

DISTANCE EDUCATION

B.B.M. DEGREE EXAMINATION, DECEMBER 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 is capital receipt? Give some examples.
2. Explain the accounting treatment of (a) Entrance fees
(b) life membership fees
3. Under what circumstances, the valuation of shares is done?
4. Write a note on dissolution.
5. List down the objectives of single entry system.
6. A and B share profits in the ratio of 3 : 2. C is admitted and the new ratio between A, B and C is 2 : 5 : 3. C bring Rs. 3,000 toward good will. Pass journal entries.
7. From the following extracts of receipts and payments account and the additional information, you are required to calculate the income from subscription for the year ending December, 2006 and show them in income and expenditure account and the balance sheet of a club.

Receipts and payment account

For the year ending 31 December, 2006

Receipts	Payment
To Subscriptions :	
2005	5,000
2006	30,000
2007	6,000
	41,000

Additional information:

- (a) Subscription outstanding on December, 31 2005 – Rs. 6,000
 - (b) Subscription outstanding on December, 31 2006 – Rs. 5,000
 - (c) Subscription outstanding on December, 31 2007 – Rs. 6,000
8. According to SJ's cash book, there was a balance of Rs.3,000 overdrawn on 30th June 2002. On investigation you find that
- (a) Cheques drawn amounting to Rs. 5,000 had been presented.
 - (b) Cheques Rs. 2,500 entered in the cash book as paid into bank, had not yet been cleared
 - (c) The payment side of the cash book had been under cast by Rs.700
 - (d) A dividend Rs.400 paid direct to the bank had not been recorded in the cash book
 - (e) Bank charges of Rs.300 entered in the bank statement had not been entered in the cash book
 - (f) A Cheque, Rs.500 paid into the bank had been dishonored and shown as such by the bank, but no entry of the dishonor had been made in the cash book.
 - (g) A charge of Rs. 10 had been entered in the bank statement but entered in the cash book.

You are required to prepare Bank Reconciliation Statement after making appropriate adjustments in the cash book.

SECTION B — (4 × 15 = 60 marks)

Answer any FOUR questions.

All questions carry equal marks.

9. Under what circumstances assets and liabilities are revalued? Explain how such revaluation is done in a partnership.
10. What do you understand by the following term?
- (a) Del credere commission
 - (b) Account sale.
 - (c) Joint venture.
11. Explain the factors affecting the value of goodwill.

12. Mr. Eden who keeps his books by single entry gives you the following information for the year 2002 :

Summary of Cash Book.

Dr.	Rs.	Cr.	Rs.
To Balance at Bank	4,350	By Eden's Drawing	7,520
To Sundry debtors	38,400	By Trade Creditors	27,100
To Bills Receivable realized	12,000	By Bills Payable	9,300
To Commission received	1,500	By Wages	12,000
To Cash sales	8,600	By Salaries	6,500
To Balance c/d	3,350	By Rent & Taxes	4,400
		By Insurance	800
		By Carriage	250
		By Advertising	330
	68,200		68,200
		By balance b/d	3,350

Particulars of other assets and liabilities	Jan. 1, 2002	Dec. 31, 2002
Stock on hand	18,700	23,400
Debtors	12,000	14,000
Creditors	9,000	1,500
Bills receivable	4,000	5,000
Bills payable	1,000	200
Furniture	600	600
Building	12,000	12,000

A provision of Rs. 1,450 is required for doubtful debts and depreciation at 5% is to be written off on Building and Furniture. Rs. 3,000 is outstanding for wages and Rs. 1,200 for salaries. Insurance has been prepaid to the extent of Rs. 250. Legal expenses are outstanding to the extent of Rs. 700.

Find out the profit or loss made by Mr. Eden during 2002. Also prepare his balance sheet at the end of the year.

13. R & Co. traders had three partners A, B and C who shares profit and losses in the proportion of 6 : 4 : 3. The partnership deed provided amongst other thing that on retirement or death of a partner the firm would continue in the same name and the amount due to the retiring or deceased partner would paid by the firm in three installment on the next three success anniversaries of the

date of the retirement or death. The amount due would be calculated by taking into consideration the following.

- (a) The amount of the capital at the end of the year preceding the one in which he retires or dies.
- (b) His share of profit in the year of retirements or death the profit being calculated prorates over the 12 months of the year.
- (c) His share of the goodwill of the firm, the goodwill being equivalent to two years purchase of the average of the profit of the immediate preceding three years and of that part the year of his retirement or death during which he continued in the firm.
- (d) His drawings to the date of retirement or death.

A dies on 1st January, 2006, the book are closed on 31st march every year. The profit were

2002-03 – Rs. 42,000; 2003-04 – Rs. 46,500;
2004-05 – Rs. 48,000; 2005-06 – Rs. 52,250. (Interest allowed on capitals Rs. 2,750).

The capital of each partners on March 31, 2005 was Rs. 20,000. Drawings up to A's death were:
A - Rs. 6,200; B - Rs. 7,000; C — Rs. 6,150. Show the account of A for the year 2005-06 and the account of executors till the amount due if fully paid. Assume that the executors excised their rights u/s 37 of the Partnership Act.

14. SS Company Ltd was newly formed with an authorized capital of Rs. 5,00,000 divided into 50,000 equity share of Rs.10 each. The company issued 25,000 equity shares at a premium of Re. 1 per share payable Rs. 2 on application, Rs. 4 on allotment (incl. premium) Rs.3 on first and Rs. 2 on final call.

Applications for 30,000 shares were received. Directors allotted the shares and the excess money received on application was returned. All the shareholders paid the allotted and call money except a shareholder who failed to pay call money on 800 shares. The directors forfeited those shares. The forfeited shares were re-issued at Rs.9 per share as fully paid.

Pass journal entries and prepare necessary ledger accounts

15. From the following balances of Indian Bank Ltd. as on 31st December, 2004 prepare its Balance sheet in the prescribed form.

Rs. (in '000)

Paid up share capital (share of Rs.100 each fully paid)	2,000
Bills discounted	1,800
Reserve fund	770

Cash credits	2,000	
Overdrafts	800	
Unclaimed dividends	10	
Loans	4,600	
Current deposits	3,800	
Furniture	40	
Profit and loss account (Cr.)	220	
Stamps and stationery		10
Cash in hand	500	
Cash with RBI	1,300	
Branch adjustments (Dr.)	170	
Investments	950	
Loans (Cr.)	1,200	
Recurring deposits	1,000	
Fixed deposits	2,000	
Cash certificate	1,000	
Contingency reserve	170	
Adjustments:		
(a)	rebate on bills discounted Rs. 10,000	
(b)	provide Rs.80,000 for doubtful debts	
(c)	Bank's acceptance on behalf of customers were Rs. 6,50,000.	
