

## Financial Accounting.

**FA 01**

Roll No.

Total No. of Printed Pages: 4

Total No. of Questions : 07

Maximum Marks : 60

Duration (hrs.) : 3

**Note : Scientific Calculator is not allowed**

Answer the following questions:

1. Fill in the blanks:

5 marks

- a) Outstanding rent represents.....account.
- b) Enterprise has an indefinite life and enjoys perpetual succession is .....concept in accounting principles.
- c) AS 10 and AS 22 represents accounting for .....and .....
- d) Cash flow statement has ..... activities.

2. a) A number of events common to accounting function of a business entity are presented below in random order. **Rearrange them as they would occur in their logical order:**

4 marks

1. Preparing Balance Sheet
2. Analyzing the transaction
3. Posting from journal to ledger
4. Occurrence of business transaction
5. Preparing a trial balance
6. Balancing the ledger accounts
7. Journalizing the transaction
8. Preparing P&L a/c

**b) (i)** The following are the details regarding purchases of a certain item during the month of January.

|        |           |          |         |
|--------|-----------|----------|---------|
| Jan 1  | purchases | 200units | @Rs. 7  |
| Jan 8  | purchases | 900units | @Rs. 8  |
| Jan 25 | purchases | 300units | @Rs. 9  |
| Jan 30 | purchases | 400units | @Rs. 10 |

A physical inventory of the items taken on January 31st shows that there are 700 units in hand. You are required to calculate the value of inventory on Jan 31st according to FIFO method. **2 marks**

**(ii)** Present the graph of depreciation per annum through straight line method and written down value method. **2 marks**

**c)** State with reasons whether the following are capital or revenue or deferred revenue expenditure: **4 marks**

**i)** Spent towards additions to machinery in order to double the production Rs. 4000.

**ii)** Incurred for repairs to machinery, necessitated by the negligence of the employees.

3. Journalize the following transactions, do ledger posting and prepare trial balance: **12 marks**

**a) Debit balance on 1<sup>st</sup> April 2010:**

Cash in hand Rs. 9000, cash at bank Rs. 20000, stock of goods Rs. 20000, machinery Rs. 10000, building Rs. 5000, furniture Rs. 5000, and sundry debtors: Neeraj Rs. 1000, Ankit Rs. 1000, Maya Rs. 3000.

**Credit balance on 1<sup>st</sup> April 2010:**

Sundry creditor: Viraj Rs. 10000, loan from Shyam Rs. 20000

**b)** Purchased machinery from Mahesh for Rs. 20000 and paid Rs. 100 as cartage for bringing the plant to the factory and another Rs. 300 as installation charges.

**c)** Purchased goods from Rahim worth Rs. 10000

**d)** Sold goods worth Rs. 8000 for cash less 15% trade discount and 2% cash discount terms.

4. The trial balance of Mr. Dhanshyam as on 31<sup>st</sup> March 2011 was as follows:

| PARTICULARS                                     | DEBIT<br>(Rs.)<br>BALANCE | CREDIT (Rs.)<br>BALANCE |
|---|---------------------------|-------------------------|
| Purchases                                       | 1,62,505                  |                         |
| Debtors   | 50,200                    |                         |
| Sales   |                           | 2,52,600                |
| Reserve for doubtful debts                      |                           | 5,200                   |
| Creditors                                       |                           | 30,326                  |
| Opening stock                                   | 26,725                    |                         |
| Wages   | 23,137                    |                         |
| Bills payable                                   |                           | 3,950                   |
| Salaries  | 5,575                     |                         |
| Outstanding wages                               |                           | 2,000                   |
| Furniture                                       | 7,250                     |                         |
| Postage   | 4,226                     |                         |
| Trade expenses accrued but not paid             |                           | 700                     |
| Power and fuel                                  | 1,350                     |                         |
| Trade expenses                                  | 5,831                     |                         |
| Capital   |                           | 10,000                  |
| Bad debts                                       | 525                       |                         |
| Loan at 10 % to Amar 1 <sup>st</sup> Sept. 2010 | 3,000                     |                         |
| Cash in hand and at bank                        | 10,000                    |                         |
| Drawings  | 4,452                     |                         |
| <b>Total</b>                                    | <b>3,04,776</b>           | <b>3,04,776</b>         |

Prepare the Trading and Profit & Loss Account for the year ended 31<sup>st</sup> March 2011 and the Balance Sheet as on that date taking into account the following information:

**12 marks**

- Depreciation on furniture is to be charged at 10% p.a.
- Debtors include an item of Rs. 500 due from a customer who has become insolvent.
- Reserve for doubtful debts is to be maintained at 5% on debtors.
- Goods valued at Rs. 1,500 have been destroyed by fire and the insurance company has admitted the claim for Rs. 1,000.
- Stock as at 31<sup>st</sup> March 2011 was Rs. 12,250.

5. a) Current ratio = 2, acid test ratio = 1.5, stock = 1,00,000. Calculate net working capital. 3 marks

b) **Balance sheet as on 31<sup>st</sup> march 2011**

| Liabilities          | Amount(Rs.)     | Assets            | Amount(Rs.)     |
|----------------------|-----------------|-------------------|-----------------|
| Equity share capital | 80,000          | Intangible assets | 48,000          |
| Reserves and Surplus | 40,000          | Fixed assets      | 1,12,000        |
| Mortgage             | 64,000          | Investments       | 8,000           |
| Bank overdraft       | 8,000           | Stock             | 24,000          |
| Creditors            | 32,000          | Debtors           | 24,000          |
| Provision for tax    | 16,000          | Bank              | 24,000          |
|                      | <b>2,40,000</b> |                   | <b>2,40,000</b> |

Calculate and interpretate:

6 marks

- Current ratio
  - Debt-equity ratio
  - Proprietary ratio
6. Prepare schedule of changes in working capital from the following balance sheet:

**Balance sheet**

6 marks

| Liabilities              | Amount (Rs.) 2000 | Amount (Rs.) 2001 | Assets                 | Amount (Rs.) 2000 | Amount (Rs.) 2001 |
|--------------------------|-------------------|-------------------|------------------------|-------------------|-------------------|
| Preference share capital | 70,000            | 75,000            | Plant & Machinery      | 50,000            | 60,000            |
| Equity share capital     | 1,30,000          | 1,75,000          | Furniture and fixtures | 20,000            | 75,000            |
| Creditors                | 1,00,000          | 70,000            | Stock                  | 80,000            | 50,000            |
| P&L a/c                  | 20,000            | 30,000            | Debtors                | 70,000            | 85,000            |
|                          |                   |                   | Cash                   | 1,00,000          | 80,000            |
|                          | <b>3,20,000</b>   | <b>3,50,000</b>   |                        | <b>3,20,000</b>   | <b>3,50,000</b>   |

7. Write short notes (any two):

4 marks

- Financial Accounting
- Ethical issues in accounting
- Inflation accounting
- Amortization