

DE-4004**15**

DISTANCE EDUCATION

B.B.M. DEGREE EXAMINATION, DECEMBER 2008.

FINANCIAL ACCOUNTING

Time : Three hours

Maximum : 100 marks

SECTION A — (5 × 8 = 40 marks)

Answer any FIVE questions.

1. Differentiate between Trail Balance and Balance Sheet.
2. What is trade discount? How is it different from cash discount?
3. Differentiate between Joint Venture and partnership.
4. What is accommodation bill? How is it drawn? Explain its uses.
5. Distinguish receipts and payments account from income and expenditure account.
6. What are the different methods of valuing Goodwill?
7. On 31st March, 1973 the Cash Book showed a balance of Rs. 1500 as cash at Bank, but the bank Pass Book made up to the same date showed that cheques for Rs. 185, Rs. 100 and Rs. 175 respectively had not presented for payment; also cheques to the amount of Rs. 410 paid into the account had not yet been cleared. Find by means of a Reconciliation Statement the balance shown in the Pass Book.

8. X owes to Y the following sums

	Rs.
On 15th March, 1970	600
On 20th April, 1970	800
On 15th May, 1970	1,000
On 31st May, 1970	400

What is the Average Due Date? What interest will X pay to Y if the actual payment is made on 9th July 1970 and if the rate of interest is 9%?

SECTION B — (4 × 15 = 60 marks)

Answer any FOUR questions.

9. Dutta and Bose had a firm in which they had invested Rs. 50,000. On the average the profits were Rs. 16,000. The usual rate of earning in the industry is 15%. Goodwill is to be valued at 4 years purchase of profits in excess of profits @ 15% on the money invested. Find out value of the goodwill.

10. A book-keeper has submitted to you the following Trail Balance wherein the totals of the Debit and Credit balances are not equal :

	Debit Balance	Credit Balance
	Rs.	Rs.
Capital	7,670	
Cash in hand	30	
Purchases	8,990	

	Debit Balance		Credit Balance
	Rs.	Rs.	
Sales			11,060
Cash at Bank	885		
Fixtures and Fittings	225		
Freehold Premises	1,500		
Lighting and Heating	65		
Bills Receivables	825		
Returns Inward	30		
Salaries	1,075		
Creditors			1,890
Debtors	5,700		
Stock at Jan. 1, 1970	3,000		
Printing	225		
Bills Payable			1,875
Rates, Taxes & Insurance	190		
Discounts Received	445		
Discounts allowed	200		
		<u>22,940</u>	<u>22,940</u>

You are required to :

Prepare a Trading and Profit & Loss Account and a Balance Sheet after taking into account the following adjustments:

(a) Stock on hand on 31st December, 1970 was valued at Rs.1,800.

(b) Depreciate Fixtures and Fittings by Rs. 25

(c) Rs. 35 was due and unpaid in respect of Salaries.

(d) Rates and Insurance had been paid in advance to the extent of Rs. 40.

11. The following transactions took place between Sohan and Mohan between 1st January, 1971 and 30th June, 1971.

1971		Rs.
Jan. 1	Sold goods to Sohan	1,120
Jan. 10	Received Sohan's acceptance at 2 m/d	500
Feb. 15	Received cash from Sohan	600
March 2	Bought goods from Sohan	2,750
March 3	Accepted Sohan's Bill at 3 m/d	1,000
April 11	Paid cash to Sohan	1,000
April 30	Sold goods to Sohan payable up to 31st May	1,200
May 11	Bought goods from Sohan	750
May 31	Sold goods to Sohan payable upto 10th June	1,100
June 15	Bought goods from Sohan	1,500

Prepare the Account Current to be sent by Mohan on 30th June, 1971. The rate of interest is 5%.

12. A of Delhi and B of Bombay entered in to a Joint Venture to consign 100 bales of cloth to C of Calcutta to be sold on their joint risk, which is in the proportion of 3 : 2 respectively. A sent 75 bales at Rs. 1,000 each, paying for freight and other charges Rs. 1,500. B sent 25 bales at Rs. 1,500 each, paying Rs. 600 as expenses. All the bales were sold by C for Rs. 1,30,000 out of which he deducted Rs. 1,100 for his expenses and his commission at $2\frac{1}{2}$ percent. He remitted a cheque for Rs.90,000 to A.

Prepare the Joint Venture Account and the Co-venturer's Account in the books of A.

13. From the following information relating to the Punjab Cricket Club prepare Income and Expenditure Account for the year ending March 31, 1967 and Balance Sheet as at that date. The summary of cash transactions is as under:

Receipts	Rs.	Payments	Rs.
Member's subscriptions	5,000	Upkeep of fields	2,000
Admission fee	300	Tournament expenses	700
Sale of old bats, etc.	50	Rates and insurance	200
Hire of ground	300	Telephone	50
Subscriptions for tournament	1,000	Printing and	
Drawn from bank	4,000	Stationery	100
Donation	10,000	General charges	50
		Secretary's honorarium	200
		Bats, balls, etc	700
		Lodged with bank	16,650
	<u>20,650</u>		<u>20,650</u>

Assets on 1st April, 1966 :	Rs.
Cash at bank	3,000
Stock of bats and balls	1,500
Printing and stationary	200
Subscriptions due	560

Donations are to be capitalized. Subscriptions due on 31st March, 1967 amounted to Rs. 750. Write off 50% of Bats, Balls (not considering sale) and 25% of Printing and Stationary.

14. The following is the Balance Sheet of X and Y sharing profits and losses in the ratio of 2 : 1

	Rs.		Rs.
Sundry Creditors	10,000	Cash	6,000
		Stock	6,000
Capitals :		Debtors	30,000
X	25,000	Furniture	3,000
Y	20,000	Property	<u>10,000</u>
	<u>45,000</u>		<u>55,000</u>
	<u>55,000</u>		<u>55,000</u>

They agreed to admit Z into partnership on the following conditions:

- Z to pay Rs. 4,500 as goodwill.
- Z to bring Rs. 5,500 as his capital for $\frac{1}{4}$ th share of profits in the business.
- A goodwill account to be raised in the books on the admission of the partner.

(d) Property and Furniture to be depreciated at 5%. Stock to be reduced by Rs. 800, and a Bad Debt Reserve of Rs. 6,000 to be provided for.

Assuming the above terms to have been given effect, show the necessary Journal entries and prepare the initial Balance Sheet.

15. Poonam Co. Ltd. Offered to public for subscription 10,000 equity shares of Rs. 100 each at a premium of Rs. 10 per share. Payment was made as follows:

On Applications	Rs. 20
On Allotment	Rs. 40 (including premium)
On First and final call	Rs. 50

Applications were received for 20,500 shares. The board of Directors rejected one application for 500 shares and allotted shares to other applicants on pro rata basis. The call was also made. All moneys were duly received except the call money on 50 shares, which were forfeited after the requisite notices, has been served. Later on all these forfeited shares were re-issued as fully paid at Rs. 90 per share.

Journalize the above-mentioned transactions including cash transactions.