



Name : .....

Roll No. : .....

Invigilator's Signature : .....

**CS/BBA(H), BIRM, BSCM/SEM-3/BBA-306/2010-11**

**2010-11**

**FINANCIAL ACCOUNTING**

Time Allotted : 3 Hours

Full Marks : 70

*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**

**( Multiple Choice Type Questions )**

1. Choose the correct alternatives for any *ten* of the following :

10 × 1 = 10

- i) Which of the following is known as deferred revenue expenditure ?
  - a) Outstanding salary
  - b) Closing stock
  - c) Prepaid advertisement
  - d) Purchase of goods.
- ii) Nominal account relates with
  - a) expenses / losses or incomes / gains
  - b) assets and liabilities
  - c) customer and creditors
  - d) none of these.
- iii) Revenue is considered as being earned when
  - a) cash is received
  - b) production is done
  - c) sales is effected
  - d) profit is effected.





- ix) Goods distributed as samples should be credited to
- a) purchase account
  - b) sales account
  - c) advertisement account
  - d) suspense account.
- x) Heavy advertisement to launch a new product is a
- a) capital expenditure
  - b) revenue expenditure
  - c) capital income
  - d) deferred revenue expenditure.
- xi) A contra-entry is one which does not require posting to the ledger.
- a) True
  - b) False
  - c) Partially true partially false
  - d) None of these.
- xii) The policy of 'anticipate no profit and provide for all possible losses' arises due to
- a) convention of consistency
  - b) convention of disclosure
  - c) convention of conservatism
  - d) convention of double entity.



**GROUP – B**

**( Short Answer Type Questions )**

Answer any *three* of the following.  $3 \times 5 = 15$

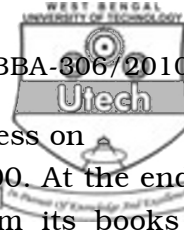
2. State which of the following items are to be considered as capital and which are revenue :
  - a) Wages paid for the installation of machinery is Rs. 2,000 and cost of carriage for the same is Rs. 500.
  - b) An old machine costing Rs. 3,000 ( W.D.V. Rs. 1,500 ) was sold for Rs. 1,000.
  - c) The expenses incurred for white-washing the factory building amounted to Rs. 4,000.
  - d) Purchase of new tyre for Rs. 2,000 for an old car.
  - e) Cost of conversion of Gas plant to Oil fuel plant for the generation of electricity amounted to Rs. 20,000.
3. State the importance of Accounting Information System ( AIS ) as a sub-system of MIS in a corporation.
4. Distinguish between cash basis accounting and accrual basis accounting.
5. State the difference between provision and reserves.
6. Pass the necessary journal entries to rectify the following errors :
  - a) Purchase book is overcast by Rs. 1,000.
  - b) Sales made to B Rs. 1,000 was wrongly entered in the purchase book.
  - c) Purchase of furniture Rs. 4,200 was wrongly entered in purchase book.

**GROUP – C**

**( Long Answer Type Questions )**

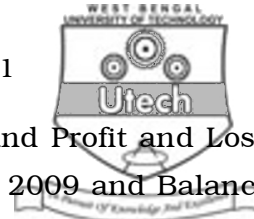
Answer any *three* of the following.  $3 \times 15 = 45$

7. What is accounting ? State the advantages and limitations of accounting. Compare financial accounting with management accounting.  $2 + 6 + 7$



8. M/s Acasia Consulting commences his business on 1st January, 2009 with a capital of Rs. 25,000. At the end of the year, a Trial Balance is drawn up from its books as follows :

	<b>Dr. Rs.</b>	<b>Cr. Rs.</b>
Capital A/c	—	30,000
Drawing A/c	2,600	—
Plant and fixtures	3,000	—
Purchase	1,04,000	—
Carriage inward	1,000	—
Returns inward	3,200	—
Returns outward	—	2,400
Wages	7,000	—
Sales	—	1,32,000
Salaries	6,000	—
Printing and stationery	500	—
Advertisement	700	—
Trade charges	400	—
Rent and taxes	900	—
Sundry debtors	16,400	—
Sundry creditors	—	6,800
Bills receivable	2,200	—
Bills payable	—	4,100
Investments	14,000	—
Cash at bank	13,000	—
Cash in hand	400	—
Total	<b>1,75,300</b>	<b>1,75,300</b>



You are required to prepare the Trading and Profit and Loss A/c for the year ended on 31st December, 2009 and Balance Sheet as at that date after taking into consideration the following facts and adjustments :

- a) Value of stock as at 31st December, 2009 was Rs. 12,000.
  - b) Interest on capital @ 6% p.a.
  - c) The owner had introduced Rs. 5,000 by way of further capital on 1st July, 2009.
  - d) Plant and fixtures to be depreciated @ 10% p.a.
  - e) Outstanding salary on 31. 12. 2009 amounts to Rs. 300.
  - f) Accrued interest on investments on 31. 12. 2009 amounts to Rs. 300.
  - g) Of the debtors Rs. 400 is bad. A provision for doubtful debts is to be created at 5% on the balance.
  - h) Make a provision for discount on creditors @ 2%.
9. From the following particulars, pass the proper adjustment entries. The business closed its accounts on 31st December 2009 :
- a) Plant valued at Rs. 10,000 is to be depreciated by 10%.
  - b) Insurance premium has been paid up to 31st March, 2010 @ Rs. 1,800 p.a.
  - c) Outstanding wages for the year amounted to Rs. 2,000.



- d) Balance due from X is irrecoverable Rs. 500.
- e) Interest on investments ( face value being Rs. 20,000 ) @ 10% p.a. becomes due for 6 months.
- f) Closing stock : Cost Price of which is Rs. 5,000 whereas market value at present is Rs. 3,000.
- g) Rent received in advance for three months ( Annual rent being Rs. 1,200 ).
- h) Goods valued Rs. 1,000 were distributed by way of advertisement.
- i) Goods purchased but in transit Rs. 2,000.
- j) Stock worth of Rs. 5,000 was lost by fire, a claim of Rs. 2,000 received from insurance company.

$$10 \times 1\frac{1}{2} = 15$$

10. a) State the difference between straight line method and written down value method. What do you mean by double declining balance method ? Can a company in India use double declining balance method ?
- b) A printing press purchased a printing machine at a cost of Rs. 18,500 on 01. 01. 2007 and spent Rs. 500 for carriage and Rs. 1,000 on its erection. On 1st July in the same year additional machinery was acquired at a cost of Rs. 10,000 including all expenses. On 30th September, 2008 the machinery purchased on 1st January, 2007 having become obsolete, was sold for Rs. 8,000 and on the same date fresh machinery was purchased at a cost of Rs. 15,000. Depreciation was provided annually on 31st December at the rate of 20% p.a. on reducing balance method. Give the machinery accounts as it would appear in the books of the press from 2007 to 2009.

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11. Write short notes on any *three* of the following : 3 × 5

- a) Contingent assets
- b) Miscellaneous expenses
- c) Regenerative assets
- d) Revenue recognition
- e) Last In - First Out.

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