**Code No. : 10170E**     **Sub. Code : SMCO11/**
**AMCO11**

B.COM. (CBCS) DEGREE EXAMINATION,
APRIL 2021.

First Semester

Commerce – Main

FINANCIAL ACCOUNTING – I

(For those who joined in July 2017 onwards)

Time : Three hours                    Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1.   Bad debt amount should be credited to _____.

    (a)   Debtors account       (b)   Bad debts account

    (c)   Sales account          (d)   Creditors account

2.   Sales made to Mahesh for cash should be debited
    to _____.

    (a)   Cash account           (b)   Mahesh Account

    (c)   Sales account          (d)   Purchase account

3. On the bank statement, cash deposited by the company is known as _____.

   (a) Credit        (b) Debit

   (c) Liability      (d) Expenses

4. An unadjusted balance in cash book is because of the result of which error?

   (a) Deposit in transit

   (b) The omission of Bank charges

   (c) Outstanding cheques

   (d) Unpresented cheques

5. What type of cheques is that which is issued by a firm but not deposited to the bank

   (a) Uncredited cheques (b) Outstanding cheques

   (c) Uncollected cheques (d) Bounced cheques

6. Which bill is drawn and accepted in the same country?

   (a) Trade Bill       (b) Foreign Bill

   (c) Inland Bill      (d) Accommodation Bill

7. Which of the following is not a method of depreciation?

   (a) Revaluation

   (b) Reducing balance

   (c) Replacement method

   (d) Straight line

8. In Straight line method of depreciation, which is excluded?

   (a) Useful life of the assets

   (b) Cost of the assets

   (c) Annual cost of repairs

   (d) Expected salvage value

9. What should be added in closing capital for calculating opening capital?

   (a) Loss and drawing    (b) Profit and drawing

   (c) Profit only          (d) Loss only

10. Single entry systems are maintained by _____.

    (a) Company

    (b) Income tax authorities

    (c) Government

    (d) Sole trader

PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b) in about 250 words.

11. (a) Who are the users of accounting information? Briefly explain.

Or

(b) Prepare Trial Balance from the following balances extracted from Mr.Bharath, a sole proprietor as on 30th June 2020:

| Particulars | Rs. | Particulars | Rs. |
|---|---|---|---|
| Purchases | 75,000 | Capital | 60,000 |
| Returns inward | 2,000 | Creditors | 30,000 |
| Opening stock | 10,000 | Sales | 1,20,000 |
| Freight inwards | 4,000 | Returns outward | 1,000 |
| Wages | 2,000 | Machinery | 30,000 |
| Investments | 10,000 | Building | 25,000 |
| Bank charges | 1,000 | Cash at bank | 18,000 |
| Land | 30,000 | Cash in hand | 4,000 |

12. (a) What do you mean by noting charges? Give example.

Or

(b) The bank passbook of M/s. Boos & Co. showed a balance of Rs.45,000 on May 31, 2020.

(i) Cheques issued before May 31, 2020, amounting to Rs.25,940 had not been presented for encashment.

(ii) Two cheques of Rs.3,900 and Rs.2,350 were deposited into the bank on May 31 but the bank gave credit for the same in June 8, 2020.

(iii) There was also a debit in the passbook of Rs.2,500 in respect of a cheque dishonoured on 31.5.2020.

Prepare a bank reconciliation statement as on May 31, 2020.

13. (a) What is meant by retiring the bill? Give example.

Or

(b) Vishal sold goods for Rs.7,000 to Manju on Jan 05, 2020 and drew upon her a bill of exchange payable after 2 months. Manju accepted Vishal's draft and handed over the same to Vishal after acceptance. Vishal immediately discounted the bill with his bank @ 12% p.a. On the due date Manju met her acceptance.

Journalize the above transactions in the books of Vishal and Manju.

14. (a) Differentiate between sinking fund method and insurance policy method of treating depreciation.

Or

(b) On 1st April, 2007, a limited company purchased a Machine for Rs.1,90,000 and spent Rs.10,000 on its installation. At the date of purchase, it was estimated that the scrap value of the machine would be Rs.50,000 at the end of sixth year.

Give Machine Account and Depreciation A/c in the books of the Company for 4 years after providing depreciation by Fixed Installation Method. The books are closed on 31st March every year.

15. (a) Brief about the methods employed under single entry system to find out the profit / loss.

Or

(b) Krishan started his business on 1st April, 2019 with a Capital of Rs.1,00,000. On 31st March, 2020, his assets were:

| Details | Rs. |
|---------|-----|
| Cash | 3,200 |
| Stock | 34,800 |
| Debtors | 31,000 |
| Plant | 85,000 |

He owed Rs.12,000 to sundry creditors and Rs.10,000 to his brother on that date. He withdrew Rs.2,000 per month for the private expenses. Ascertain his profit.

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b) in about 600 words.

16. (a) Draw the branches of accounting and explain the functions of financial accounting.

Or

(b) Consider the following balances extracted from the books of Jain as on 31st December, 2019. Prepare the final accounts.

| Particulars | Rs. | Particulars | Rs. |
|---|---|---|---|
| Capital | 20,000 | Office salaries | 6,600 |
| Debtors | 8,000 | Establishment expenses | 4,500 |
| Creditors | 10,500 | Selling expenses | 2,300 |
| Purchases | 60,000 | Furniture | 10,000 |
| Sales | 80,000 | Cash at bank | 2,400 |
| Income tax of Mr.Jain paid | 500 | Miscellaneous receipts | 600 |
| Opening stock | 12,000 | Drawings | 4,800 |

Adjustments:

(i) Salaries outstanding for December, 2019 amounted to Rs.600

(ii) Provide depreciation on furniture @ 10% p.a.

(iii) Provide interest on capital for the year @ 5% p.a.

(iv) Stock on 31st December, 2019 Rs.14,000.

17. (a) What is suspense account? How do you clear the suspense account? Explain.

Or

(b) From the following particulars, prepare the bank reconciliation statement of Shri Krishan as on March 31, 2020.

   (i)    Balance as per passbook is Rs.10,000

  (ii)    Bank collected a cheque of Rs.500 on behalf of Shri Krishan but wrongly credited it to Shri Krishan's account.

 (iii)    Bank recorded a cash book deposit of Rs.1,589 as Rs.1,598.

 (iv)    Withdrawal column of the passbook under cast by Rs.100.

  (v)    The credit balance of Rs.1,500 as on the pass-book was recorded in the debit balance.

 (vi)    The payment of a cheque of Rs.350 was recorded twice in the passbook.

(vii)    The pass-book showed a credit balance for a cheque of Rs.1,000 deposited by Shri Kishan.

18. (a) Explain the accounting treatment to handle insolvency case in Bills of Exchange.

Or

(b) On 12th May, 2020 C sold to D goods for Rs.36,470 and drew upon the latter two bills of exchange; one for Rs.16,470 at one month and the other for Rs.20,000 at three months. D accepted both the bills.

On 5th June, 2020 C sent both the bills to his bank for collection on due dates. The first bill was duly met. But due to some temporary financial difficulties, C failed to honour his acceptance for Rs.20,000 on the due date and the bank had to pay Rs.20 as noting charges.

However, on 16th August, 2020 it was agreed between C and D that D would immediately pay Rs.8,020 in cash and accept a new bill at three months for Rs.12,480 which included interest for postponement of part payment of the dishonored bill. C immediately sent the new acceptance to its bank for collection on due date. On 1st October, 2020 D approached C offering Rs.12,240 for retirement of his acceptance. C accepted to the request.

Pass journal entries for all the above-mentioned transactions and prepare ledger accounts in the books of C.

19. (a) Differentiate between straight line method and written down value method.

Or

(b) On 1st July, 2008 a company purchased a machine for Rs.3,90,000 and spent Rs.10,000 on its installation. It decided to provide depreciation @ 15% per annum, using written down value method. On 30th November, 2011 the machine was dismantled at a cost of Rs.5,000 and then sold for Rs.1,00,000.

On 1st December, 2011 the company acquired and put into operation a new machine at a total cost of Rs.7,60,000. Depreciation was provided on the new machine on the same basis as had been used in the case of the earlier machine. The company closes its books of account every year on 31st March.

Prepare Machinery Account and Depreciation Account for four accounting years ended 31st March 2012.

20. (a) What is single entry system? How it differs from double entry system of book-keeping.

Or

**Code No. : 10170E**

(b) C maintains his books according to Single Entry System. Following figures were available from the books for the six months ended 31st December 2019.

| Particulars | 1st July, 2019 (Rs.) | 31st Dec. 2019 (Rs.) |
|---|---|---|
| Plant and Machinery | 1,50,000 | 1,40,000 |
| Debtors | 65,000 | 60,000 |
| Cash and Bank Balances | 25,000 | 31,000 |
| Stock | 40,000 | 45,000 |
| Creditors | 9,000 | 10,000 |

Adjustments:

(i) He had withdrawn Rs.200 in the begining of every month for household purposes.

(ii) Depreciation on Plant and Machinery @ 10% p.a.

(iii) Further Bad Debts Rs.5,000 and Provision for Doubtful Debts to be created @ 2%

(iv) During the period, salaries have been prepaid by Rs.500 while wages outstanding were Rs.1,000.

(v) Interest on drawings to be reckoned @ 6% p.a.

You are required to prepare the Statement of Profit or Loss for the half year ended 31st December, 2019, followed by Revised Statement of Affairs as on that date.

————————