

Student's Roll No.
(To be written before writing any answers)

Subject Code: FINA

SEMESTER I – B. B.A. EXAMINATION 2008
FINANCIAL ACCOUNTING

Full Marks: 50

Time: 2 hrs

Students should answer in their own words as far as practicable.

GROUP – A

1. **Answer any five questions:** (5x2 = 10)

- i) What do you mean by GAAP?
- ii) From the following data calculate VAT payable:
Purchases (excluding 12.5% VAT) Rs 20,000; Wages Rs 6,000; Overheads Rs 8,000; Profit Rs 6,000; Sales (excluding 12.5% VAT) Rs 40,000.
- iii) Mr. Roy has the following assets and liabilities as on 31st March 2008. You are required to ascertain his Capital from the following balances:
Cash at Bank Rs 10,000; Debtors Rs 15,000; Furniture Rs 12,000; Land & Building Rs 50,000; Bills Receivable Rs 5,000; Creditors Rs 20,000; Loan from Bank Rs 15,000.
- iv) From the following transactions ascertain the amount to be transferred to Profit & Loss A/c in respect of stationery:
- | <u>2007</u> | | <u>Rs.</u> |
|-------------|---|------------|
| Jan. 1 | Stock in hand | 500. |
| March 10 | Purchase of stationery on credit from XYZ & Co. | 1,500. |
| Nov. 15 | Purchase of stationery in cash | 300. |
| Dec. 20 | Purchase of stationery by cheque | 700. |
| Dec. 31 | Stock in hand | 300. |
- v) The following data is available in respect of a new equipment:
Cost of acquiring Rs 50,000; Freight & carriage inwards 2,000; installation charges Rs 3,000.
- a) What will be the actual cost of equipment for the purpose of deprecation?
- b) If the expected life is six years and scrap value is Rs 7,000 then what will be the yearly depreciation?
- vi) Define revenue as per AS-9.
- vii) Show Journal entries in respect of the following transactions in the books of Mr. X. (narration not required)
Sold some office equipment for Rs 1,300 (proceeds being received as Rs 700. by cheque and the balance by cash) and paid the cheque into his private bank A/c.

GROUP – B

Answer any four questions

(4x10 = 40)

2. On 31st December, 2007, the bank column of the Cash Book of Mr. David shows a debit balance of Rs 922. On examination of the Cash Book and statement you find that:
- i) Cheques amounting to Rs 1,260 issued before Dec.31 and entered in Cash Book were not presented for payment till date.
 - ii) Cheques of Rs 500 entered in the Cash Book as sent to bank on Dec.31 were entered into the Bank Statement after that date.
 - iii) A cheque from a Debtor for Rs 146 had been dishonoured prior to Dec.31 but no record appeared in the Cash Book.
 - iv) A dividend warrant for Rs 76 was paid directly to the bank but nothing appeared in the Cash Book
 - v) Bank charges of Rs 84 were not entered in the Cash Book but appeared in the Bank Statement.
 - vi) There was no entry in the Cash Book for a club membership for Rs 20 paid by the bank directly to the club.
 - vii) Bank Charges (postal) for a cheque book received by Mr. David Rs 2 was entered in the Cash Book twice.
 - viii) A cheque for Rs 54 drawn by Ronald had been charged to David's account in error.

Make appropriate adjustments in the Cash Book to bring down in the correct balance and prepare a statement reconciling the corrected Cash Book balance with the balance as per Bank Statement.

3. Mr Basu is a small trader. He maintains no books but only an account with a bank in which all takings are lodged after meeting business expenses and his personal drawings and in which all payments for business purchases are passed through. You are required to ascertain his trading result for the year ended 31.03.2008 and Balance Sheet as on that date from the following information:
- i) The Bank Statement shows deposits (represents collection from Debtors) after meeting personal and business expenses during the year of Rs 12,020 and withdrawals (representing payments to Creditors) of Rs 11,850.
 - ii) The assets and liabilities as on 31.03.2008 were:
Stock Rs 1,100; Debtors Rs 1,150; Bank balance Rs 320; Furniture Rs 2,000; Creditors Rs 400.
 - iii) The following information is also to be taken into consideration:
 - (a) The stock and debtors have increased by Rs 100 during the year. There was no purchase or sale of furniture during the year.
 - (b) The creditors were Rs 200 on 01.04.2007.
 - (c) Bank balance on 01.04.2007 Rs 150.
 - (d) During the year the personal expenses amounted to Rs 800 and business expenses Rs 700.

4. From the following particulars prepare a Trading and Profit & Loss A/c. for the year ended 31.12.2007 and Balance Sheet as on 31.12.2007.

Trial Balance as on 31.12.2007			
<u>Debit Balance</u>		<u>Credit Balance</u>	
Building	50,000	Loan (since 1.01.07)	30,000
Machinery	22,000	Capital	52,000
Furniture	10,000	Creditors	41,000
Bank	8,000	Return	10,000
Cash	1,000	Sales	3,22,000
Debtors	50,000		
Opening stock	12,000		
Purchases	2,50,000		
Return	12,000		
Rent	6,000		
Salary	17,000		
Interest on loan @10%	2,000		
Electricity	1,000		
Phone charge	1,000		
Commission	6,000		
Insurance Premium	1,000		
Bad debts	2,000		
Bills Receivable	4,000		
	<u>4,55,000</u>		<u>4,55,000</u>

Additional information:

- Provide depreciation on Building @5%; Machinery @ 15% and Furniture @10%.
 - Stock as on 31.12.07 Rs 23,000.
 - During the year 2007, the machinery worth (Rs 10,000) was destroyed by fire and the insurance claim settled for Rs 8,000 and was wrongly credited to Machinery A/c.
 - Provision for doubtful debts at 5%.
 - Commission to manager @10% on net profit after charging such commission.
5. From the following information prepare a Cash Flow Statement for the year ended 31st March 2008 as per relevant accounting standard.

Balance Sheets as on 31.03.2007 and 31.03.2008					
<u>Liabilities</u>	<u>31. 3.07</u>	<u>31.3.08</u>	<u>Assets</u>	<u>31.3.07</u>	<u>31.3.08</u>
Capital	15,76,000	15,78,000	Building	5,00,000	5,00,000
Creditors	1,60,000	1,30,000	Machinery	3,20,000	4,00,000
Bills payable	20,000	25,000	Land	3,60,000	3,00,000
			Stock	3,10,000	2,80,000
			Debtors	1,30,000	1,60,000
			Prepaid expenses	16,000	13,000
			Cash at Bank	<u>1,20,000</u>	<u>80,000</u>
	<u>17,56,000</u>	<u>17,33,000</u>		<u>17,56,000</u>	<u>17,33,000</u>

Additional information:

- 1) Drawings during the year 07-08 Rs 2,00,000.
 - 2) Machinery costing Rs 40,000 (accumulated depreciation Rs 8,000) was sold for Rs 26,000. Provision for depreciation on Machinery as on 31.03.2007 Rs 40,000 and on 31.03.2008 Rs 60,000
6. On 01.04.1991, a firm purchased Machinery costing Rs 80,000. A part of machinery (whose cost on 01.04.1991 was Rs 10,000) was disposed of at Rs 8,000 on 01.10.1991. On 01.07.1992, the firm purchased another machine costing Rs 15,000. The firm charges depreciation on machinery @ 10% p.a. on diminishing balance method. However, on 31.03.1993, the firm decided to change the method of depreciation from 10% p.a. on diminishing balance to 12% p.a. by straight line method with retrospective effect.
Prepare Machinery Account.
7. What is lease? Distinguish between finance lease and operating lease as per AS-19. (2+8)

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