

**2015 NOV.**  
**FINANCIAL ACCOUNTING**

Maximum Marks : 70

Time Allowed: Three Hours

**Note:-** Attempt *two* questions each from Section A and Section B carrying 10 marks each. Attempt any 10 short answer questions from Section C carrying 3 marks each.

**SECTION-A**

- [1] Define Accounting. Discuss the features and scope of Accounting.
- [2] What is Trial Balance ? Discuss the errors revealed and not revealed by Trial Balance.
- [3] Write up the following transactions in a cash book with cash, bank and discount columns :

**2014**

- March 1     Balance in hand Rs. 100 and overdraft at bank Rs. 20,000.
- March 2     Received cash from Raj for goods sold in last month Rs. 1,000.
- March 3     Sold goods for cash Rs. 20,000.
- March 4     Received two cheques from Rajesh each of Rs. 5,000. One is crossed while the other is bearer.
- March 5     Bearer cheque received from Rajesh is endorsed to Tarun in full settlement of Rs. 5,080.
- March 6     Settled Ramesh's account of Rs. 2,055 by a cheque of Rs. 2,000.
- March 7     The crossed cheque of Rajesh is returned as dishonoured by the bank. The bank has debited our account with Rs. 5 as bank charges.
- March 8     Drew from the bank for personal expenses Rs. 200 and for the office use Rs. 3,000.
- March 9     Banked all cash, keeping a balance of Rs. 100 only in hand.

**Ans.** [ Cash Balance Rs. 100; Bank Overdraft Rs. 1,205; Discount (Cr) Rs. 135 ]

**Hint.** [ Cash deposit into Bank on 9.3.2014 Rs. 24,000 ]

[4] The following trial balance is extracted from the books of a merchant on 31st December 2013 :

	Dr.Rs.		Cr.Rs.
Furniture and fitting	640	Capital	12,500
Motor vehicles	6,250	Provision for	
Building	7,500	bad debts	200
Bad debts	125	Sundry creditors	2,500
Sundry debtors	3,800	Sales	15,450
Opening stock	3,460	Bank overdraft	2,850
Purchase	5,475	Purchase returns	125
Sales returns	200	Commission	375
Advertising	450		
Interest	118		
Cash	650		
Taxes and Insurance	1,250		
General Expenses	782		
Salaries	3,300		
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	34,000		34,000
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The following adjustments are to be made :

- Stock in hand on 31st December, 2013 was Rs. 3,250.
- Depreciate building @ 5%; furniture and fittings @ 10% and motor vehicles @ 20%.
- Rs. 85 is due for interest on overdraft.
- Salaries Rs. 300 and taxes Rs. 120 are outstanding.
- Insurance amounting to Rs. 100 is prepaid.
- One-third of the commission received is in respect of work to be done next year.
- Write off further Rs. 100 as bad debt and provision for bad debts is to be made equal to 5% on sundry debtors.
- Purchases included purchase of furniture, Rs. 200 on January 1, 2013.

Prepare Trading, Profit and Loss account and Balance sheet.

Ans. [ G.P. Rs. 9,890; N.P. Rs. 1,916; B/S Total Rs. 20,396 ]

### SECTION-B

[5] What is Depreciation ? Discuss in detail the Straight Line and Written down Method of Charging Depreciation.



[6] Why is the distinction between the capital and revenue of great importance in Accounting ? State the consideration which would guide you in deciding whether a particular item should be regarded as of capital or revenue nature.

[7] Following is the balance sheet of A and B sharing profit and losses in the ratio of 2 : 1 in a firm.

Liabilities	Rs	Assets	Rs.
Capital :		Building	20,000
A	40,000	Furniture	6,000
B	30,000	Stock	12,000
General Reserve	24,000	Debtors	60,000
Creditors	16,000	Cash	12,000
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	1,10,000		1,10,000
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They agreed to admit C as a Partner into the firm on the following terms :

- C's share in profit shall be 25% of the profits.
- C to bring in Rs. 12,000 as capital and Rs. 9,000 as goodwill half of which to be retained in the business.
- 25% of the general reserve is to remain as bad debts reserve.
- The value of furniture is to be reduced by 5% and stock is to be valued at Rs. 13,000.
- A creditor for Rs. 800 is not likely to claim his amount.

Prepare Revaluation account, Partners Capital accounts and the Balance sheet of new firm.

**Ans.** [ Profit on Revaluation Rs. 1,500; Balance of Capital A/c— A: Rs. 56,000; B: Rs. 38,000; C: Rs. 12,000; B/S Total Rs. 1,21,200 ]

[8] From the following information, prepare a Receipts and Payments Account for the year ended 31st December, 2013.

#### Receipts :

Donation for Building Rs. 60,000 ; Sale of old newspapers Rs. 1,500 ; Fees from coaching Rs. 1,000 ; Sundries subscriptions realized for 2012 Rs. 2,500 ; Subscription for 2013 Rs. 26,500 ; Subscription for 2014 Rs. 600.

**Payments :**

Salaries Rs. 5,700 ; Repair Rs. 1,300 ; Newspaper Rs. 1,000 ;  
Printing and Stationery Rs. 750 ; Rates and Taxes Rs. 750 ;  
Electricity Rs. 400 ; Sundries Rs. 200 ; Construction of Building  
Rs. 50,000.

**Other Information :**

Opening Cash in hand Rs. 500; Cash at Bank Rs. 1,500;  
Subscription due for 2013 Rs. 1,500; Repairs paid for 2012  
Rs. 200 and Prepaid Rates Rs. 150; Cash at Bank at the end  
Rs. 30,400.

**Ans.** [ Cash in hand at the end Rs. 3,600 ]

**SECTION-C**

[9] Write short notes on any *ten* of the following :

- (a) Opening Entry.
- (b) Current Assets.
- (c) Double Entry System.
- (d) Money Measurement Concept.
- (e) Fictitious assets.
- (f) Income and Expenditure Account.
- (g) Accounting Period Concept.
- (h) Sacrificing ratio.
- (i) Legacy.
- (j) Petty Cash Book.
- (k) Going Concern Concept.
- (l) Super Profit method of calculating Goodwill. (10×3=30)