LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

**B.Com.** DEGREE EXAMINATION – **COMMERCE**

FIRST SEMESTER – NOVEMBER 2012

# CO 1500 - FINANCIAL ACCOUNTING

 Date : 08/11/2012 Dept. No. Max. : 100 Marks

 Time : 1:00 - 4:00

**PART - A**

**Answer ALL questions: (10 X 2 = 20 MARKS)**

1. How do you arrive at Gross profit?
2. What is single Entry System?
3. Explain the term “Depreciation”
4. Choose the correct alternative:

The loss on sale of old motor car is debited to

1. Profit & loss Account
2. Motor car Account
3. Depreciation Account
4. None of the above
5. Indicate if the following statement is true or false:

Net profit is equal to capital at the end + Drawings + Fresh capital introduced – capital in the beginning.

1. In Departmental Accounts, Rent and Rates are allotted to different departments on the basis of

---------------------------------------.

1. Calculate the capital at the beginning of the year:

 Rs

 Capital at the end of the year 70,000

 Drawings during the year 10,000

 Capital introduced during the year 5,000

 Profit during the year 20,000

1. From the following particulars, calculate closing branch debtors balance:

 Rs

 Branch Debtor (1-1-08) 6,300

 Credit Sales 39,000

 Cash received from debtors 41,200

1. Calculate insurance claim from the following facts assuming that the insurers met their liability under the policy on ‘average basis’. A trader’s stock valued at Rs. 20,000 was totally destroyed. The stock in the godown was insured for Rs. 15,000 subject to average clause. The balance of stock, left after fire, appeared in the books at Rs. 12,000.
2. On 01.01.2005, x bought some trucks under hire – Purchase System for Rs. 51,000 payable by three equal installments combining principal and interest, the latter being a normal rate of 5% P.a. Calculate the cash price. (The present value of an annuity of one rupee for three years at 5% is Rs. 2.72325).

**PART- B**

**Answer any FIVE questions: (5X8=40 MARKS)**

1. What are the features of Dependent Branches?
2. What is average clause? How do you compute claim for loss of stock when there is average clause in the contract?
3. How profit or loss is ascertained under the net worth method in single Entry System?
4. A manufacturing concern, whose books are closed on 31st December every year, purchased machinery for Rs 50,000 on 1.1.2000 Additional machinery was acquired for Rs. 10,000 on 1.7.2001 and for Rs. 16,061 on 1.1.2004. Certain machinery purchased for Rs. 10,000 on 1.1.2000 was sold for Rs. 5,000 on 30.6.2003.

Give the machinery account for 5 years writing off depreciation at 10% p.a on written down value.

1. The following particulars have been extracted from the books of Mr.A. you are required to prepare the sales ledger Adjustment Account as June 30,2004.

Rs

Balance as on January 1,2004 55,842

Credit Sales 98,602

Cash Sales 53,250

Cash received from Debtors 88,753

Discount allowed 480

Bills accepted 7,120

Returns Inwards 5,430

Bills Receivable Dishonored 1,120

Bad debts written off 3,890

Amount received against bad debts written off last year 175

Sundry charges debited to customers 378

Transfers to Bought ledger 100

1. A fire occurred in the godown of a company on 20th March, 2005. All stocks were destroyed except to the extent of Rs. 13,000. From the following figures ascertain the claim amount in respect of loss of stock by fire:

Rs

 Stock on 01.01.04 40,000

 Purchases during 2004 1,40,000

 Sales during 2004 2,00,000

 Stock on 31.12.04 24,000

 Purchases during 2005 up to the date of fire 1,46,000

 Sales during 2005 up to the date of fire 1,60,000

 Stock was always valued at 80% of the cost.

1. Behavar coal company has taken a mine on lease. Royalty has been fixed at Rs. 0.50 per tonne. Minimum Rent is Rs 30,000. The right to recoup royalty is 5 years. The details of production for the first three years are as follows:

|  |  |
| --- | --- |
| Year | Quantity Produced(Tones) |
| IIIIII | 15,00050,00075,000 |

Prepare minimum rent account, Royalty account and Short workings Account.

1. Mr. G Purchased machinery under hire purchase arrangements from Mr. B. The cash price of the machinery was Rs 15,500 Payment for the purchase is to be made as under:

On signing the agreement Rs 3,000; First years end Rs 5,000; second year end Rs 5,000; Third year end Rs 5,000. Depreciation is charged at 10% on diminishing balance method. Show the asset account and the hive vendor account in the books of the Purchases.

**PART - C**

**Answer any TWO Questions: (2X20=40 MARKS)**

1. The following Trial Balance of Mr. Arumugam as at December 31,2004 is given to you:

|  |  |  |  |
| --- | --- | --- | --- |
| Debit Balances | Rs | Credit Balances | Rs |
| Stock on 1.1.04Furniture Cycle Lorry Sundry DebtorsCash in handCash at BankPurchases Bad debts Returns InwardsSalaries WagesRentDiscount allowedCommissionPostage | 36,0002,00060060,00032,0001,2004,8001,80,0001,00010,00016,00022,0007,2001,8001,400800 | Sundry Creditors LoanCapitalSalesReturns outwardsDiscount earned Bills payable  | 30,00014,00050,0002,60,0004,0002,20016,600 |
|  | 3,76,800 |  | 3,76,800 |

Taking into account the following adjustments, prepare Trading and profit and loss account and Balance sheet as on that date:

1. Depreciate Furniture at 10% ; Cycle at 5% ; Lorry at 20%
2. Create a Reserve of 5% on sundry debtors for bad and doubtful debts and 1% reserve for discount on sundry creditors
3. Outstanding salaries Rs 3,000.
4. Closing stock was valued at Rs 48,000,
5. Provide for 5% interest on capital.
6. A Trader keeps his books under single entry system. From the following details, prepare trading and profit & loss A/C and Balance sheet:

|  |  |  |
| --- | --- | --- |
|  | As on 01.01.05Rs | As on 31.12.05Rs |
| CreditorsFurniture CashDebtorsStock | 37,5002,5006,25062,50025,000 | 43,7502,50010,00087,50012,500 |

Other details:

Drawings Rs 10,000 ; Bad debts Rs 1,250 ; Discount received Rs 3,750 ; Discount allowed Rs 2,500 ; sundry expenses Rs7,500 ; payment to creditors Rs 1,12,500 ; collections from debtors Rs 1,33,750 ; Sales Returns Rs 3,750 ; Purchase Returns Rs 1,250 ; charge 5% Depreciation on furniture.

1. A head office invoices goods to its branch at cost plus 50% Branch remits all cash received to the head office and all expenses are met by the Head office. From the following particulars, prepare the necessary accounts on the stock and debtors system to show the profit or loss at the branch.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Rs. |  | Rs. |
| Stock on 1.1.05 (invoice Price) | 27,900 | Shortage of stock | 1,350 |
| Debtors on 1.1.05 | 20,400 | Discount allowed | 600 |
| Goods invoiced to branch (invoice price) | 1,53,000 | Expenses at the Branch | 16,200 |
| Cash Sales | 75,000 | Bad debts | 600 |
| Credit Sales  | 93,000 |  |  |
| Cash collected for Debtors | 91,200 |  |  |
| Good returned by Debtors | 3,600 |  |  |
| Good returned to Head office by branch | 4,500 |  |  |

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