

DISTANCE EDUCATION**B.B.M. DEGREE EXAMINATION, MAY 2011.****FINANCIAL ACCOUNTING**

Time : Three hours

Maximum : 100 marks

SECTION A — (5 × 8 = 40 marks)

Answer any FIVE questions.

All questions carry equal marks.

1. Write the accounting rules in detail.
2. A owes B the following sums of money due from him on the dates stated:
Rs. 300 due on March 9.2009, Rs. 1000 due on April 2. 2009, Rs. 4000
due on April 30. 2009, Rs. 100 due on June 1. 2009.
He wants to make the complete payment on 30-6-2009.
Calculate interest at 5% pa. with the help of Average due date method.
3. Write short notes on
 - (a) Donations
 - (b) Subscription
4. Bala purchased goods of Rs.3.000 from Kala to 1-4-2009. Bala accepted a three months' bill for the amount and gave it to Kala the same day. Kala discounted it immediately with Indian Bank at discount of 5% p.a. On due date the bill was honoured by payment.
You are required to give entries in the books of all the parties.
5. A firm earned net profits during the last three years as follows:
I year – Rs.36,000, II year – Rs. 40.000, III year –
Rs.44.000(loss). The capital investment of the firm is Rs. 1,20,000. A fair

return on the capital having regard to the risk involved is 10%. Calculate the value of good-will on the basis of 3 years purchase of super profits.

6. Explain the rule laid down in 'Garner Vs Murray' case.
7. Explain about 'forfeiture and re-issue of shares'.
8. The Trial Balance of the N Bank Ltd.. as on 30th June 2008 shows the following balances. Interest and discount – Rs. 45,40,600. Rebate on bills discounted (1.1.07)– Rs. 4,750, Bills discounted and purchased Rs. 3,37,400. The unexpired discount as on 30.6.08 is estimated to be Rs. 5,560. Draft necessary adjusting entries and calculate the amount of interest and discount to be credited to P&L a/c.

SECTION B — (4 × 15 = 60 marks)

Answer any FOUR questions.

All questions carry equal marks.

9. From the following Trial Balance extracted from the books of K. Prepare Trading and P&L a/c and Balance Sheet for the year ended 31-6-2009

Debit Balances	Rs.	Credit Balances	Rs.
Cash at Bank	2,610	Creditors	4,700
Book Debts	11,070	Discounts	150
Salaries	4,950	Creditors for expenses	400
Carriage inwards	1,450	Returns outwards	2,520
Carriage outwards	1,590	Sales	80,410
Bad debts	1,310	Capital	40,000
Office expenses	5,100		
Purchases	67,350		
Return inwards	1,590		
Furniture & Fixtures	1,500		
Stock	14,360		

Insurance	3,300	
Depreciation on property	1,200	
Freehold property	10,800	
	<u>1,28,180</u>	<u>1,28,180</u>

Adjustments:

- Make provision for doubtful debts at 5%.
- Calculate discount on creditors @ 2%.
- Office expenses include stationery purchased Rs. 800.
- Carriage Inwards includes carriage paid on purchase of furniture Rs.50
- Outstanding salaries Rs. 150.
- Prepaid insurance Rs300.
- Stock on hand Rs.10,700 (including stationery stock Rs.200).

10. Karthik sold goods on behalf of Vinayak Sales Corporation on consignment basis. On 1-1-2009, he had with him a stock Rs. 40,000 on Consignment.

Karthik had instruction to sell goods at cost plus 25% and was entitled to a commission of 4% on sales, in addition to 1 % del-credere Commission on total sales, for guaranteeing collection of all the sale proceeds.

During the year ended 31-12-2009 cash sales were Rs.2,40,000, credit sales Rs.2,10,000 and Karthik's expenses in relation to consignment Rs. 6,000 being salaries and insurance. Bad debts were Rs.6,000 and goods sent on consignment Rs.4,00,000.

You are required to prepare Consignment A/c in the books of Vinayak Sales Corporation and important Ledger accounts in the books of Karthik.

11. The following is the Receipts and Payments account of Kandan Recreation club for the year ended 31st March 2002.

Receipts	Rs.	Payments	Rs.
To Balance b/d	5,000	By Salaries	28,000
To Subscriptions:		By General expenses	6,000
2000-01	5,000	By Electricity	4,000
2001-02	22,000	By Books purchased	10,000

2002-03	4,000	By Periodicals purchased	8,000
To Rent for use of conference room	14,000	By loan repaid	20,000
To Receipts from environmental facilities	28,000	By Balance c/d	4,000
To sale of old magazines	2,000		
Total	<u>80,000</u>	Total	<u>80,000</u>

Additional data:

- The club has 50 members, each paying Rs. 500 PA as subscription.
- Subscriptions outstanding on 31.03.2002 Rs.6,000.
- Salaries outstanding Rs.2,000. Salaries paid include Rs.6,000 for 2000-1.
- On 1-4-2001 the clubs properties were: Building Rs.2,00,000 Furniture & Fittings Rs.20,000 and Books Rs. 20,000.
- Provide 10% Depreciation on Buildings and Furniture. Prepare Income and Expenditure Account for the year ending 31-3-2002 and a Balance Sheet on that date.

12. On 1st Jan.2009. K and S entered into partnership and contributed Rs.80,000 and Rs.60,000 respectively. They share profits and losses in the ratio of 3:2. S is to be allowed a salary of Rs. 16,000 per year. Interest on capitals is to be allowed at 5% per annum. 5% interest is to be charged on drawings. During the year, K withdrew Rs. 12,000 and S Rs. 24,000. Interest being K Rs.280 and S Rs.200. Profit in 2009 before the above noted adjustments was Rs. 42,320. Show the distribution of profits between the partners and prepare capital accounts assuming that they are fluctuating.

13. Ram and Krishna were partners in a firm sharing profits and losses in the ratio of 3:1 respectively. Their balance sheet as on 1-4-2008 was as follows:

Liabilities	Rs.	Assets	Rs.
Sundry creditors	20,000	Machinery	20,000
Capital: Ram	50,000	Furniture	20,000
Krishna	30,000	Stock	30,000
		Debtors	10,000
		Cash	20,000
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1,00,000

1,00,000

They agreed to admit lakshman into Partnership. He agreed to pay Rs. 20,000 to partners for goodwill. He brings in Rs.44,000 as his capital. He is to be allowed 1/4th share of profits of the Firm:

- (a) Machinery and Furniture are depreciated by 20%
- (b) Stock should be depreciated by 10%
- (c) A provision of 10% on debtors for doubtful debts should be made. Prepare revaluation a/c Partner's Capital a/cs and the balance sheet of the firm as newly constituted.

14. A Ltd. issued 40,000 shares of Rs. 10 each at premium of Rs. 2 per share, payable as follows: On application - Rs. 2, per share; On allotment - Rs.5 per share (including premium) : On first and Final call - Rs. 5.00 per share.

All the shares were applied for and allotted. All moneys were received with the exception of the first and final call on 1,000 shares which were forfeited. 400 of these were reissued as fully paid at Rs.8 per share.

Prepare ledger accounts and draw balance sheet.

15. What is NPA? Explain the norms relating to provision of NPAs.
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