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2016 NOV.
FINANCIAL ACCOUNTING-I

Time Allowed: Three Hours

Maximum Marks : 70

Note:- The candidates are required to attempt **two** questions each from Sections A and B carrying 10 marks each and the entire Section C consisting of 10 short answer type questions carrying 3 marks each.

SECTION-A

[1] What are Subsidiary books ? Discuss the different types of Subsidiary books.

10

[2] Explain the Double Entry System of Book-keeping. What are its advantages ? 10

[3] From the following transactions prepare Three-column Cash-book for the month of July, 2008 :

July, 2008	Rs.
1. Cash balance	9,000
Bank balance	11,000 (Cr.)
3. Paid rent by Cheque	3,000
5. Cash received on account of Cash sales	3,000
Cash discount	300
7. Payment for Cash purchases	1,000
Cash discount	100
9. Cash payment for Salaries	5,000
12. Received cheque from Mr. X in Final settlement and deposited the same in bank	7,700
15. Received Cash from Mr. Y	4,000
Discount allowed	500
17. Cheque received from Z	2,000
22. Withdraw for personal use	1,000
24. Cheque received from Z deposited in bank	2,000
27. Cheque from Z dishonoured and returned by the bank	2,000
30. Paid Telephone bill by cheque (including Rs. 500 for Residential connection)	2,000

Ans. [Cash Balance Rs. 9,000; Bank Overdraft Rs. 8,300; Total of Discount Column– Dr. Rs. 800; Cr. Rs. 100] 10

[4] The following is the Trial Balance of Mr. Nishan Singh as at 31st March, 2013 :

	Dr. Rs.		Cr. Rs.
Mr. Nishan's Capital	15,000	Sales	80,000
Opening stock	10,000	Creditors	7,650
Purchases	60,000	Discount	350
Salaries and Wages	6,000	Nirza's loan	25,000
Office furniture	3,000		
Office expenses	400		

Municipal taxes	400
Rent	1,250
Insurance	600
Debtors	7,000
General Expenses	9,350

1,13,000

1,13,000

The following adjustments are to be made :

- Closing Stock Rs. 9,000.
- Sales include Invoice of Rs. 2,000 for which goods were not despatched instead included in the closing of Rs. 9,000.
- Goods worth Rs. 1,000 taken away by Nishan Singh for personal use.
- Octroi expenses include Rs. 200 paid for purchases and shown under Municipal taxes.
- Salaries and Wages include Rs. 1,000 paid as wages for making office furniture.
- Depreciate furniture by 10%.
- Municipal taxes are paid for 12 months commencing from October 1, 2012.
- Loan taken from Nirza on August 1 @ 12% per annum.
- Provide for Doubtful debts @ 5% and for discount on Debtors @ 2%.

Prepare Trading and Profit and Loss account and Balance sheet. 10

Ans. [G.P. Rs. 17,800; Net Loss Rs. 1,433; B/S Total Rs. 34,650]

Hint. [Depreciation on Furniture Rs. 400]

SECTION-B

[5] What is Income and Expenditure Account ? Distinguish between Receipt and Payments Account and Income and Expenditure Account. 10

[6] What is the objective of taking a Joint Life Policy by the Partnership firm ? Describe the various methods of treatment of Joint Life Policy in the books of account. 10

[7] M/s A, B and C is a firm sharing Profit and Losses 2:2:1. The Balance Sheet of the firm as on 31.3.2010 is as under:

Liabilities

	Rs.
Sundry Creditors	12,850
Outstanding liabilities	1,500
General Reserve	6,500
Capital account :	
A	12,000
B	12,000
C	5,000

	49,850

Assets

	Rs.
Land and Building	25,000
Furniture	6,500
Stock	11,750
Sundry Debtors	5,500
Cash in Hand	140
Cash at Bank	960

	49,850

They agreed to take in E from 1.4.2010 on the following terms :

- E shall bring in Rs. 7,000 towards his Capital.
- Value of Stock should be increased by Rs. 2,500.
- Bad debts amounting to Rs. 550 to be written off.
- Furniture to be depreciated by 10%.
- Value of Land and Building to be enhanced by 20%.
- Value of Goodwill is Rs. 15,000.
- New Profit sharing ratio among A : B : C and E is 5 : 5 : 3 : 2.
- Outstanding liabilities include Rs. 1,000 due to X which had been paid by A. Entries were not made in his books.

You are required to prepare Revaluation account, Partner's Capital account and new Balance Sheet. 10

Ans. [Profit on Revaluation Rs. 6,300; Balance of Partner's Capital A/c— A: Rs. 19,120; B: Rs. 18,120; C: Rs. 7,560; E: Rs. 5,000; B/S Total Rs. 63,150]

[8] A flour mill depreciates its plant and machinery at a rate of 15% per annum on the Diminishing Balance method. It closes its accounts on 30th September each year. The book value of its plant

Question Papers (Paperwise)

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and machinery as on 30th September, 2012 was Rs. 8,59,870. On 31st Dec., 2012 it added an elevator at a cost of Rs. 8,500 and on 31st December, 2013 a grinder at a cost of Rs. 28,800. On 30th June, 2013 a plant was sold for Rs. 6,850, the book value of which on 30th Sept., 2012 was Rs. 9,600. Write up Plant and Machinery account for the year ended 30th September, 2014.

Ans. [Balance of Plant & Machinery A/c on 30.9.14 Rs. 6,46,292]

Hint. [Depreciation for the year ended— on 30.9.13 Rs. 1,29,577;
on 30.9.14 Rs. 1,12,781; Loss on sale of plant Rs. 1,670;
Balance of Plant and Machinery A/c on 30.9.13 Rs.
7,30,273]

10

SECTION-C

[9] Write short notes on any ten of the following : $10 \times 3 = 30$

- (i) Compound Entry.
- (ii) Difference between Cash discount and Trade discount.
- (iii) Contingent liabilities.
- (iv) Conservatism concept.
- (v) Factors affecting the value of goodwill.
- (vi) Donation.
- (vii) Imprest system of Petty Cash-book.
- (viii) Going Concern concept.
- (ix) Intangible assets.
- (x) Straight Line method.
- (xi) Difference between Capital and Revenue items.
- (xii) Error of Commission