

DISTANCE EDUCATION  
B.C.S DEGREE EXAMINATION, MAY 2010.  
BASIC FINANCIAL ACCOUNTING

Time : Three hours

Maximum : 100 marks

SECTION A — (5 × 8 = 40 marks)

Answer any FIVE questions.

1. Aarthy keeps her book by single entry – on 1 January 2008 her capital was Rs. 6,900. Analysis of her cash book for 2008 gives the following particulars.

Rs.

Debit side :

Received from debtors	6,000
Paid on capital accounts	500

Credit side :

Due to bank (01.01.2008)	740
Payment to sundry creditors	2,500
General expenses of business	1,000
Salaries	1,550
Drawings	300
Balance at bank on 31.12.08	400
Balance of cash in hand on 31.12.08	10

Assets and liabilities were :

	January 1	December 1
	Rs.	Rs.
Debtors	5,300	8,800
Creditors	1,500	1,950
Plant and machinery	2,000	2,000

Furniture & fixtures	140	140
Stock	1,700	1,900

From the information given above prepare the final accounts and balance sheet of Aarthy after providing 5% interest on capital (ignoring interest on payments in and drawings) 5% depreciation on plant 5%, 5% depreciation on furniture and reserve of 5% on sundry debtors.

- On 1st January 2005 machinery was purchased by Arul for Rs. 50,000. On 1 July 2006 additions were made to the extent of Rs. 10,000. On 1 April 2007, further additions were made to the extent of Rs. 6,400.

On 30th June 2008 machinery the original value of which was Rs. 8,000 on 1 January 2005 was sold for Rs. 6,000. Arul closes his books on 31 December each year.

Show the machinery account for the years from 2005 to 2008 in the books of Arul if depreciation is charged at 10% at original cost method.

- Distinguish between self balancing system and sectional balancing system.
- Define accounting. What are the limitations of accounting?
- What is Trial balance? Discuss the main objects and methods of preparing it.
- What are the three methods of recording transactions relating to joint venture? Explain them.
- What are adjusting entries and closing entries?
- Calculate what amount will be posted to Income and Expenditure account for stationery in the following :

	Rs.
Stock of stationery on 01.01.2000	2,300
Creditors for stationery 01.01.2000	200
Advance paid for stationery 31.12.1999	120
Amount paid for stationery in 2000	1,080
Stock of stationery 31.12.2000	50
Creditors for stationery 31.12.2000	130
Advance paid for stationery 31.12.2000	130

SECTION B — (4 × 15 = 60 marks)

Answer any FOUR questions.

- A and B doing business separately as building contractors, undertake jointly to construct a building for a newly started joint stock company for a contract price of Rs. 1,00,000 payable as to Rs. 80,000 by instalments in cash and Rs. 20,000 fully paid shares of the new company. A bank account is opened in their

joint names. A paying in Rs. 25,000 and B Rs. 15,000. They are to share profit or loss in proportion of 2/3 and 1/3 respectively. Their transactions were as follows :

	Rs.
Paid wages	30,000
Bought materials	70,000
Materials supplied by A	5,000
Materials supplied by B	4,000
Architect's fees paid by A	2,000

The contract was completed and price duly received. The joint venture was closed by A taking up all the shares of the company at the agreed valuation of Rs. 16,000 and B taking up the stock of materials at an agreed valuation of Rs. 3,000. Show the necessary accounts.

10. From the following particulars prepare an Income and Expenditure account for the year ended.

	Rs.		Rs.
31 March 2002		2002 March 31	
2002, April 1 :		By salaries	3,600
To balance b/d :		By rent	600
Cash at bank	455	By printing and	
Cash in office	55	stationery	145
2002 : March :		By postage	25
To subscription		By bicycle	
(including Rs. 200		(purchase)	95
for 2002-2003)	3,000	By plan bonds	680
To interest on		Balance c/d :	
investments	1,500	Cash in office	12
(Cost of		Cash at bank	113
investment Rs. 30,000)	1,500		
To bank interest	10		
To sale of scooter	250		
	5,270		5,270

Subscription include Rs. 120 for 2000-01. Also rent includes Rs. 50 paid for March 2001. Subscription amounting to Rs. 150 have still to be collected for the year 2001-2002. Rent for March 2002 has still to be paid and Rs. 25 are outstanding against a stationery bill. The book value of the scooter was Rs. 320.

11. From the following Trial balance and adjustment of Mithilesh Kumar prepare his final accounts :

	Debit Rs.	Credit Rs.
Sundry debtors	32,000	
Stock (01.10.2007)	22,000	
Cash balance	1,580	
Bank overdraft	–	9,000
Plant and machinery	17,500	
Sundry creditors	–	10,650
Trade expenses	175	
Sales		1,34,500
Salaries	2,225	
Carriage outwards	300	
Rent	900	
Bills payable	–	7,600
Purchases	1,18,870	
Insurance	1,200	
Business premises	34,500	
Commission	–	500
Capital	–	70,000
Carriage inwards	1,000	
	<u>2,32,250</u>	<u>2,32,250</u>

Adjustments :

- (a) Stock on 30 September 2008 was Rs. 11,000
- (b) Rent Rs. 100 per month for the last quarter is unpaid.
- (c) Depreciate plant and machinery by 10% and business premises by 20% p.a.
- (d) Commission earned but not received amounts to Rs. 200.
- (e) Carry forward unexpired insurance on 30, September 2008 Rs. 400.

12. What do you understand by Double entry system? Explain its principles in detail.

13. Aarthy gives you the undermentioned information :

	As on 01.01.2008	As on 31.12.2008
	Rs.	Rs.
Cash at bank	5,600	?
Cash in hand	310	190
Stock	25,400	18,200
Creditors	16,400	?
Outstanding expenses	4,200	2,400
Sundry debtors	?	26,700
Furniture	5,000	7,000

Other information :

	Rs.
Cash received from debtors	35,000
Discount allowed to them	800
Bad debts written off	1,600
Credit sales	45,000
Cash sales	15,000
Purchases (all credit)	36,000
Cash paid to them	30,500
Discount received from them	300
Expenses	12,500
Drawings	9,000

You are required to prepare the final accounts of Aarthy for 2008. Deprecation on furniture is to be charged at 10% p.a.

14. Sankar Ltd. of Mumbai consigned 1000 barrels of Lubricant oil costing Rs. 800 per barrel to Central Oil Company Tirunelveli on 1 January 2008. Sankar Ltd. paid Rs. 50,000 as freight and insurance 25 barrels were destroyed on 07.01.2008 in Transit. The insurance claim was settled at Rs. 15,000 and was paid directly to consignors.

Central Oil Company took delivery of the consignments on 19 January 2008 and accepted a bill drawn upon them by Sankar Ltd. for Rs. 5,00,000 for 3 months on 31 March 2008. Central Oil Company reported as follows :

- (a) 750 barrels were sold at Rs. 1,200 per barrel.
- (b) Other expenses were :

	Rs.
Unloading	2,500

Godown rent	10,000
Wages	50,000
Printing	21,300

- (c) 25 barrels of oil were lost due to leakage which is considered to be a normal loss.

Central oil is entitled to a commission of 5% on all sales affected by them. Central Oil Co. paid the amount due in respect of consignment on 31 March itself. Show consignment account, Central Oil Co., account abnormal loss account in the books of Sankar Ltd.

15. From the following balances prepare the necessary Adjustment account in the nominal ledger :

		Rs.
Jan. 1 2008	Sundry debtors	40,000 (Dr.)
	Sundry debtors	2,000 (Cr.)
	Sundry creditors	37,000 (Cr.)
	Sundry creditors	1,000 (Dr.)

Transactions for January :

		Rs.
	Cash and cheque received	1,40,000
	Cash paid to creditors	1,20,000
	Credit sales	2,00,000
	Credit purchases	1,50,000
	Discount allowed	6,000
	Discount received	3,500
	Bad debts written off	3,000
	B/R received	20,000
	B/P accepted	5,000
	B/R discounted	2,000
	Transfer from debtors ledger	
	to creditors ledger	1,000
	Transfer from creditors	
	ledger to debtors ledger	1,200

December 31

Balance of debtors 6,000 (Cr.)

Balance of creditors 2,500 (Dr.)