

DISTANCE EDUCATION  
B.C.S. DEGREE EXAMINATION, DECEMBER 2011.  
BASIC FINANCIAL ACCOUNTING  
(1999 onwards)

Time : Three hours

Maximum : 100 marks

PART A — (5 × 8 = 40 marks)

Answer any FIVE questions.

1. Define Accounting. Explain the objectives of Accounting.
2. What is Trial Balance? Briefly explain the errors disclosed by Trial Balance.
3. On 15<sup>th</sup> January, 1995 Sudarshan sold goods to Shashi for Rs.3,000. Shashi paid Rs.600 in cash and for balance accepts three bills No.1 for Rs.700 at one month, No.2 for Rs.800 at two months and No.3 for Rs.900 at three months.  
Sudarshan endorses 1<sup>st</sup> bill to Nahar his creditor on 16<sup>th</sup> January in full settlement of Rs.710; discounted the 2<sup>nd</sup> bill at his bank for Rs.792 and retained the third bill till maturity.  
The first bill is met at maturity. The second bill is dishonoured and Rs. 10 being paid as noting charges. Sudarshan charges Rs. 15 for interest and draws on Shashi a fourth bill for the amount at three months. At maturity the third bill was renewed with interest of 5% p.a. for three months. The 5<sup>th</sup> bill was duly accepted by Shashi. The fourth and fifth bills were met on maturity.  
Give Journal entries in the books of Sudarshan.
4. Distinguish between Receipts and Payments Account and Income and Expenditure Account.
5. Suresh started business with Rs.25,000 as capital on 1st January 1994. During the year he has withdrawn @ Rs.600 p.m. He has sold his wife's Jewel for Rs.4,000 and introduced the same as additional capital to the business.  
His position on 31.12.94 was as follows :

Particulars	Rs.
Bank	2,000
Stock	20,000
Debtors	12,000
Furniture	500
Cash	500
Sundry Creditors	6,000
Expenses outstanding	400

He keeps his books under single entry method. Determine his profit or loss for the year.

6. Distinguish between Consignment and Joint Venture.
7. From the following particulars prepare general ledger adjustment in creditors and debtors ledger.

	Rs.
1.1.2008	
Creditors (Cr.)	13,600
Creditors (Dr.)	150
Debtors (Cr.)	250
Debtors (Dr.)	10,000
Cash sales	4,000
Cash purchases	3,000

	Rs.
Bad debts written off	125
Cash received from debtors	4,500
Discount allowed to debtors	125
Bills receivable from debtors	4,700
Bills receivable dishonoured	170
Credit purchases	27,000
Credit sales	41,000
Cash paid to creditors	11,000
Bills payable to creditors	4,000
Discount allowed by creditors	230
Transfer from debtors ledger to creditors ledger	650

8. What is Depreciation? Explain the objectives for providing depreciation.

PART B — (4 × 15 = 60 marks)

Answer any FOUR questions.

9. Prepare Trading, Profit and Loss and Balance Sheet from the following Trial Balance of Mr.M.Madan.

Debit Balances	Rs.	Credit balances	Rs.
Sundry debtors	92,000	Madan's capital	70,000
Plant and machinery	20,000	Purchases returns	2,600
Interest	430	Sales	2,50,000
Rent, rates, taxes and insurance	5,600	Sundry creditors	60,000
Conveyance charges	1,320	Bank overdraft	20,000
Wages	7,000		
Sales returns	5,400		
Purchases	1,50,000		
Opening stock	60,000		
Madan's drawings	22,000		
Trade expenses	1,350		
Salaries	11,200		
Advertising	840		
Discount	600		
Bad debts	800		
Business premises	12,000		
Furniture and fixtures	10,000		
Cash in hand	2,060		
	<u>4,02,600</u>		<u>4,02,600</u>

Adjustments :

- (a) Stock on hand on 31-12-2006 Rs.90,000
  - (b) Provide depreciation on premises at 2.5%; Plant and Machinery at 7.5%; and Furniture and fixtures at 10%.
  - (c) Write off Rs.800 as further bad debts.
  - (d) Provide for doubtful debts at 5% on sundry debtors.
  - (e) Outstanding rent was Rs.500 and outstanding wages Rs.400.
  - (f) Prepaid insurance Rs.300 and prepaid salaries Rs.700.
10. The Receipts and Payments of Bombay Gymkhana for the year ended 31<sup>st</sup> March, 1994 are as under :

Receipts	Rs.	Payments	Rs.
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To balance on 1.4.93	1,375	By salaries	4,760
To donations	10,430	By taxes	390
To subscriptions	7,445	By wages	1,440
To entrance fees	1,200	By printing and	
To interest etc.	1,330	stationary	630
To surplus from		By postage	120
matches	2,700	By repairs	950
		By subscription to	
		newspapers	1,230
		By balance on 31.3.94	14,960
	<u>24,480</u>		<u>24,480</u>

You are required to prepare the Income and Expenditure Account for the year 1994 and Balance Sheet as at 31<sup>st</sup> March, 1994 on the basis of the following additional information :

- (a) The subscription to newspapers included Rs.20 paid for the year 1992-93 and Rs.30 for the year 1994-95.
  - (b) Half the amount of entrance fees and 10% of the surplus income from the matches should be credited to Building Fund Account. The credit balance in this account as on 1<sup>st</sup> April, 1993 was Rs.30,000.
  - (c) All the donations are to be credited to the Capital Fund.
  - (d) The following bills were outstanding on 31<sup>st</sup> March, 1994 :  
Wages Rs. 150; Stationery Rs.72; Furniture Purchased Rs.250.
  - (e) Depreciate Building and Motor Car by 10% and Furniture by Rs.70.
  - (f) Subscription received Rs.40 for the year 1994-95.
  - (g) Other assets as on 1<sup>st</sup> April, 1993:  
Building Rs. 11,000; Investment Rs.3,000;  
Motor Car Rs.3,200.
11. Explain the disadvantages of Single Entry System.
12. On 1<sup>st</sup> January, 1994 B of Bombay consigned 100 cases (cost price Rs.7,500) at a proforma invoice of 35% profit on sale to his agent C of Chandigarh. On the same date B paid Rs.600 as expenses. On 30<sup>th</sup> January, C took delivery and paid Rs. 1,200 for octroi and other duties and remitted Rs.4,000 as an advance. On 31<sup>st</sup> January he sold 80 cases for Rs.10,500; C is entitled to 5% commission on gross sales and 10% of the sale price in excess of invoice price.  
Show Consignment A/c and C's Account in the books of B. C is required to maintain proportionate security with the consignor for unsold stock.
13. A in Delhi enters into a Joint Venture with B in Bombay to ship cotton bales to C in Japan. A sends cotton to the value of Rs. 15,000, pays railway freight etc.Rs.750 and sundry expenses Rs.800. B sends goods valued at Rs.10,370 and pays freight and insurance Rs.600; dock dues Rs. 100; custom charges Rs.250; and other sundry expenses Rs.250. A advances to B Rs.3,000 on account of the venture. B receives account sales and remittance of the net proceeds from C in Japan for the whole of the goods amounting to Rs.40,000. Show how Joint Venture transactions will be recorded in the ledgers of A and B.
14. From the following particulars prepare the debtor ledger adjustment A/c and purchase ledger adjustment A/c in the general ledger for the year ended 31.12.2009.

Particulars	Rs.
Purchase ledger (Cr)	2,00,000
Purchase Ledger (Dr)	22,270
Sales ledger (Cr)	2,400
Sales ledger (Dr)	4,21,000
Credit purchases	20,00,000
Cash purchases	2,00,000
Credit sales	18,00,000
Cash sales	7,00,000
Closing balances :	
Purchases ledger (Dr)	17,000
Sales ledger (Cr)	9,000
Purchase returns	1,00,000
Sales returns	80,000
B/R received	3,00,000
B/P accepted	2,00,000
Bad debts written off	10,000
Provision for bad debts	10,000
B/R dishonoured	40,000
Cash received from debtors	12,00,000
Cash paid to creditors	16,00,000

15. X Co. Ltd. purchased a lease of Rs. 50,000 on 1.1.2005 to be replaced at the end of five years. For this purpose, one insurance policy is taken out for which the annual premium is Rs. 9,400. At the end of the period the lease is renewed for Rs. 45,000. Show the various ledger accounts in the books of the company.
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