

I Semester B.Com. Examination, October/November 2013
(New Syllabus) (2012-13 and Onwards)
COMMERCE

1.3 : Financial Accounting – I

Time : 3 Hours

Max. Marks : 100

Instruction : Answer should be written **completely** in **English** or in **Kannada**.

SECTION – A

Answer any 10 sub-questions from the following. Each question carries 2 marks. (10×2=20)

1. a) Mention any two objectives of Financial Accounting.
- b) During an accounting year, Mr. Soorya, a businessman had cash sales of ₹ 9,00,000 and credit sales of ₹ 6,00,000. His expenses for the year were ₹ 7,00,000 out of which ₹ 3,00,000 are outstanding. Find out the income according to accrual basis of accounting.
- c) State any two differences between Statement of Affairs and Balance Sheet.
- d) Ascertain opening stock when – purchases ₹ 1,20,000; wages ₹ 40,000; sales ₹ 2,00,000; closing stock ₹ 30,000; percentage of gross profit on cost of sales is 25%.
- e) Mention any four features of the Hire Purchase System.
- f) State any four contents of a Hire-Purchase agreement.
- g) Give the meaning of the following terms in Hire-Purchase transactions –
(i) Hire Vendor; (ii) Down-Payment; (iii) Hire Purchase Price; (iv) Cash Price.
- h) Distinguish between Royalty and Rent.
- i) Give proforma entries in the books of lessee when there are no royalties in a year if Minimum Rent Account is opened ?

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- j) Calculate the amount of Royalty if
 a) Rate of royalty ₹ 100 per copy sold
 b) Other particulars :

Year	No. of copies printed	Closing Stock
2011	2000	100
2012	3000	200

- k) State the treatment for assets not taken over by the purchasing company with the help of Journal Entries.
 l) How do you treat contingent liabilities at conversion of a firm ?

SECTION – B

Answer **any four** questions from the following. **Each** question carries **8** marks. **(4×8=32)**

2. Describe any four advantages and four limitations of Financial Accounting.
 3. From the following information you are required to determine the amount of total sales :

Opening Stock	–	₹ 80,000
Purchases	–	₹ 4,00,000
Closing Stock	–	₹ 70,000

Rate of gross profit on sales = $\frac{1}{6}$.

4. A T.V. dealer sells a LED T.V., the cash price of which is ₹ 30,000 and decides to charge 10% nominal interest. If the price is to be paid in three equal annual instalments, determine the instalment amount and calculate the true rate of interest and verify.
 5. From the following details prepare Shortworking A/c –
 i) Minimum Rent ₹ 1,00,000 per annum.
 ii) Royalty ₹ 10 per tonne.
 iii) Power to recoup shortworkings during the first four years only.
 iv) Output for the first five years : 2008 – 2000 tonnes; 2009 – 5000 tonnes; 2010 – 15000 tonnes; 2011 – 20000 tonnes; 2012 – 25000 tonnes.



6. Pass opening entries in the books of a purchasing company from the following details :

- i) Sundry assets taken over – ₹ 13,50,000
- ii) Current liabilities taken over – ₹ 1,35,000
- iii) Purchase consideration – ₹ 11,25,000

Purchase consideration is payable as to 60% in equity shares of ₹ 10 each at par and the balance in 8% Debentures of ₹ 100 each at par and cash in equal proportions.

SECTION – C

Answer **any three** questions. **Each** question carries **16** marks.

(3×16=48)

7. XY Co. Ltd., was registered on 1-1-12 with an authorised capital of ₹ 10,00,000 divided into 10000 ordinary shares of ₹ 100 each. The company was formed to taken over the firm of X and Y as going concern on the basis of the following Balance Sheet as on 31-12-11.

Liabilities	₹	Assets	₹
Sundry Creditors	20,000	Plant and Machinery	50,000
Capital Accounts		Stock	40,000
X – 60,000		Sundry Debtors	25,000
Y – <u>40,000</u>	1,00,000	Cash in hand	5,000
	1,20,000		1,20,000

The purchase consideration was ₹ 1,40,000 payable ₹ 1,00,000 by the issue of 1000 fully paid-up shares and balance in 9% Debentures of ₹ 100 each.

You are asked to close the books of the firm by means of preparing necessary ledger accounts and prepare opening Balance Sheet of the company.

8. B.M. Co., obtained a mine on lease for a period of 30 years beginning from 1st January, 2008, on the following terms :

- a) To pay minimum rent of ₹ 24,000 per year.
- b) Each year's excess of minimum rent over the actual royalties can be recovered during the subsequent two years.
- c) Due to accident or strike minimum rent is to be reduced by 25% for that year.



- d) Royalty was to be calculated at ₹ 50 per tonne.

Production during four years from 2008 to 2011 was as follows :

Year	Production in tonnes
2008	280
2009	360
2010	600
2011 (strike for 3 months)	440

Open the following accounts in the books of the company :

- i) Minimum Rent Account
- ii) Royalties Account
- iii) Landlord's Account and
- iv) Shortworkings Account.

9. Mr. Mahesh purchased a Ford Car on hire-purchase system. The total cash price of the car is ₹ 15,98,000 payable ₹ 4,00,000 down and three instalments of ₹ 6,00,000, ₹ 5,00,000 and ₹ 2,00,000 payable at the end of first, second and third year respectively. Interest is charged at 5% P.A. Rate of depreciation is 25% P.A. on diminishing balance method.

Prepare necessary accounts in the books of Shri Mahesh.

10. On 31-3-13 a fire occurred in the business premises of Mr. Nair and the records were destroyed. But the balance sheet as on 31-3-12 was available from which the following details were obtained.

Fixed Assets ₹ 75,000; Stock ₹ 71,250; Debtors ₹ 8,000; Bank ₹ 3,00,000; Cash ₹ 26,500; Creditors ₹ 32,000.

Summary of bank statement is as follows :

Cheques deposited ₹ 6,50,000; Payments – Rent and Rates ₹ 29,500, Drawing ₹ 25,000; Creditors ₹ 7,00,000

From the records available the following balances are ascertained as at 31-3-13.

Creditors ₹ 85,000; Outstanding rent ₹ 4,800; Prepaid rates ₹ 2,500; Debtors ₹ 45,000; Cash ₹ 12,500; Bank ₹ 1,73,500.

According to Nair his details of expenses in cash is as follows :

General expenses ₹ 500 per month; Salaries ₹ 2,500 per month. Goods were always sold on credit and at 25% above the cost price. Depreciate fixed assets by 10%. Insurance company agreed to pay ₹ 2,70,000 for stock and ₹ 65,000 for fixed assets.

From the information available prepare the Trading and Profit and Loss A/c and Balance Sheet of Nair as on 31-3-13.