

DISTANCE EDUCATION

B.C.S. DEGREE EXAMINATION, MAY 2009.

BASIC FINANCIAL ACCOUNTING

(1999 onwards)

Time : Three hours

Maximum : 100 marks

SECTION A — (5 × 8 = 40 marks)

Answer any FIVE questions.

1. Ramesh keeps his books on single entry basis. Prepare a statement of affairs as on 31.10.2002 and a statement of profit (or) loss for the period ending 31.10.2002.

	1.11.2001	1.10.2002
	Rs.	Rs.
Bank Balance	560 (Cr)	350 (Dr)
Cash on hand	10	50
Debtors	4,500	3,600
Stock	2,700	2,900
Plant	4,000	4,000
Furniture	1,000	1,000

Ramesh had withdrawn Rs. 1,000 during the year and had introduced fresh capital of Rs. 4,200 on 1.7.2002. A provision of 5% on debtors is necessary. Write off Depreciation on plant at 10% and furniture at 15%. Interest on capital is to be allowed at 5%.

2. A plant is purchased for Rs. 20,000. It is depreciated at 5% p.a. on reducing balance for five years when it becomes obsolete due to new method of production and is scrapped. The scrap produces Rs. 5,385. Show the plant account in the ledger.
3. What are the differences between Income and Expenditure account and a Receipts and Payments account?
4. Explain on the three important ledgers prepared under the self-balancing system.
5. Distinguish consignment from Sale. What are the differences between the consignment and joint venture?
6. Distinguish between Double Entry & Single Entry System.
7. Distinguish between :
 - (a) Balance Sheet & Trial Balance
 - (b) Balance Sheet & Profit & Loss A/c.
8. Deva owes Rs. 1,000 to Krishnan. On 1st May 2002, he sent his promissory notes for the amount payable after 3 months. On 1st June 2002 Krishnan endorsed the promissory note in favour of Ravi to whom he owed a like amount. On the due date, Deva paid the amount. Give journal entries in the books of Krishnan, Deva and Ravi.

SECTION B — (4 × 15 = 60 marks)

Answer any FOUR questions.

9. A & Co. of Calcutta sent goods on consignment to B & Co. of Bombay at an invoice price of Rs. 29,675 and paid freight Rs. 762, cartage Rs. 231 and insurance Rs.700. Half the goods were sold by the agents for Rs. 17,500 subject to an agent's commission of Rs. 875, storage expenses of Rs. 200 and other selling expenses of Rs. 350. One fourth of the consignment was lost by fire and a claim of Rs. 5,000 was recovered. Draw up the

necessary accounts in the books of A & Co., and ascertain the profit or loss assuming stock to be one-fourth of the consignment. The agent reported that rest of the goods were also damaged and would need Rs. 700 for repairs.

10. Bachan and Charan enter into a Joint Venture to prepare a film for the Government. The Government agrees to pay Rs. 1,00,000. Bachan contributes Rs. 10,000 and Charan contributes Rs. 15,000. These amounts are paid into a Joint Bank. Payments made out of the Joint account were :

	Rs.
Purchase of equipment	6,000
Hire of equipment	5,000
Wages	45,000
Materials	10,000
Office expenses	5,000

Bachan paid Rs. 2,000 as licensing fees. On completion, the film was found defective and Government made a deduction of Rs. 10,000. The equipment was taken over by Charan 3/5. Give ledger accounts.

11. What are the types of Accounts? Explain its principles. What are the objectives of Accounting?

12. From the following particulars extracted from the books of a trader kept under the Single Entry System, you are required to find out the figures for credit sales and credit purchases by showing the Total Debtors Account and Total Creditors Account.

	Rs.
Balance, 1st January, 1988 :	
Total debtors	57,200
Bills receivable	4,000
Total creditors	26,400
Bills payable	2,500

	Rs.
Cash paid to creditors	70,250
Discount allowed by suppliers	2,650
Cash received from customers	1,35,400
Discount allowed to customers	4,200
Returns from customers	1,625
Returns to suppliers	1,330
Bad debts written off	3,540
Cash received against bills receivable	14,200
Payments made against bills payable	7,000
Bills receivable dishonoured	1,100
Bad debts previously written off now recovered	1,000
Cash sales during the year	15,800
Cash purchases during the year	12,300
Total debtors on 31.12.88	55,600
Total creditors on 31.12.88	28,400
Bills receivable on 31.12.88	1,000
Bills payable on 31.12.88	3,000

13. From the following Receipts & Payments account of the Priya Club for the year ended 31st March 1998, prepare Income & Expenditure account :

Receipts & Payments A/C for the year ended 31.03.1998.

Receipts	Rs.	Payments	Rs.
To Balance (1.4.97)	3,485	By Books	6,150
To Entrance Fee	650	By Printing & Stationery	465
To Donations	6,000	By Newspapers	1,110
To Subscriptions	6,865	By Sports Materials	5,000

Receipts	Rs.	Payments	Rs.
To Interest on Investment	1,900	By Repairs	650
To Sale of furniture	685	By Investments	2,000
To Sale of old news papers	465	By Furniture	1,000
To Proceeds from entertainment	865	By Salary	1,500
To Sundry Receipts	<u>125</u>	By Balance on 31.3.98	<u>3,165</u>
	<u>21,040</u>		<u>21,040</u>

The entrance fees and donations are to be capitalized; Sports materials are valued at Rs. 4,000 as on 31.3.1998.

14. From the following particulars prepare debtors ledger adjustment a/c and purchase ledger adjustment a/c in the general ledger for the year ended 31.12.1999.

Particulars	Rs.
Purchase ledger (Cr)	2,00,000
Purchase ledger (Dr)	22,700
Sales ledger (Cr)	2,400
Sales ledger (Dr)	4,21,000
Credit Purchase	20,00,000
Cash Purchase	2,00,000
Credit Sales	18,00,000
Cash Sales	7,00,000
Closing balances :	
Purchase ledger (Dr)	17,000
Sales ledger (Cr)	9,000
Purchase Returns	1,00,000
Sales Returns	80,000
B/R received	3,00,000

Particulars	Rs.
B/P accepted	2,00,000
Bad debts written off	10,000
Provision for bad debts	10,000
B/R dishonored	40,000
Cash received from debtors	12,00,000
Cash paid to creditors	16,00,000

15. From the following Trial Balance of Sri. Narayanan, you are required to prepare a Trading and Profit & Loss a/c for the year ended 31st December 1997 and a Balance Sheet as on that date.

Debit balances	Rs.	Credit balances	Rs.
Stock on 1st Jan, 1997	70,000	Capital	2,00,000
Plant & Machinery	50,000	Wages outstanding	4,000
Rent	3,000	Sales	5,00,000
Depreciation on Plant & Machinery	5,000	Creditors	45,000
Drawings	40,000	Bills Payable	16,000
Wages	20,000	Discount (Cr)	12,000
Income tax	2,000	Bank overdraft	9,000
Salary for 11 months	11,000	Commission (Cr)	8,000
Cash	5,000	Purchase returns	5,000
Buildings	1,60,000		
Depreciation on buildings	8,000		
Purchases	3,00,000		
Debtors	80,000		
Bills receivable	30,000		

Debit balances	Rs.	Credit balances	Rs.
Discount (Dr)	2,000		
Carriage inwards	4,000		
Bad debts	6,000		
Sales returns	3,000		

Adjustments :

- (a) Stock on 31st Dec. 1997 was Rs. 96,000.
- (b) Stock destroyed by fire was Rs. 6,000 and the Insurance Company accepted a claim for Rs. 3,600.
- (c) Rs. 1,600 paid as rent of the office was debited to Landlord account and was included in the list of Debtors.
- (d) Goods invoiced Rs. 10,000 was sent to Customers on sale or return basis on 28th December 1997, the customers still having the right to return the goods. The rate of gross profit was 1/5 of sale.
- (e) Write off further bad debts Rs. 4,000 and maintain 5% provision for bad debts on debtors.
- (f) One month, salary was outstanding.
