

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.B.A. DEGREE EXAMINATION – BUSINESS ADMINISTRATION

SECOND SEMESTER – APRIL 2010

BU 2501/ BU 2500 - FINANCIAL ACCOUNTING

Date & Time: 20/04/2010 / 1:00 - 4:00

Dept. No.

Max. : 100 Marks

PART – A

Answer ALL questions

(10 x 2 = 20 marks)

1. What do you mean by cost of goods sold?
2. Explain the terms: Goods in Transit; cash in Transit.
3. What is Average clause?
4. Write a note on Dead rent and short workings.
5. How should the following adjustments be dealt in the final accounts? Give adjusting entries.
 - (i) Closing stock is valued at Rs.17,000
 - (ii) Insurance paid in advance Rs.600
 - (iii) Rent unpaid Rs.1000
 - (iv) Income received in advance Rs.500

6. Calculate the opening stock.

	Rs.		Rs.
Purchases	20,000	Wages & Freight	500
Sales	30,000	Indirect expenses	700
Closing stock	2,000	Rate of Gross Profit	
		on cost	50%

7. On 1st January, Mohan purchased a machine on hire purchase under a hire purchase agreement which provided for an initial payment of Rs.20,000 and the balance in 3 annual installments of Rs.20,000 each. The cash price of the machine is Rs.60,000. Calculate the amount of interest included in each installment.
8. A fire occurred on November 3, 2003 in the shop of Raja. From the following particulars, calculate the amount of fire claim:

	Rs.		Rs.
Stock on 1.1.2003	8,500	Purchases from 1.1.2003 upto the date of fire	85,000
Stock salvaged	2,000	Wages & manufacturing exp.	8,500
Sales from 1.1.2003 up to the date of fire	1,00,000	Rate of Gross profit on sales	25%

9. Branch salaries Rs.2,000, Branch rent Rs.1,000, Discount Rs.500, Bad debts Rs.300. Prepare Branch expenses A/C.
10. From the following balances extracted from the books of Jagan & Co., Prepare Sales ledger Adjustment A/C in General Ledger.

		Rs.	
1.1.2001	Debtors – debit balance	1,59,260	
31.12.2001	Sales	15,86,980	
	Cash received from debtors	9,87,280	
	Discount allowed to debtors	10,200	
	Sales Returns	63,000	
	Bad debts	15,000	

PART – B

Answer any FIVE Questions

(5 x 8 = 40 marks)

11. Distinguish between Hire purchase and installment purchase system.
12. What are the objectives of providing depreciation?
13. A fire occurred in the godown of a company on 20th March, 2002. All stocks were destroyed except to the extent of Rs.13,000. From the following information, ascertain the claim in respect of loss by fire:-

	Rs.		Rs.
Stock on 1.1.2001	40,000	Purchases during 2001	1,40,000
Sales during 2001	2,00,000	Stock on 31.12.2001	24,000
Purchases during 2002 upto the date of fire	1,46,000	Sales during 2002 upto the date of fire	1,60,000

Stock was always valued at 80% of the cost.

(P.T.O.) -1-

14. Calculate total sales from the following information:-

	Rs.		Rs.
Bills Receivable on 1.1.2002	7,800	Returns Inward	8,700
Debtors on 1.1.2002	30,800	Bills Receivable dishonoured	1,800
Cash received on maturity of the bill	20,900	Bills Receivable on 31.1.2002	6,000
Cash received from debtors	70,000	Debtors on 31.1.2002	25,500
bad debts written off	4,800	Cash sales during the month	15,900

15. A company leases a mine on 1st January, 2002 at a minimum rent of Rs.20,000 merging into a royalty of Rs.1.50 per tonne. The actual output, with a power to recoup short workings over the first three years was 9,000 tonnes, 12,000 tonnes and 16,000 tonnes respectively. Pass the necessary journal entries for each of the three years in the books of the company.

16. The directors of Departmental stores ltd. wants to ascertain, approximately, the net profit of the A,B and C departments separately for the quarter ended March 31,2002. It is found impracticable actually to take stock on that date but an adequate system of departmental accounting is in use and the normal rates of gross profit for the departments concerned are 40%, 30% and 20% on turnover respectively. Indirect expenses are charged in proportion to departmental turnover. Following are the figures for each department:

	A Rs.	B Rs.	C Rs.
Stock 1.1.2002	30,000	35,000	15,000
Purchases to 31.3.2002	35,000	37,500	23,500
Sales to 31.3.2002	60,000	50,000	30,000
Direct expense	10,100	7,250	3,550

Total Indirect expenses for the period (including those relating to other departments) were Rs.21,000 on total sales Rs.4,20,000. Prepare a statement showing gross profit, net profit after making reserve for stock at 10% in respect of each department.

17. From the following particulars, Prepare the necessary Adjustment accounts in the General ledger:-

	Rs.		Rs.
Debtors 1.1.2002	16,000	Creditors 1.1.2002	9,500
Purchases	45,900	Bad debts	2,100
Sales	58,700	Discount allowed	200
Purchases Returns	900	Discount received	150
Sales Returns	500	B/R dishonoured	500
Cash received from Debtors	44,500	Transfer from creditors ledger to debtors ledger	600
Cash paid to creditors	32,000	Debtors ledger credit balance	150
Bills Receivable	3,500	Creditors ledger debit balance	100
Bills Payable	2,800		

18. A company whose accounting year is the calendar year purchased on 1st April 2000 machinery costing Rs.30,000. It purchased further machinery on 1st October 2000. Costing Rs.20,000 and on 1st July 2001 costing Rs.10,000.

On 1st January 2002, One-third of the machinery which was installed on 1st April 2000, became absolute and was sold for Rs.3000.

Show how the machinery account would appear in the books of the company for the years 2000, 2001 and 2002 it being given that machinery was depreciated by the fixed instalment method at 10% p.a.

PAR T – C

Answer any **TWO** questions

(2 x 20 = 40 marks)

19. From the following Trial Balance and the adjoining information provided by Prakash, prepare a Trading and Profit & Loss A/C for the year ending 31.3.2003 and a Balance sheet as on that date:-

TRIAL BALANCE		
	Dr Rs.	Cr Rs.
Land and Buildings	20,000	—
Machinery	50,000	—
Furniture	4,000	—
Opening stock	16,300	—
Purchases	80,000	—
Salaries	6,000	—
Carriage on Sales	1,500	—
Freight on purchases	2,000	—
Customs duty on purchases	3,000	—
Advertising	5,400	—
Wages	20,000	—
Rent	3,000	—
General expenses	3,200	—
Postage & Stationery	1,500	—
Repairs to Machinery	2,000	—
9% Loan to Krishna	5,000	—
Prepaid Insurance	200	—
Sundry debtors	20,000	—
Cash at bank	3,350	—
Capital	—	80,000
Sundry creditors	—	8,000
Discount received	—	400
Outstanding expenses	—	1,550
Sales	—	1,50,500
Provision for Repairs	—	6,000
	2,46,450	2,46,450

Adjustments:- (i) Stock on 31.3.2003 Rs.14,900 (ii) Machinery worth Rs.10,000 was purchased on 1st October, 2002. (ii) Wages Rs.500 were paid to workmen for its installation which have been debited to wages account (iii) Depreciation is to be written off @ 3% on Land & Buildings, 10% on Machinery and 5% on Furniture (iv) Provision for repairs is to be credited with Rs.1,500 every year.

20. Hari Haran of chennai opened a branch at kolkata. Goods are invoiced from the Head office at cost plus 33 1/3%. Branch is allowed to make sales at invoice price only. Expenses of the branch are paid by the head office. Calculate net profit made by the branch on 'Stock and debtors' system. Transactions during the year were as follows:-

	Rs.		Rs.
Stock in the beginning (Ip)	8,000	Freight & Cartage	500
Goods invoiced by the H.O.	88,000	Rent	1,000
Sales: Cash 50,000 Credit 36,000 -----	86,000	Salary	3,900
Sales returns by debtors	800	Bad debts	50
Goods returned by branch to H.O.	2,000	Depreciation of furniture	80
Stock at the end (Ip)	7,000	Advertisement for Branch	200

21. A company purchased two machines of Rs.1,05,000 each on hire-purchase system paying Rs.60,000 down and remainder in three equal instalments of Rs.50,000 each together with interest at 20% p.a. The company writes off depreciation at 10% p.a. according diminishing balance method. The company could not pay the second instalment. The vendor left one Machine with the company adjusting the value of the other against amount due taking the machine at 20% depreciation on diminishing balance method. Prepare ledger accounts in the company's books.

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