

DISTANCE EDUCATION
B.C.S. DEGREE EXAMINATION, DECEMBER 2010.
BASIC FINANCIAL ACCOUNTING
(1999 onwards)

Time : Three hours

Maximum : 100 marks

SECTION A — (5 × 8 = 40 marks)

Answer any FIVE questions.

1. X draws a bill on Y for Rs. 20,000. Bill is payable after 3 months. Y accepts the bill and returns it to X on 01.03.2009 on 4.4.2009, X gets the bill discounted from bank at 24% p.a. The bill is dishonoured on due date and bank pays Rs. 50 as noting charges. On the same data, X draws a new bill payable after two months for Rs. 8,000 plus interest @ 24% p.a. and the balance amount is received from Y in cash. New bill is duly honoured on due date. Pass journal entries in the books of X and Y.

2. 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
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

3. (a) Distinguish between a trial balance and a balance sheet.
- (b) Distinguish between trading and profit and loss account and balance sheet.

4. What is single entry system? What are the defects of single entry system?

5. Explain the accounting treatment of
 - (a) Entrance fee
 - (b) Life membership fee
 - (c) Legacy
 - (d) Donation and
 - (e) Receipts for a specific fund.

6. Write short notes on :
 - (a) Del-credere commission
 - (b) Treatment of normal loss and abnormal loss.

7. Define joint venture. Differentiate clearly between joint venture and partnership.

8. On 1.1.2006 machinery was purchased for Rs. 80,000 on 1.1.2007 additions were made to the amount of Rs. 40,000. On 31.3.2008 machinery purchased on 01.01.2007 costing Rs. 12,000 was sold for Rs. 11,000 and on 30.06.2008 machinery purchased on 01.01.2006 costing Rs. 32,000 was sold for Rs. 26,700. On 01.10.2008 additions were made to the amount of Rs. 20,000. Depreciation was provided at 10% p.a. on diminishing balance method.
 Show the machinery account for 3 years 2006 to 2008 (year ended on December 31)

SECTION B — (4 × 15 = 60 marks)

Answer any FOUR questions.

9. Mithileshkumar commenced business as a cloth merchant on 01.01.2008 with a capital of Rs. 10,000. On the same day he purchased furniture for cash Rs. 3,000. From the following particulars obtained from his books kept under single entry you are asked to prepare trading and profit and loss account for the year ending 31.12.2008 and a balance sheet as on that date :

	Rs.
Sales (inclusive of cash Rs. 7,000)	17,000
Purchases (inclusive of cash Rs. 4,000)	15,000
Raman's drawings	1,200
Salaries	2,000
Bad debts written off	500
Business expenses	700

Mithilesh kumar took cloth worth Rs. 500 from the shop for private use and paid Rs. 200 to his son but omitted to record these transactions in his books. On 31.12.08 his sundry debtors were Rs. 5,200 and Sundry creditors Rs. 3,600 stock in hand on 31.12.08 was Rs. 6,500.

10. The following are the balances extracted from the ledger of Aarthy as on December 31, 2008

	Rs.
Aarthy capital a/c	20,000
Drawings	3,500
Buildings	10,000
Machinery	2,500
Furniture opening stock	12,500
Cycle	400
Purchases	75,000
Sales	1,25,000
Sales returns	5,000
Duty paid on purchase	15,000
Sundry debtors	10,000
Sundry creditors	7,500
Reserve for doubtful debts	400
Loan @ 9%	5,000
Reserve for discount on debtors	200
Salaries	4,400

Wages	7,500
Rent	2,750
Travelling expenses	1,250
Postage	135
Rates and Taxes	90
Carriage inwards	2,500
Carriage outwards	750
Interest paid	375
General charges	900
Bad debts	300
Cash on hand	250
Cash at bank	2,400

Adjustments :

- Stock (31.12.08) Rs. 14,000
- Provide the following outstanding salary Rs. 400 Rent 250, wages Rs. 600 and Interest outstanding.
- Maintain reserve for doubtful debt @ 5% and reserve for discount on debtors @ $2\frac{1}{2}$ %
- Provide depreciation for building $2\frac{1}{2}$ % machinery 10%, Furniture 6%, cycle 15%.

Prepare trading and profit and loss a/c for the year ended 31.12.2008 and a balance sheet as on that date.

11. What do you understand by accounting concepts and accounting conventions? Explain them.

12. The following is the receipts and payments account of the Nellai Sports Club in respect of the year ending 31 March 2008.

Receipts	Payments	Rs.
To balance b/d (1.4.2007)	2,050 31.3.2008	
31.3.2008	By salaries	4,160
Subscription :	Rates and Taxes	1,200
2006-07 = 80	Stationary	800
2007-08 = 4,220	Telephone	200
2008-09 = 160	4,460 Investments in Govt.	
Profit on sports meeting	2,850 securities	2,500

Interest on Investment	2,000	Sundry expenses	1,850
Sundry receipts		250	Balance c/d
		<u>11,610</u>	<u>11,610</u>

Additional information :

- Stock of stationery 1.4.2007 was Rs. 100 and 31.3.08 Rs. 180
- Rates and Taxes were prepaid to the extent of Rs. 400
- Telephone charges outstanding amounts to Rs. 75
- In 2006–2007 subscription received in advance amounting to Rs. 200 for current year and Rs. 180 were due on March 31, 2008 for 2007–2008.
- On March 31, 2007 building stood in the books at Rs. 20,000 and it is required to write off depreciation at 5% Investments at March 31, 2007 were Rs. 40,000.

You are required to prepare income and expenditure account for the year ended March 31, 2008 and a balance sheet as on that date.

13. The following details are extracted from the account books of a concern under self balancing system prepare adjustment account in general ledger.

	Rs.
Debtors balance 1.1.08	4,575
Creditors balance 1.1.08	5,490
Transactions for the month of January :	
Credit purchase	2,050
Sales	2,270
Return inwards	40
Return outward	60
Cash received from customer	2,550
Discount allowed	45
Cash paid to sundry creditors	3,070
Discount received	67
Acceptance received from debtors	850
Acceptance given to creditors	1,200
B/R dishonoured	120
B/P dishonoured	300
Bad debts	250
Sundry charges debited to customers	35

14. On 1 January 2005 X Ltd. purchased a machinery for Rs. 58,000 and spent Rs. 2,000 on its erection. On 1 July 2005 an additional machinery costing Rs. 20,000 was purchased. On 1 July 2007 the machine purchased on 01.01.2005 was sold for Rs. 28,600 and on the same date, a new machine was purchased at a cost of Rs. 40,000. Show machinery account for the first four calendar years according to written down value method taking at the rate of depreciation at 10% p.a.

15. X of Chennai on 15 January sent to Y of Mumbai a consignment of 250 televisions costing Rs. 10,000 each. Expenses of Rs. 7,000 were met by the consignor. Y of Mumbai spent Rs. 4,500 for clearance on 30th January and the selling expenses were Rs. 500 per television as and when the sale made by Y.

Y sold on 4 March 150 televisions @ Rs. 14,000 per television and again on 10th April, 75 televisions @ Rs. 14,400

Mr. Y was entitled to a commission of Rs. 500 per television sold plus one-fourth of the amount by which gross sale proceeds less total commission there on exceeded a sum calculated at the rate of Rs. 12,500 per television sold. Y sent account sale and amount due to X on 30 April by bank demand draft.

You are required to show consignment account and Y's account in the books of X.
