

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

Full Marks: 50

Time: 2 hours

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

GROUP - A

Answer ANY FIVE questions.

[5 x 2 = 10]

1. (a) Differentiate between 'Operating lease' and 'Financial lease' as per AS-19.
- (b) Define 'inventory' as per AS-2.
- (c) Give examples of Contingent Assets (two) and Contingent Liabilities (two).
- (d) A credit sale of Rs.2,000/- to R was wrongly credited to his account and another credit sale of Rs.6,000/- was not debited to his account. The concern usually raises provision for bad debts @ 5% and provision for discounts on debtors and creditors @ 2%.
Pass necessary rectification entries.
- (e) Why are the 'Discount' columns of a Triple Column Cash Book not balanced?
- (f) Before preparing final accounts pass necessary journal entries:
 - i) commission due to manager @ 6% on net profit. After charging, such commission was Rs.31,032/-.
 - ii) carry forward $\frac{1}{5}$ th of an insurance premium paid at Rs.2,780/-.
- (g) Mention four errors which are not disclosed by a trial balance.

GROUP - B

Answer ANY FOUR questions.

[4 x 10 = 40]

2. A company charges depreciation on Plant and Machinery under reducing balance system @ 15% per annum. On 1st April, 2004, the balance in the ledger stood at Rs. 4,60,000/-. The following particulars are given relating to Plant and Machinery during the four years ended 31st March 2008:

1.9.2004 – A machine purchased for Rs. 20,000/- (installation expenses Rs. 1,000/-) on 1.5.2002 was fully destroyed in an accident.

1.7.2005 – Purchased a new machine costing Rs. 50,000/- (installation expenses Rs. 2,500/-). A sum of Rs. 30,000/- was paid on the same day and the balance was paid in May 2006.

31.8.2005 – Plant purchased on 1st April 2003 for Rs. 30,000/- (installation expenses Rs. 1500/-) was disposed of for Rs. 36,000/-.

1.11.2007 – Some old machinery (Book value on 1.4.2004, Rs. 10,000/-) were sold for Rs. 4,000/-.

Show the Plant and Machinery account as it would appear in the books of the company for the four years ended on 31.3.2008, assuming depreciation is charged proportionately even if the asset is sold or destroyed.

3. The Balance sheet of A as at 31.12.2007 and 31.12.2008 are set out below. He does not understand what has happened to the profit of Rs. 1,20,000/- as disclosed by the 2008 Balance Sheet as he does not find it in his bank balance.

Draw up a statement which will explain to him how the profit may be accounted for:

	2007	2008		2007	2008
	Rs.	Rs.		Rs.	Rs.
Capital (31.12.2007)	2,30,000	2,30,000	Cash at Bank	10,000	10,000
Add: Profit for 2008		<u>1,20,000</u>	Sundry Debtors	1,40,000	1,60,000
		3,50,000	Stock	60,000	1,00,000
Less:					
Drawings during 2008		<u>24,000</u>	Motor vehicles	20,000	16,000
		3,26,000	Plant (less Dep.)	1,60,000	1,40,000
Mortgage on Freehold Property	1,60,000	1,20,000			
Sundry Creditors	<u>2,00,000</u>	<u>1,80,000</u>	Freehold Property	<u>2,00,000</u>	<u>2,00,000</u>
	<u>5,90,000</u>	<u>6,26,000</u>		<u>5,90,000</u>	<u>6,26,000</u>

4. From the following information prepare a Cash Flow Statement for the year ended Dec. 31, 2008, as per Accounting Standard:

Liabilities	Balance Sheet as at 31.12.2007 and 31.12.2008		Assets	2007		2008	
	2007	2008		2007	2008		
	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.
Capital	3,00,000	3,50,000	Land & Building	2,20,000	3,00,000		
Bank Overdraft	3,20,000	2,00,000	Machinery	4,00,000	2,80,000		
Bills Payable	1,00,000	80,000	Stock	1,00,000	90,000		
			Debtors	1,40,000	1,60,000		
Creditors	<u>1,80,000</u>	<u>2,50,000</u>	Cash	<u>40,000</u>	<u>50,000</u>		
	<u>9,00,000</u>	<u>8,80,000</u>		<u>9,00,000</u>	<u>8,80,000</u>		

Additional information:

- (a) Net Profit for the year amounted to Rs. 1,20,000/-
 (b) During the year, a machinery costing Rs. 50,000/- (accumulated depreciation Rs. 20,000) was sold for Rs. 26,000/-. The Provision for depreciation against machinery as on 31.12.07 was Rs. 1,00,000/- and on 31.12.08, Rs. 1,70,000/-.

5. There was a difference in the Trial Balance of Shri Diganta Sen, a trader, on 31st Dec. 2007 And the difference in books was carried to a Suspense Account and the books were closed. Subsequently, on going through the books, the following errors were located:
- Rs. 2296/- paid for repairs to Motor Car was debited to Motor Car Account as Rs. 696/-.
 - A sale of Rs. 1400/- to Debanjan Roy was entered in the Sales Book as Rs. 2120/-.
 - A cash discount of Rs. 800/- received was entered in the Cash Book but was not posted in the ledger.
 - Rs. 400/- being purchase returns was posed to the debit of the Purchase Account.
 - The purchase of a machine on 1st April 2007 for Rs. 24,000/- was entered in the Purchases Book.
 - While carrying forward the total of one page in Chandan Das' Account, the amount of Rs. 1,000/- was written on the credit side instead of the debit side.
 - A cheque of Rs. 6,192/- received from Priyangshu Lahiri (after allowing discount of Rs. 92/-) was endorsed to Suman Dutt in full settlement of Rs. 7,000/-. The cheque was finally dishonoured but no entries were passed in the books.

Give the journal entries to rectify the above and show narration as well. (Assume that the final accounts had already been prepared before the errors were detected.)

6. Mr. Harjit Singh commenced business on 1st January 2007 with a capital of Rs. 45,000/-. He immediately purchased furniture of Rs. 24,000/-. During the year he received a gift of Rs. 3,000/- from his uncle and borrowed Rs. 5,000/- from his father. He had withdrawn Rs. 600/- per month for his household expenses. He had no bank account and all dealings were in cash. He did not maintain any books but the following information is given:

	<u>Rs.</u>
Sales (including cash sales Rs. 30,000/-).....	1,00,000
Purchases (including cash purchases Rs. 10,000/-).....	75,000
Carriage Inwards.....	700
Wages	300
Discount allowed to debtors.....	800
Salaries.....	6,200
Bad debts written off.....	1,500
Trade expenses.....	1,200
Advertisements.....	2,200

He used goods worth Rs. 1,300/- for personal reasons and paid his son Rs. 500/- for his examination fees. On December 2007, his debtors were worth Rs. 21,000/- and creditors Rs. 15,000/-. Stock in trade was valued at Rs. 10,000/-. Furniture is to be depreciated by 10% p.a.

Prepare a Trading and Profit and Loss Account for the year ended on 31st December 2007 and a Balance Sheet as on that date.

7. From the following particulars prepare the Trading and Profit and Loss Account for the year 2007 and Balance Sheet as on 31.12.2007 of Mr. D. Bandopadhyay:

	Dr. Rs.	Cr. Rs.
Building.....	50,000	
Machinery.....	22,000	
Furniture.....	10,000	
Bank.....	9,000	
Cash.....	1,000	
Debtors.....	50,000	
Opening Stock.....	12,000	
Purchases.....	2,50,000	
Sales Returns.....	12,000	
Rent.....	6,000	
Establishment.....	16,000	
Interest (10%).....	2,000	
Electricity.....	1,000	
Telephone Charges.....	1,000	
Commission.....	6,000	
Insurance Premium.....	1,000	
Bad debts.....	2,000	
Bills receivable.....	4,000	
Loans.....		30,000
Capital.....		52,000
Creditors.....		40,000
Purchase Returns.....		10,000
Sales.....		3,22,000
Provident Fund deducted from salaries.....		<u>1,000</u>
	<u>4,55,000</u>	<u>4,55,000</u>

Provide depreciation on Building @ 5%, Machinery @ 15% and Furniture @ 10%. Stock was not taken on 31.12.2007 but only on 7.1.2008. The transactions from 1.1.2008 to 7.1.2008 were Sales Rs. 25,000/-, purchases Rs. 15,000/-. The stock on 7.1.2008 was valued at cost Rs. 18,000/- and the Gross Profit was 20%. During 2007 machinery to the value of Rs. 10,000/- was destroyed by fire and the insurance claim settled at Rs. 8,000/- was credited to Machinery Account. Also provide the Employer's share of Provident Fund contribution Rs. 1,000/-, Provision for Bad Debts @ 5% and Commission to Manager @ 10% on net profit after providing the Commission.
