

Reg. No. : .....

Name : .....

**Second Semester B.Com. Degree Examination, September 2023**

**First Degree Programme under CBCSS**

**Core Course**

**CO 1241/CX 1241/TT 1241/HM 1241/CC 1242 : FINANCIAL ACCOUNTING**

**(2018 Admission Onwards)**

Time : 3 Hours

Max. Marks : 80

**SECTION – A**

Answer **all** questions in **one** or **two** sentences. Each question carries **1** mark.

1. State Conservatism Concept in accounting.
2. What is a nominal account?
3. What do you understand by the term Depletion?
4. What is Annuity Method of depreciation?
5. What is Hire Purchase system?
6. What is primage?
7. What is Address commission?
8. How bonus shares received recorded in investment account?

9. What is Average Clause?
10. Give examples for Standing Charges in a loss of profit policy.

SECTION – B

(10 × 1 = 10 Marks)

Answer any **eight** questions in not exceeding one paragraph. Each question carries 2 marks.

11. Which are the basic principles of accounting?
12. How Materiality is determined in accounting?
13. What are OUTSTANDING EXPENSES?
14. What are the causes of depreciation?
15. What are the Objective and Necessity for Providing Depreciation?
16. Write a note on Revaluation Method of depreciation.
17. On 1.1.2010 X purchase a plant from Y on hire purchase system. The hire purchase rate was settled at Rs.60,000, payable as to Rs.15,000 on 1.1.2010 and Rs.15,000 at the end of three successive year. Interest was charged @5% p.a. The asset was to be depreciated in the books of the purchaser at 10% p.a. on Reducing Balance Method. Given the present value of an annuity of Rs.1 p.a. @5% interest is Rs.2.7232. Ascertain the cash price.
18. A scent manufacturing company had a stock of 10,000 bottles valued at Rs.25,000 on 1<sup>st</sup> Jan. During the year, the company purchased 50,000 bottles @Rs.2.50 per bottle. At the close of the year 7,000 bottles were in the stock. Write the Containers Stock Account.
19. P Ltd. acquires 2000, 12% Debenture of T Ltd. on 1.4.2013 at Rs.105 Cum-interest (face value of debentures Rs.100). Interest is paid on 30<sup>th</sup> June and 31<sup>st</sup> December every year. Accounts are closed on 31<sup>st</sup> December 2013. Ascertain the amount of interest and cost of debentures.
20. Write the journal entry for Ex-Interest Purchases.

21. What is meant by standard turnover in a loss of profit policy?
22. How Dividend Received is treated in investment accounts?

(8 × 2 = 16 Marks)

SECTION – C

Answer any **six** questions. Each question carries **4** marks.

23. State whether the following are capital, revenue or deferred revenue expenditure.  
(a) Carriage of Rs.7,500 spent on machinery purchased and installed.  
(b) Heavy advertising costs of Rs.20,000 spent on the launching of a company's new product. (c) Rs.200 paid for servicing the company vehicle, including Rs.50 paid for changing the oil. (d) Construction of basement costing Rs.1,95,000 at the factory premises.
24. S & Co. purchased a machine for Rs.1,00,000 on 1.1.2011. Another machine costing Rs.1,50,000 was purchased on 1.7.2012. On 31.12.2013, the machine purchased on 1.1.2011 was sold for Rs.50,000. The company provides depreciation at 15% on Straight Line Method. The company closes its accounts on 31<sup>st</sup> December every year. Prepare Provision for Depreciation Account.
25. On 1.7.2009 W Ltd. purchased a machinery for Rs.1,10,000 and spent Rs.6,000 on its installation. The expected life of the machine is 4 years, at the end of which the estimated scrap value will be Rs.16,000. Desiring to replace the machine on the expiry of its life, the company establishes a Sinking Fund. Investments are expected to realize 5% interest. On 30.06.2013, the machine was sold off as scrap for Rs.18,000 and the investments were retained at 5% less than the book value. On 1.7.2013, a new machine is installed at a cost of Rs.1,25,000. Sinking Fund table shows that Rs.0.2320 invested each year will produce Rs.1 at the end of 4 years at 5%. Show the necessary sinking fund account in the books of W Ltd.
26. Write a note on AS 6.
27. What are the differences between installment sale and hire-purchase?

28. Investors Ltd. held on 1.1.2013 Rs.60,000 of 12% Government securities (Tax free) of Rs.100 each at Rs.56,500. On 1.6.2013, the company purchased a further of Rs.40,000 of the Security at 96 ½ cum-interest, brokerage being ½ %. On 31.7.2013, Rs.50,000 of security was sold at 94 ½ ex-interest, brokerage being 1/2 %. On 1.12.2013, Rs.20,000 of the security was again sold at Rs.96. Interest on the security was paid each year on 31<sup>st</sup> March and 30<sup>th</sup> September and was credited by the bank on 3<sup>rd</sup> April 4<sup>th</sup> October, respectively. The price of the security on 31.12.2013 was 96. Investors Ltd. closes its books on 31<sup>st</sup> December each year. Draw up the Investment Account in the books of Investors Ltd.

29. Mr.Shape dealt on the stock exchange and had purchased and sold leading scripts but did not maintain his accounts in a proper manner. He furnished the following data:

Investment on hand as at July 1, 2012

300-3% Conversion Loan 1982-84 of Rs.100 each purchased at Rs.60.

250-Equity shares of Rs.10 each of Everlite Limited at Rs.18 per share.

1,000-9% Preference shares of Rs.100 each of Prosperous Limited at Rs.95.

Transactions during the year

Purchases:

750 Equity Shares of Rs.10 each of Everlite Ltd. at Rs.23.

250 Equity Shares of Rs.10 each of Small Limited at Rs.9.

125 Equity Shares of Rs.10 each of Bright Shipping Ltd. at Rs.12.

Sold

100-3% Conversion Loan 1982-84 at Rs.65.

100-9% Preference Shares of Prosperous Ltd. at Rs.99.

Interest/Dividend Received

3% Conversion Loan – Interest Received Rs.900.

9% Preference Shares of Prosperous Ltd. Rs.9,000.

Everlite Ltd. – Dividend at 20 per cent on 1,000 shares Rs.2,000.

Everlite Limited issued Bonus shares and Mr.Shape received 1,000 shares of the Company as Bonus Shares.

You are required to show the investment Account in the Books of Mr.Shape.

30. How claim for Loss of Stock is computed?
31. What are considerations in computing claim under loss of profit policy?

**(6 × 4 = 24 Marks)**

#### SECTION – D

Answer any **two** questions. **Each** question carries **15** marks.

32. The following is the trial balance of Mr.Ramlal as at 31<sup>st</sup> Dec 2011

	Dr	Cr
Ramlals capital	----	86,690
Stock as on 1 <sup>st</sup> Jan 2011	46,800	----
Sales	-----	3,89,600
Return inwards	8,600	----
Purchases	3,21,700	----
Return outwards	----	5,800
Freight and carriage	18,600	----
Rent and taxes	5,700	----
Salary and wages	9,300	----
Sundry debtors	24,000	----
Sundry creditors	----	14,800
Bank loan @ 6% p.a.	----	20,000
Bank interest	900	----

	Dr	Cr
Printing and advertisement	14,600	---
Misc Income	----	250
Cash at bank	8,000	----
Discount earned	----	4,190
Furniture and fittings	5,000	----
Discount allowed	1,800	----
General expenses	11,450	----
Insurance	1,300	----
Postage and telegram	2,330	----
Cash in hand	380	----
Travelling expenses	870	----
Drawings	40,000	----
	5,21,330	5,21,330

The following adjustment should also be made:

- (a) Included amongst the debtors is Rs.3,000 due from Abraham and included amongst creditors Rs.1,000 due to him.
- (b) Provision for bad and doubtful debts be created at 5% and reserve for discount 2% on sundry debtors.
- (c) Depreciation on furniture and fittings at 10% shall be written off.
- (d) Personal purchases amounting to Rs.600 has been included in the purchase day book.
- (e) Interest on bank loan shall be provided for the whole year.
- (f) A quarter of the amount of printing and advertising is to be carried forward to the next year.
- (g) Credit purchase invoice amounting to Rs.400 had been omitted from the books.
- (h) Stock on 31-12-2011 was Rs.78,600

Prepare trading and profit and loss account for the year ended 31-12-1987 and balance sheet as on 31 Dec 2011.

33. P purchased a truck on hire purchase system for Rs. 56,000 payment to be made, Rs15,000 down and 3 installments of Rs.15,000 each at the end of each year. Rate of interest is charged at 5% per annum. The buyer is depreciating the asset at 10% p.a on written down value method. Because of financial difficulties, P after having paid down payment and first installment at the end of the first year could not pay second installment and sellers took possession of the truck sellers after expending Rs. 357 on repairs of the asset sold it away for 30,110. Open ledger accounts in the books of both parties to record transactions.
34. Maharaja Shipping Co. Ltd. of Mumbai acquired a new ship at a cost of Rs. 75,00,000. The ship was ready for service on 1<sup>st</sup> January 2014. An insurance policy was taken @ 2% per annum on the ship. Freight was insured at Rs. 20,000 per annum. During 3 months ended 31<sup>st</sup> March 2014, the ship was completed one round trip to Kolkata and was half through the second trip (single way) to Kolkata.

The ship carried the following cargo:

To Kolkata – 18,000 tons @Rs.300 per ton

From Kolkata – 20,000 tons @ Rs.270 per ton

To Kolkata – 24,000 tons @ Rs.250 per ton

Commission @ 5% was paid to agents in addition to address commission @ 1%.

The other expenses were as follows:

Salaries and wages of crew	Rs.16,00,000
Fuel	Rs.8,00,000
Sundry stores	Rs.1,60,000
Port dues (Mumbai Rs.1,40,000, Kolkata Rs.1,00,000)	Rs.2,40,000
Stevedoring @Rs.20 per ton	Rs.12,40,000
Share of overheads for the ship for the period	Rs.5,00,000

Provide depreciation for the period @ 5% per annum.

Prepare the consolidated voyage account for the period of three months ending 31<sup>st</sup> March 2014.

35. Mr. X's godown was destroyed by fire on 1.6.2013 when the goods in stock were insured for Rs.60,000. The following particulars are given.

Balance Sheet (Extract)  
as at 31<sup>st</sup> December 2012

Liabilities	Amount Rs.	Asset	Amount Rs.
Creditor for goods	20,000	Stock (including goods held by agent Rs.2,000)	36,000
		Debtors	70,000

Transactions upto 31<sup>st</sup> May, 2013 include:

Particulars	Amount Rs.	Particulars	Amount Rs.
Cash Received from Debtors	3,40,000	Cash paid to Creditors	2,20,000
Bad Debt written off	3,500	Discount Received	1,000
<b>Balance on 31.5.2013:</b>			
Debtors	70,000		
Creditors	30,000		

**Additional information**

- (a) Debtors on 31.5.2013, included an amount owing from the agent from sales to date Rs.4,000 less 10% commission and his expenses amounting to Rs.100 on 31.5.2013 – the agent still held the said goods valued at Rs.3,600 (at selling price).
- (b) Sales (total) for the periods include Rs.1,600 for goods which have the selling price reduced by 50% and also Rs.6,000 reduced by 25%.
- (c) The normal mark up is 50% on cost and except the above, all sales can be assumed to be at the full selling price.
- (d) All the goods were destroyed and there was no salvage value of the goods.

Calculate the amount of claim.

**(2 × 15 = 30 Marks)**