25,000 and incurs expenses amount to Rs. 2,700. Adarsh supplies goods to the value of Rs. 7,000 and his expenses amount to Rs. 400. Adarsh sells goods on behalf of the joint venture and realises Rs. 46,000. Adarsh is entitled to a commission of 5 percent on sales. Adarsh settles his account by bank draft. Give journal entries and the necessary accounts in the books of Arvind.

SECTION B — (4 × 15 = 60 marks)

Answer any FOUR questions.

9. A trader keeps three ledgers, viz., Debtors Ledger, Creditor Ledger and General Ledger on self-balancing system. From the following particulars, prepare necessary adjustment accounts in the General Ledger.

	Rs.
Debtors 1.1.2007	16,000
Creditors 1.1.2007	9,500
31st December 2007 :	
Purchases	45,900
Sales	58,700
Purchases returns	900
Sales returns	500
Cash received from debtors	44,500
Cash paid to creditors	32,500
Bills receivable	3,500
Bills payable	2,800
Bad debts	2,100
Discount allowed	200
Discount received	150
Bills receivable dishonoured	500
Transfer from creditors ledger to debtors ledger	600
Dr. ledger credit balance	150
Cr. ledger debit balance	100

10. Jayamani has kept his books under single entry system. His position as on 31.3.2004 and on 31.3.2005 was as follows :

	31.3.2004	31.3.2005
	Rs.	Rs.
Cash in hand	2,000	3,000
Cash at bank	30,000	20,000
Stock	2,00,000	1,40,000
Debtors	85,000	1,70,000
Furniture	20,000	20,000
Machinery	1,50,000	1,50,000
Creditors	2,50,000	2,90,00

During the year 2004-2005, he introduced Rs. 50,000 as additional capital and withdrew Rs. 10,000 per month. Depreciate furniture by 5% and machinery by 10% per year. Ascertain the profit for the year ended 31st March, 2005 and prepare a balance sheet as on that date.

11. Following is the receipts and payments account of Green Star Club for the year ended 31.12.2005 :

Receipts	Amount	Payments	amount
	Rs.		Rs.
To Balance c/d :		By Rent and taxes	8,610
Cash in hand	6,120	By Salaries	8,400
Cash at bank	8,000	By Light charges	420
To Entrance fees	5,520	By General expenses	1,250
To Subscription	22,000	By Sport materials	3,120
To Donations	10,000	By Office expenses	4,500
To Interest	420	By Investments	14,400
To Receipts from		By Balance c/d :	
entertainment	820	Cash in hand	6,000
		Cash at bank	6,180
	<u>52,880</u>		<u>52,880</u>

On 1.1.2006, the club had sports materials worth Rs. 30,000 and furniture Rs. 5,800.

Adjustments :

(a) Subscription outstanding Rs. 600 for the year 2004 and Rs. 700 for the year 2005.

(b) The outstanding rent was Rs. 1,800 for the year 2004 and Rs. 1,800 for the year 2005.

(c) Write off depreciation Rs. 500 from furniture and Rs. 3,000 from sports materials.

(d) Entrance fees and donations to be capitalised.

(e) Following were outstanding expenses :

Salaries Rs. 1,500 and Light charges Rs. 200.

Prepare :

(i) Balance sheet as on 1.1.2005

(ii) Income and expenditure account and

(iii) Balance sheet as on 31.12.2005.

12. A Lease is purchased for a term of 5 years by payment of Rs. 1,25,000. It is proposed to depreciate the lease by the annuity method charging 10 percent interest. If annuity of Re. 1 for 5 years at 10% is 0.263797, show the lease account for the full period.

13. B sends his bill for 3 months to C for Rs. 600 on May 1, 2005. C gets it discounted with his banker at 6% p.a. On the due date the bill is dishonoured. The bank paid Rs. 10 as noting charges. C agrees to accept Rs. 225 in cash (Rs. 25 for noting charges and interest) and another bill for Rs. 400 for 2 months. On the due date, B approaches C again and asks for the renewal of the bill for a further period of three months. C agrees the request provided B pays Rs. 20 as interest in each. This last bill was dishonoured on maturity.

Draft journal entries in the books of both the parties.

14. From the following balances as an 31st December, 2005 of Siva kumar's, a trader, prepare trading and profit and loss account for the year ended 31.12.2005 and a balance sheet as on that date :

	Rs.		Rs.
Salaries	22,000	Sundry Creditors	38,000
Rent	5,200	Sales	1,28,000
Cash	4,000	Capital	1,20,000
Debtors	1,60,000	Loans	40,000
Trade expenses	2,400		
Purchases	1,00,000		
Advances	10,000		
Bank balance	22,400		
	<u>3,26,000</u>		<u>3,26,000</u>

Adjustments :

- (a) The closing stock was Rs. 36,000
 - (b) One month's salary is in arrear
 - (c) Two month's rent has been paid in advance
 - (d) Provide 10% for doubtful debts.
15. Write notes on the following :
- (a) Valuation of consignment stock
 - (b) Treatment of loss of goods on consignment
 - (c) Del credere commission
 - (d) Memorandum joint venture account.