

2017 NOV.
FINANCIAL ACCOUNTING

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 ? State the transactions that are recorded in each of them.

[2] From the following Trial Balance extracted from the books of Sharma & Sons, prepare Trading & Profit and Loss Account for the year ended 31st December, 2013 and a balance sheet as on that date :

	Rs.	Rs.
Purchases & Sales	25,000	50,500
Debtors & Creditors	10,000	4,000
Drawings	5,500	—
Returns	300	250
Discount	760	—
Insurance Premium	300	—
Cash	2,800	—
Stock (1-1-2013)	1,400	—
Bad debts	500	—
Bad Debts Reserve	—	1,540
Wages	2,800	—
Carriage	600	—
Machinery	22,000	—
Furniture	4,000	—
Salaries	3,000	—
Bank Charges	500	—
B/R and B/P	5,500	5,000
Trade Expenses	1,330	—
Capital	—	29,000
Buildings	4,000	—

Adjustments :

- Depreciate building @ 5% and Machinery @ 10%.
- Trade expenses of Rs. 270 and Wages of Rs. 200 have not yet been paid.
- Allow Interest on Capital at 10% p.a.
- Make provisions for doubtful debts at 12%.
- Stock on 31 Dec. 2013 Rs. 10,800.
- Prepaid Insurance Premium is Rs. 50.

Ans. [G.P. Rs. 31,250; N.P. Rs. 19,680; B/S Total Rs. 55,550]

[3] What do you understand from Double Entry System of book-keeping and accountancy ? Discuss the advantages of Double Entry System ?

[4] The Cash book of V Mehta showed a balance of Rs. 5,380 on 31st December, 2008 at the bank. The figure did not agree with the bank passbook. A comparison of the two revealed the following:

- (i) The bank has debited V Mehta with Rs. 960, the annual premium on his life policy according to his standing instructions and with Rs. 30 as bank charges.
- (ii) The bank has credited V Mehta by Rs. 1,400 the proceeds of a bill.
- (iii) V Mehta paid in cheque totalling Rs. 2,100 on December 26, of which those for Rs. 1,560 were collected in December and one for Rs. 150 was returned as dishonoured on 31st December, the information of which was received by V Mehta on 2nd January, 2009. The rest were collected credited in January, 2009.
- (iv) The cash collection on 31st December, 2008 totalling Rs. 660 was entered in the cash book in the bank column on the same day but it was banked on the 2nd January, 2009.
- (v) In December, 2008 V Mehta issued cheques totally Rs. 2,870 of which those of Rs. 850 have not been presented by 31st December, 2008.

Show the corrections to be made in the cash book so as to ascertain the balance to be shown in the balance sheet and then prepare the Bank Reconciliation Statement.

Ans. [Adjusted Bank Balance as per Cash Book Rs. 4,980; Balance as per Pass Book Rs. 5,440]

SECTION-B

[5] What do you understand by 'Piecemeal Distribution'? If the assets are realised gradually how the amount realised would be distributed amongst partners ?

[6] What do you understand by 'Revenue expenditure'? How it is different from Capital Expenditure?

[7] A, B and C were in partnership sharing profit and losses in proportion of 2 : 2 : 1. On 31st December, 2015, A retired from the firm and B and C contributed to carry on the business on the same terms and conditions under the same name. On the date of A's retirement, the Balance Sheet of the firm is as following:

Balance Sheet

As at 31st December, 2015

Liabilities	Rs.	Assets	Rs.
Capital Account		Freehold Property	32,000
A	70,000	Plant & Machinery	79,800
B	78,000	Loose tools	7,800
C	1,08,000	Investments	1,00,000
Creditors	69,280	Debtors	81,832
		Cash	23,848
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	3,25,280		3,25,280
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According to the agreement on A's retirement, assets are to be revalued. Freehold property at Rs. 48,000; Plant & Machinery at Rs. 65,600; Loose Tools at Rs. 6,000; Investments at Rs. 85,000 and Goodwill is valued at Rs. 1,00,000.

A agrees to accept investments at the revalued figure in part payment of his dues. B brought Rs. 30,000 as further capital and A was paid in cash. Prepare Revaluation A/c, Cash account, A's capital account and Balance Sheet on firm after A's retirement.

Ans. [Loss on Revaluation Rs. 15,000; Final Payment to A: Rs. 19,000; Balance of Capital A/c- B: Rs. 75,333; C: Rs. 91,667; B/S Total Rs. 2,36,280]

[8] Vijay and Company purchased Grinding machine on 1st January, 1995 for Rs. 9,250 and immediately spent Rs. 750 on its erection. On 1st July, 1996, it purchased another machine for Rs. 2,500 and on 1st July, 1997, it sold off the 1st machine purchased in 1995 for Rs. 7,000 and on the same day it purchased another machine for Rs. 6,250. On 1st July, 1998, the second machine purchased for Rs. 2,500 was sold off for Rs. 800. Depreciation was provided on machinery on written down value basis at 10% per annum. Give machinery account for four years commencing from 1st January, 1995. Calculations are to be made to the nearest rupee.

Ans. [

	1995	1996	1997	1998
Depreciation	1,000	1,025	956	701
Loss on Sale	--	--	695	1,230
Closing balance of Machinery A/c	9,000	10,475	8,074	5,343]

SECTION-C

[9] Explain any **Ten (10)** of the following :

- (i) Limitations of Financial Accounting.
 - (ii) What is Trial Balance ?
 - (iii) What is the role of Journal in practical system of Book-keeping?
 - (iv) What is Journal ?
 - (v) What is Ledger ?
 - (vi) What are Fixed Assets ?
 - (vii) Who are Creditors ?
 - (viii) Accounting Standard-6.
 - (ix) Amalgamation of Firms.
 - (x) Depreciation.
 - (xi) What are various modes of dissolution of Firm ?
 - (xii) What is Financial statement ?
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