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|--------------------|--|---|--|--|---|--|--|---|--|--|--|--|
| Student's Roll No. |  | - |  |  | - |  |  | - |  |  |  |  |
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**1st SEMESTER EXAMINATION – BBA  
NOV – DEC 2009**

**FINANCIAL ACCOUNTING  
(HONOURS)**

**FIAA3101**

**(OLD SYLLABUS)**

Saturday, December 19, 2009

09:30 am to 11:30 am

Time allowed: 2 hours

Full Marks: 50

**Instructions:**

- Use fountain pen or ball-point pen of blue or black ink.
- Answer in own words as far as practicable.
- Do not write anything on the Question paper other than Roll No.

## GROUP - A

1. Answer **any five** questions:

(5 x 2 = 10)

- (i) State two objectives of accounting standards?
- (ii) Elucidate “accounting convention of conservatism”.
- (iii) A plant was depreciated under two different methods as under :-

|                      | S L Method   | W D V Method |
|----------------------|--------------|--------------|
| 1 <sup>st</sup> year | 3.90         | 10.69        |
| 2 <sup>nd</sup> year | 3.90         | 7.90         |
| 3 <sup>rd</sup> year | 3.90         | 5.84         |
| 4 <sup>th</sup> year | <u>3.90</u>  | <u>4.32</u>  |
|                      | <u>15.60</u> | <u>28.75</u> |
| 5 <sup>th</sup> year | 3.90         | 3.19         |

If the company followed WDV method for the first four years and decides to switch over to SLM, what would be the amount of resultant surplus/deficiency and how will it be treated?

- (iv) What do you mean by GAAP?
- (v) Purchases (excluding 12.5% Vat): Rs. 20,000, Wages: Rs.6,000, Overheads: Rs.8,000, Profit: Rs.6000, Sales (excluding 12.5% Vat) Rs.40,000. Calculate Vat Payable.
- (vi) Mr. Roy has following assets and liabilities as on 31.3.08. You are required to ascertain working capital from the following balances.

|                          |            |
|--------------------------|------------|
|                          | <u>Rs.</u> |
| Cash at Bank             | : 5,000    |
| Cash in Hand             | : 5,000    |
| Debtors                  | : 10,000   |
| Bills Receivable         | : 5,000    |
| Building                 | : 50,000   |
| Loan from Bank (Secured) | : 15,000   |
| Creditors                | : 12,000   |
| Outstanding salary       | : 8,000    |

- (vii) Sold some office furniture Rs.1300 and the proceeds received as Rs.700 by cheque and balance by cash. The cheque is paid into private bank a/c of the proprietor. Give the Journal Entry.

## GROUP – B

Answer **ANY FOUR** Questions:

(4 x 10 = 40)

- 2. What is lease? Distinguish between finance lease and operating lease as per AS – 19. (2+8)
- 3. The Cash Book of Mr. Fun has an overdraft of Rs.420 on 30<sup>th</sup> September 2009. On going through the Pass Book, the following differences are noted:
  - (a) Cheques paid into the Bank but not cleared upto 30<sup>th</sup> September, 2009 for Rs.480.
  - (b) Cheques for Rs.3750 were drawn, of which cheques for Rs.750 were presented for payment.
  - (c) A customer Mr. Tom deposited Rs.1200 direct into the Bank, and no entry in the Cash Book could be made.
  - (d) Mr. Dick’s cheque for Rs.486 was deposited into the Bank, but wrongly entered in the Cash Book as Rs.468.

- (e) Bank paid insurance premium of Rs.240 but no entry was passed in the Cash Book for it.
- (f) Bank charged commission of Rs.46 and interest on overdraft Rs.32.
- (g) A Bill Receivable received from Mr. Harry for Rs.500 discounted with the Bank was dishonoured on 26<sup>th</sup> September, 2009 and no entry was passed in the Cash Book.
- (h) Dividend of Rs.180 collected by the Bank has not been recorded in the Cash Book.

From the above details find out the correct balance of the Cash Book and then prepare a Bank Reconciliation Statement to find out Bank Pass Book balance on 30.9.2009. (6+4=10)

4. Following is the Trial Balance of Mr. Kiran as at 31.12.2008. You are required to prepare the Trading & Profit & Loss Account for the year ended 31.12.08 and the Balance Sheet as at that date after making necessary adjustments.

Trial Balance

|                        | Rs.           |                              | Rs.           |
|------------------------|---------------|------------------------------|---------------|
| Purchases              | 30,000        | Sales                        | 50,000        |
| Debtors                | 15,200        | Creditors                    | 12,200        |
| Return Inwards         | 1,000         | Return outwards              | 1,200         |
| Discount allowed       | 1,000         | Discount received            | 300           |
| Buildings              | 23,000        | Capital                      | 27,600        |
| Income Tax             | 1,000         | Apprenticeship Premium       | 1,200         |
| Wages                  | 2,000         | (for the year ended 31.3.09) |               |
| Salaries               | 3,000         | Provision for Bad Debt       | 1,000         |
| Stock (1.1.08)         | 10,600        | Commission Received          | 3,800         |
| Trade Expenses         | 2,000         |                              |               |
| Insurance              | 200           |                              |               |
| Cash in hand & at Bank | 6,300         |                              |               |
| Deposit with Saurav    | 2,000         |                              |               |
|                        | <b>97,300</b> |                              | <b>97,300</b> |

Adjustments:

- (i) Stock on 31.12.2008 was valued at Rs.10,000.
- (ii) Stock valued at Rs.2000 was destroyed by fire on 25.12.08 for which insurance company admitted a claim of Rs.1200.
- (iii) Out of the debtors Rs.200 was Bad. Create a provision for Bad Debts @ 10% on Debtors.
- (iv) Depreciate Building @ 10% p.a. [3 + 4+ 3 = 10]

5. The following are the Balance Sheets of Mr. Jack for the year ended on 31<sup>st</sup> December 2007 and 31<sup>st</sup> December 2008. You are required to prepare a Cash Flow Statement with the help of these Balance Sheets and additional information given to you:

Balance Sheet of Mr. Jack as at 31.12.2007 and 31.12.2008

| Liabilities    | 31.12.07 | 31.12.08 | Assets          | 31.12.07 | 31.12.08 |
|----------------|----------|----------|-----------------|----------|----------|
|                | Rs.      | Rs.      |                 | Rs.      | Rs.      |
| Loan from wife | ---      | 40000    | Cash            | 22000    | 30000    |
| Bills Payable  | 24000    | 16000    | Debtors         | 80000    | 70000    |
| Creditors      | 50000    | 104000   | Stock           | 50000    | 60000    |
| Loan from Bank | 86000    | 120000   | Machinery       | 40000    | 28000    |
| Capital        | 132000   | 68000    | Land & Building | 100000   | 160000   |
|                | 292000   | 348000   |                 | 292000   | 348000   |

Additional Information :

- (i) Net Loss for the year 2008 amounted to Rs.26000.
- (ii) During the year a machine costing Rs.10000 (accumulated depreciation Rs.4000) was sold for Rs.5000. The provision for depreciation against machinery as on 31.12.07 was Rs.12000 and on 31.12.08 was Rs.14000 (Apply relevant accounting standard). [10]
6. Mr. M closes his books on 31<sup>st</sup> March every year. In August 2009 he found that his books for the year 2008-09 contained some errors inspite of an agreed Trial Balance.  
The errors were :
- (i) Rs.800 paid for purchase of office furniture was posted to Purchase Account.
- (ii) The Sales Book was overcast by Rs.250.
- (iii) Rs. 275 paid for freight on machinery was debited to Freight Account as Rs.525.
- (iv) Closing stock was overcast by Rs.3000 by a wrong casting in the inventory.
- (v) An amount of Rs.700 was received in full settlement from a customer after he was allowed a discount of Rs.70. But while writing the books, the amount received was entered in the discount column and the discount allowed was entered in the cash column. [2x5=10]

Give Journal Entries to rectify the above errors.

7. Write short notes on **any two**: [5+5=10]
- Value Added Tax.
  - Valuation of Inventory as per AS 2.
  - Provisions and Reserve.
  - Doctrine of Materiality.

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