

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

Time : Three hours

Maximum : 100 marks

PART A — (5 × 8 = 40 marks)

Answer any FIVE questions.

1. Briefly explain the advantages of Double Entry System.
2. Define Trial Balance. What are the objectives of Trial Balance?
3. Define Bills of Exchange. Explain its features.
4. Prepare a Trading Account of a trader for the year ending 31st March, 1996 from the following data :

Particulars	Rs.
Stock on 1.4.1995	2,40,000
Cash Purchases for the year	2,08,000
Credit Purchases for the year	4,00,000
Cash Sales for the year	3,50,000
Credit Sales for the year	6,00,000
Purchases returns during the year	8,000
Sales return during the year	10,000
Direct expenses incurred :	
Freight	10,000
Carriage	2,000
Import duty	8,000
Clearing charges	12,000
Cost of goods distributed as free samples during the year	5,000
Goods withdrawn by the trader for personal use	2,000
Stock damaged by fire during the year	13,000

The cost of unsold stock on 31st March, 1996 was Rs. 1,20,000 but its market value was Rs. 1,50,000.

5. The following particulars relate to the Rangium Club for the year ended 31st December, 2002

Receipts and Payments A/c for the year ended 31.12.02

Receipts	Rs.	Payments	Rs.
To Balance b/d	600	By Salaries	1,245
To Subscriptions :		By Stationery	240
Arrears	24	By Rates & taxes	360
Current	1,266	By Telephone	60
Advance	48	By Investments	750
To profit from canteen	900	By Advertisements	105
To miscellaneous	45	By Postage	100
To sale of old newspapers	112	By Sundries	350
To dividends	485	By Balance c/d	270
	3,480		3,480

You are required to prepare an income and expenditure account and balance sheet after making the following adjustments.

- (a) There are 450 members each paying annual subscription for Rs. 3; Rs. 27 being in arrears for 2001 the beginning of this year.
- (b) Stock of stationery on 31st December 2001 was Rs. 30; on 31st Dec. 2002 Rs. 54.
- (c) Cost of buildings is Rs. 6,000. Depreciate at the rate of 5%.
6. Distinguish between Consignment and Joint Venture.
7. What are the advantages of Self Balancing System?
8. A company whose accounting year is the calendar year, purchased on 1.1.93 a machine for Rs. 40,000. It purchased further machinery on 1st Oct. 1993 for Rs. 20,000 and on 1st July 1994 for Rs. 10,000. On 1.7.1995, ¼th of the machinery installed on 1.1.1993 became obsolete and was sold for Rs. 6,800.

Show how the machinery account would appear in the books of the company for all the 3 years under Diminishing Balance method. Depreciation is to be provided at 10% pa.

PART B — (4 × 15 = 60 marks)

Answer any FOUR questions.

9. Distinguish between Double Entry and Single Entry System.
10. P, draws a bill of Rs. 10,000 and R accepts the same for mutual accommodation equally. P discounts the same for 9,900 and remits half share to R.
 Before due date, R draws, bill on P for Rs. 20,000 and discounts the same for Rs. 19,800. He honours the first bill and remits Rs 4,900 to P.
 Before due date of second bill, P becomes bankrupt, and R receives a final dividend of 50 paise per rupee.
 Prepare ledger accounts in the books of P and R. Journal entries are not required.
11. From the following Trial Balance and the additional information, prepare Trading and Profit & Loss A/c for the year ending 30th June 1993 and Balance Sheet as on that date.

Dr.		Trial Balance		Cr.
Particulars	Rs.	Particulars		Rs.
Rajagopal's Drawings	5,500	Capital		60,000
Land & Buildings	36,000	Sales		92,500
Machinery	18,000	Returns		1,300
Salary & Wages	3,700	Bad debts reserve		800
Motor Car	10,500	General Reserve		3,000
Advertisement	3,000	Suppliers		15,000
Trade Expenses	1,900	Commission		1,500
Carriage in	400	Bank Loan taken on 1.1.93		8,000
Export duty	1,800			
Cash at bank	2,900			
Purchases	45,300			
Returns	2,500			
Customers	24,600			
Discounts	1,000			
Insurance	1,200			
Stock on 1.7.92	23,800			
Total	<u>1,82,100</u>			<u>1,82,100</u>

Additional Information :

- (a) Stock on 30.6.93 was worth Rs. 36,000 at cost while its market value was Rs. 39,000.
- (b) Goods worth Rs. 4,000 taken by Rajagopal for personal use were not entered in the books of accounts.
- (c) Depreciate: Land & Building by 10%; Machinery by 12.5% and Motor Car by 10%.

- (d) Of the customers Rs. 600 were bad and reserve for doubtful debts should be maintained at 5%.
- (e) 5% interest to be allowed on capitals.
- (f) Provide for interest on bank loan at 10% p.a.
- (g) Insurance is paid for the year ending 31.12.93
12. From the following particulars, which relate to a Musical Society prepare an Income and Expenditure Account and a Balance Sheet as at 31st March, 1994.

Balance Sheet as on 31st March, 1993.

Expenditure	Rs.	Income	Rs.
Outstanding Rent	425	Cash in Hand	3,000
Capital Fund	15,575	Govt. Securities	10,000
		Accrued Interest	125
		Outstanding Subscription	400
		Library Books	1,000
		Furniture and Fitting	1,475
	16,000		16,000

The transactions for the year were :

Receipts : Subscription Rs. 2,500; Proceeds received from Entertainment and Lectures Rs. 1,000; Interest on Securities Rs. 475; Entrance fees received Rs. 500 Sales proceeds of old chairs Rs. 75(Book Value Rs 100).

Payments : Rent Rs. 600; Printing Rs. 150; Advertising Rs. 200; Sundries Rs. 55; Govt. Securities Rs. 2,500; Furniture Rs. 400; Library Books Rs. 300; Cost of Entertainment Rs. 750.

The following were outstanding as on 31st March, 1994: Printing Rs. 75; Rent Rs. 100; Interest on Securities Rs. 150 and Subscription Rs. 325.

13. Mr. X has maintained his books by single entry method. From the following details calculate profit for the year and a statement of affairs at the end of the year.

Rs. 1,000 (Cost) furniture was sold for Rs. 5,000 on 1.1.08 10% depreciation is to be charged on furniture. Mr. X has drawn Rs. 1,000 p.m. Rs. 2,000 was invested by Mr. X in 2008 as further capital.

Particulars	1.1.08 (Rs.)	31.12.08 (Rs.)
Stock	40,000	60,000
Debtors	30,000	40,000
Cash	2,000	1,000
Bank	10,000 (Overdraft)	5,000

Creditors	15,000	25,000
Outstanding Expenses	5,000	8,000
Furniture (Cost)	3,000	2,000

Bank balance on 1.1.08 as per cash book but the bank overdraft on 31.12.08 is as per bank statement. Rs. 2,000 cheques drawn in Dec. 2008 have not been encashed within the year.

14. On 1st July 1998, Sadiq of Salem sent to Shafiq of Shillong 50 cases of Red Label Tea dust at Rs. 250 per case. Sadiq spend Rs. 500 on packing, Rs. 750 on freight and Rs. 500 on transit insurance. On the same date, Sadiq drew on Shafiq a bill at 2 months for Rs. 5,000. Shafiq paid octroi duty amounting to Rs. 450 and cartage Rs. 100 to bring goods to his godown. Shafiq also incurred Rs. 200 on godown rent and Rs. 500 on salesmen's salaries. Shafiq sent on 1st October 1998 an Account Sales stating that he had sold 40 cases of Tea dust at Rs. 360 per case. Shafiq is also entitled to commission of 5% on gross sales. He remitted the balance by bank draft.

Show the Consignment account and Shafiq's account in Sadiq's ledger and also indicate how the unsold stock will be valued.

15. From the following details, write General Ledger Adjustment A/cs' as on 31.12.1993.

Particulars	Rs.
Debtors	
(1.1.1993) (Dr.)	1,74,250
Debtors do (Cr.)	3,200
Creditors do (Cr.)	2,74,080
Creditors do (Dr.)	2,040
Purchases	2,52,000
Sales	2,82,090
Sales Returns	2,080
Purchase Returns	7,140
Cash paid to	
Creditors	1,27,000
Bills Received from Debtors	93,000
Bills dishonoured	2,000
Bills accepted for creditors	74,000
Discount allowed to debtors	2,150
Discount allowed to debtors but later on disallowed	1,000
Cash received from debtors	87,000
Discount allowed by creditors	10,200

Cash paid to debtors	250
Transfers from debtors to creditors ledger	12,420
Cash Purchases	43,200
Cash Sales	74,000
Bad debts written off	2,150
