

2017

FINANCIAL ACCOUNTING-I – HONOURS

First Paper

(CC 1.1 Ch)

Full Marks – 80

The figures in the margin indicate full marks

Candidates are required to give their answers in their own words as far as practicable

Group – A

Answer the following questions

1. (a) What is 'Accounting Cycle' ? Mention the steps involved in an 'accounting cycle'.

(b) What do you mean by cash basis of accounting ?

3+2

Or

State the name of the accounting concept or convention applied in each of the following cases :

(a) Recording of capital contributed by the owner in a sole proprietorship business as liability.

(b) Valuation of inventories at lower of cost or net realisable value.

(c) Omission of paisa and showing the round figures in financial statements.

(d) Assets are classified into fixed assets and current assets.

(e) Showing outstanding expenses in the Balance Sheet.

5

2. (a) Define Revenue.

(b) How would you recognise revenue from the sale of goods ?

2+3

Or

The trial balance of Mr. A as on 31.12.2017 did not agree and the book-keeper transferred the difference to Suspense Account. Rectify the following errors detected later by the book-keeper :

(a) Purchased goods from Mr. D for Rs. 18,000 but entered into Sales Day Book.

(b) An item of Rs. 2,000 in respect of purchase returns had been wrongly entered in the Purchase Book.

(c) Salary paid to Mr. M, the manager Rs. 25,000 was debited to his personal account.

2+2+1

3. What do you mean by maintenance of Financial Capital ? Why is it important to maintain capital for an entity ? 2+3

4. State the limitations of 'Historical Cost Accounting'. 5

Or

State the need for having a global financial reporting standard. 5

✓ 5. M/s Bose Brothers, a trader sends goods to his customers on 'Sale or Return' basis. The following transactions took place during 2017 :

		₹
25.9.2017	Sent goods to customers on sale or return basis at cost plus 30 %	1,50,000
23.10.2017	Goods returned by customers	40,000
18.11.2017	Received letters of approval from customers confirming purchase of goods	71,000
31.12.2017	Goods with customers awaiting approval (date of return has not yet expired)	39,000

M/s Bose Brothers records sale or return transactions as ordinary sales. You are required to pass necessary journal entries in the books of M/s Bose Brothers assuming that accounting year closes on 31st December, 2017. 5

Group – B

Answer the following questions

✓ 6. Mr. X is engaged in car rental business. On 1.4.2014 he purchased 3 second-hand motor cars at Rs. 3,00,000 each and paid Rs. 60,000 each for overhauling and reconditioning of each of the car purchased, which was completed on 30.4.2014. These cars were put to use from 01.5.2014.

He writes off depreciation @ 20% per annum on original cost from the date cars were put to use and closes books on 31st December every year.

On 1.10.2016, one car is completely destroyed in a road accident and a sum of Rs. 1,70,000 is received from the Insurance Company in settlement of the claim.

On the same day he purchased 3 new cars at Rs. 6,00,000 each and put to use from that date.

Prepare Motor Car Account from 2014 to 2016 in the books of Mr. X. Working notes should form part of the answer. 10

7. Mr. D, a trader maintains an incomplete record for his business. However, he keeps a detailed record of cash and bank transactions and provides you the following summary of receipts and payments for the year ended 31.12.2016.

[Turn Over]

Receipts	₹	Payments	₹
Cash in Hand on 1.1.16	3,600	Payment to Creditors	2,30,000
Cash at Bank on 1.1.16	62,000	Purchase of Furniture (on 01.09.2016)	12,000
Collection from Debtors	2,20,000	Salaries	28,000
Cash Sales	70,000	General Expenses	8,000
Capital Introduced	60,000	Rent and Rates	15,000
Interest received on investment	5,000	Drawings	36,000
		Cash Purchases	47,000
		Cash in Hand on 31.12.16	1,600
		Cash at Bank on 31.12.16	43,000
	4,20,600		4,20,600

Particulars of other assets and liabilities are as follows :

	01.01.2016	31.12.2016
	₹	₹
Sundry Debtors	1,45,000	1,66,000
Sundry Creditors	2,90,000	2,23,000
Furniture	48,000	?
Stock	57,000	70,000
Investment in 10% Bond	50,000	50,000

Debtors and Creditors balances on 31.12.2016 have been arrived at after considering discount allowed and discount received amounting to Rs. 9,000 and Rs. 7,000 respectively. Furniture is to be depreciated @ 10% p.a. and a provision for doubtful debt is to be created for 3,300.

Prepare a Trading and Profit & Loss Account for the year ended 31st December, 2016 and a Balance Sheet as on that date.

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Or

The following is the Receipts and Payments Account of Park View Club in respect of the year ended 31st March, 2017 :

Receipts	₹	Payments	₹
Opening balance	1,02,500	Salaries	2,08,000
Subscription Received	2,23,000	Stationary Purchased	40,000
2015 - 16	4,500	Rent	60,000
2016 - 17	2,11,000	Telephone Expenses	10,000
2017 - 18	7,500	Investments	1,25,000
Net Cash realised from Sports Meet	1,55,000	Sundry Expenses	92,500
		Closing balance	45,000
Income from			

Investments

1,00,000

5,80,500

5,80,500

Additional Information :

(a) There are 450 members each paying an annual subscription of ₹ 500. On 1st April, 2016, outstanding subscription was ₹ 5,000.

(b) There was an Outstanding Telephone Bill of ₹ 3,500 on 31st March, 2017.

(c) Outstanding Sundry Expenses as on 31st March, 2016, totaled ₹ 7,000.

(d) Stock of stationary : on 31st March, 2016 – ₹ 5,000 and on 31st March, 2017 – ₹ 9,000.

(e) On 31st March, 2016, Building stood in the books at ₹ 10,00,000 and it was subject to Depreciation at 5% p.a.

(f) Investment on 31st March, 2016, stood at ₹ 20,00,000.

(g) On 31st March, 2017, Income accrued on Investments purchased during the year amounted to ₹ 3,750.

Prepare an Income and Expenditure Account for the year ended 31st March, 2017 and a Balance Sheet as on that date.

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8. M/s Poddar & Co. of Kolkata deals with 'Body Oil' which is sold in one litre plastic bottle. Poddar & Co. consigned 2,500 bottles of 'body oil', costing Rs. 240 per bottle to Sharma & Co. of Jalandhar, to be sold at Rs. 400 per bottle and paid Rs. 50,000 as freight and insurance.

200 bottles were lost in transit and a sum of Rs. 49,000 was received by M/S Poddar & Co. as compensation from the insurance company.

Sharma & Co. took delivery of the remaining goods consigned and paid carriage inward and unloading charges Rs. 32,200. He is entitled to a commission of 10% on sales made by him. Sharma & Co. also incurred other expenses covered under agreement amounting to Rs. 18,000.

Sharma & Co. reported that 100 bottles were lost due to leakage in the godown (loss due to leakage upto 5% of goods received by the consignee is considered as normal loss) and 1,700 bottles were sold. Sharma & Co. paid a cheque of Rs. 5,50,000 in favour of Poddar & Co.

You are required to prepare consignment Account in the books of M/s Poddar & Co.

Note : Workings should form part of the answer.

10

Or

From the following details prepare a General Ledger Adjustment Account in the Creditors Ledger of ABC & Co.

Particulars	₹	Particulars	₹
Credit Purchases	2,80,000	Bills payable accepted	16,000
Cash Purchases	75,000	Bills payable renewed	
Bills Receivable drawn	1,10,000	for two more months	2,000

Cash Discount Received	5,000	Return Inward	10,500
Bills Payable Paid	6,500	Return Outward	5,000
Bills Receivable Endorsed to Creditors	10,000	Over payments refunded by suppliers	600
Opening Balances of		Endorsed Bills Receivable dishonoured	4,000
Sundry Debtors	78,000	Payments to creditors	2,52,000
Sundry Creditors	85,000		

9. On 1.1.2017 there was a fire in the godown of M/s ABC & Co. destroying a part of stock. The entity furnished the following information :

	₹
Stock on 1.4.2015	56,000
Purchases during 2015-16	3,80,000
Sales during 2015-16	5,00,000
Stock on 31.3.2016	30,000
Purchases from 1.4.2016 to 1.1.2017	2,00,000
Sales from 1.4.2016 to 1.1.2017	2,00,000

Stock on 31.3.2016 includes abnormal items costing Rs. 15,000 which was written down by Rs. 6,000. Two-third of the abnormal items were sold on 30.6.2016 at a loss of Rs. 5,000. This amount is included in sales during the relevant period. Balance of the abnormal items were valued at cost. Value of goods salvaged Rs. 7,000 and policy value was Rs. 50,000.

Compute the insurance claim to be made by M/s ABC & Co.

Group – C

10. The following is the Trial Balance of Mr. H as at 31st March, 2017:

<u>Debit Balances</u>	₹	<u>Credit Balances</u>	₹
✓ Drawings	10,000	✓ Capital	1,70,000
✓ Office Equipment	1,10,000	✓ Sales	1,65,000
✓ Purchases	84,000	✓ Returns	4,000
✓ Returns	5,000	✓ Bad debts recovered	26,450
✓ Bad debts	5,000	✓ Discount received	1,000
✓ Carriage Inward	5,000	✓ Creditors	2,02,000
✓ Carriage Outward	7,000	✓ Bills Payable	5,600
✓ Discount Allowed	2,000	✓ Bank Overdraft	29,000
✓ Sales Commission	4,000	✓ 10% Loan	30,000
		(taken on 1.4.16)	
✓ Rent	4,000		
✓ Interest	1,500		
✓ Office Expenses	16,000		

✓ Debtors	2,15,000		
✓ Bills Receivable	10,000		
✓ Investment	50,000		
✓ Opening Stock	54,000		
✓ Cash	50,550		
	6,33,050		6,33,050

Additional Information :

(a) Closing Stock at market price as on 31st March, 2017 was ₹ 61,500. However, the cost of such stock was ₹ 80,000.

(b) Provide for depreciation on office equipment @ 10% p.a.

(c) Goods costing ₹ 10,000 was destroyed due to fire on 30th March, 2017, the insurance company accepted a claim to the extent of 60% only and paid the claim money only on 10th April, 2017.

(d) Of the bill receivables, a bill of Rs. 4,000 is dishonoured. No entry has been made in the books of account.

(e) Write off Rs. 9,000 as bad debt and maintain a provision for bad debt @ 5%.

(f) Manager is entitled to a commission of 5% of net profit before charging his commission.

You are required to prepare a Trading and Profit & Loss Account for the year ended on 31.3.2017 and a Balance Sheet on that date.