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Code no 000 23608

**FYBFM SEM I Sub: Financial Accounting**

**Q.1.A Select the appropriate option and rewrite the answer. (8 out of 10) 8Marks**

1. Going concern
2. Liabilities
3. Wear and tear
4. Cash A/c
5. Debit
6. Deducted
7. Fixed
8. Profit & Loss
9. Purchases
10. 50,000

**Q.1.b State whether the following sentences are true or false. (7 out of 10) 7Marks**

1. False
2. True
3. True
4. True
5. False.
6. True
7. True
8. False
9. True
10. True.

**Q.2.**

**In the books of Mr.Ranjith**

	Particulars	Dr	Cr
1.	Cash A/c	10,000	
	Machinnery A/c	20,000	
	To Capital A/c		30000
2.	Purchases A/c	2850	
	To Cash A/c		2850
3.	Cash A/c	6,000	
	To Sales		6,000
4.	Wages A/c	700	
	To Cash A/c		700
5.	Purchase A/c	4,000	
	To Sanjay Traders A/c		4,000
6.	Drawings A/c	1,000	
	To cash A/c		1,000
7.	Bank of Maharashtra A/c	7,000	
	To Cash A/c		7,000

**Cash A/c**

Particulars	Rs	Particulars	Rs
To Capital A/c	10,000	By Purchases A/c	2,850
To sales A/c	6,000	By wages A/c	700
		By sanjay traders A/c	3,200
		By drawings A/c	1,000
		By Bank of Maharashtra A/c	7,000
		By Bal c/d	1,250
	<b>16,000</b>		<b>16,000</b>

**Capital Account**

Particulars	Rs	Particulars	Rs
		By cash A/c	10,000
To bal c/d	30,000	By Machinery A/c	20,000
	<b>30,000</b>		<b>30,000</b>

**Machinery A/c**

Particulars	Rs	Particulars	Rs
To capital A/c	20,000	By bal c/d	20,000
	<b>20,000</b>		<b>20,000</b>

**Purchases A/c**

Particulars	Rs	Particulars	Rs
To cash A/c	2,850		
To Sanjay traders A/c	4,000	By Bal c/d	6850
	<b>6850</b>		<b>6850</b>

**Sales A/c**

Particulars	Rs	Particulars	Rs
To bal c/d	6,000	By Cash A/c	6,000
	<b>6,000</b>		<b>6,000</b>

**Wages A/c**

Particulars	Rs	Particulars	Rs
To cash A/c	700	By bal c/d	700
	<b>700</b>		<b>700</b>

**Sanjay Traders A/c**

Particulars	Rs	Particulars	Rs
To cash A/c	3,200	By purchases A/c	4000
To bal c/d	800		
	<b>4,000</b>		<b>4,000</b>

OR

**Q.2. Trial Balance as on .....**

Debit Balances		Rs	Credit Balances		Rs
Plant & Machinery		8,000	Capital		50,000
Insurance		3,600	Creditors		5000
Drawings		4,000	Res for doubtful debts		500
Motor Van		5,400	Sales		28,500
Stock (1-4-		14,000	O/s Exp		400
Cash		1,200			
Wages		2,800			
Debtors		13,000			
Purchases		10,500			
Land & bldg		10,500			
Office exp		1,700			
Carriage Inward		1,400			
Rent, Rates & taxes		2,300			
Salaries		5,000			
Bad Debts		1,000			
		<b>84,400</b>			<b>84,400</b>

**Q.3. Machinery A/c**

Date	Particulars	Amount	Date	Particulars	Amount
1-4-2014	To Bank A/c	55,000	31-3-2015	By depreciation	8,000
1-4-2014	To Bank	5000	31-3-2015	By bal c/d	92,000
1-10-2014	To Bank	40,000			
		<b>1,00,000</b>			<b>1,00,000</b>
1-4-2015	To Bal c/d	92,000	31-3-2016	By depreciation	10,000
			31-3-2016	By Bal c/d	82,000
		<b>92,000</b>			<b>92,000</b>
1-4-2016	To bal b/d	82,000	1-10-2016	By Depreciation	3,000
1-1-2017	To Bank	20,000	1-10-2016	By Bank	43,000
			1-10-2016	By Profit & Loss	2,000
			31-3-2017	By Depreciation	4,500
			31-3-2017	By Bal c/d	49,500
		<b>1,02,000</b>			<b>1,02,000</b>

**Depreciation A/c**

Date	Particulars	Amount	Date	Particulars	Amount
31-3-2015	To Machinery A/c	8000	31-3-2015	By Profit & Loss A/c	8000
		<b>8000</b>			<b>8000</b>
31-3-2016	To Machinery A/c	10,000	31-3-2016	By Profit & Loss A/c	10,000
1-10-2016	To Machinery A/c	3000	31-3-2017	By Profit & Loss A/c	7,500
31-3-2017	To Machinery A/c	4500			
		<b>7500</b>			<b>7500</b>

OR

Q.3

Statement of Affairs as on

Liabilities	31-03-2016	31-03-2017	Assets	31-03-2016	31-03-2017
Creditors	18,000	20,000	Machinery	50,000	50,000
Outstanding Expenses	1,500	-	Furniture	50,000	30,000
Capital (Bal fig)	1,56,500	1,67,500	Debtors	18,000	25,000
			Stock	30,000	42,000
			Prepaid expenses	-	500
			Cash in hand	3,000	5,000
			Cash at Bank	25,000	35,000
	<b>1,76,000</b>	<b>1,87,500</b>		<b>1,76,000</b>	<b>1,87,500</b>

Statement of Profit or Loss for the year ended on....

Particulars	Rs	Rs
Capital as on 31-3-2017		1,67,500
Add: Drawings during the year		+3000
		=1,70,500
Less: Additional Capital introduced		-10,000
		=160,500
Less: Opening capital		-1,56,500
=Profit before adjustment		=4000
Add: Interest on drawings (5% on 3000 for 6 months)		+75
		=4075
Less: Depreciation on Machinery (5% on 50,000)	2,500	
Prov for doubtful debts (2% on 25,000)	500	
Interest on capital (7825+250)	8,075	11,075
<b>Net loss for the year</b>		<b>7000</b>

Q.4.

Manufacturing A/c for the year ended 31<sup>st</sup> December.....

Particulars	Rs	Rs	Particulars	Rs
To open WIP		7,000	By WIP (Closing)	4,000
To Open stock of RM	12,000			
Add: Purchases	97,000		By Cost of production	2,07,000
Add: Octroi	11,000			
Less: Closing stock of RM	(8000)	1,12,000		
To Direct wages	57000			
Add: O/S	3000	60,000		
To Direct Exp	12,000			
less: Prepaid	1000	11000		
To Factory rent		7000		
To Indirect wages		8000		
To Depn on Machinery		6000		
		211000		<b>211000</b>

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**Profit & Loss Account for the year ended ....**

Particulars	Rs	Rs	Particulars	Rs
To Open Stock of FG		20,000	By Sales	3,10,000
To Cost of production		2,07,000	By Closing Stock	10,000
To Gross profit		93,000		
		3,20,000		3,20,000
To Admin exp		31,000	By Gross profit	93,000
To Selling exp		13,000		
To Interest		7,000		
To Discount		4,000		
To Bad debts	1,000			
Add: New RDD	2,500			
Less: Old RDD	(3,000)	500		
To Net profit		37,500		
		93,000		93,000

**Balancesheet as on....**

Liabilities	Rs	Rs	Assets	Rs	Rs
Capital	85,000		Machinery	60,000	
Add: Net profit	37,500		Less: Depn	(6,000)	54,000
Less: Drawings	21,000	101,500	Stock :		
Creditors		25,000	Raw Mat	8,000	
Bills payable		7,000	WIP	4,000	
O/S wages		3,000	FG	10,000	22,000
			Debtors	50,000	
			Less: RDD	2,500	47,500
			Prepaid exp		1,000
			Cash at bank		12,000
		1,36,500			1,36,500

OR

**Q.4. Trading & Profit & Loss Account for the year ended on....**

Particulars	Rs	Rs	Particulars	Rs	Rs
To open stock		10,000	By Sales	61,000	
To Purchases		35,000	-Sales ret	2,000	59,000
To wages		1,500	By goods dist as free samples		500
To Fuel, coal		2,500	By closing stock		18,400
To trade exp		200			
To Gross profit		28,700			77,900
		77,900			
To general exp		1,500	By gross profit		28,700
To stationery	1,300		By comm.	900	
Less : Stock of stationery	300	1,000	Add: o/s comm	300	1,200
To Salaries		4,000			
To Insurance		400			

To Office rent		600			
To Advertisement		500			
To New R.D.D	1,100				
Add: Bad debts	300				
Add: New bad debts	600				
	2,000				
Less: Old R.D.D	400	1,600			
To depn on bldg		2,000			
To depn on Furniture		6,00			
To Net Profit		17,700			
		29,900			29,900

**Balancesheet as on 31<sup>st</sup> March.....**

Liabilities	Rs	Rs	Assets	Rs	Rs
Capital	50,000		Sundry Drs	22,600	
Add: Net profit	17,700		-Bad debts	600	
	67,700			22,000	
Less: Drawings	5,000	62,700	-New R.D.D	1,100	20,900
Bank o/d		2,000	Bills receivable		1,200
Creditors		20,000	Stock		18,400
O/s wages		1,000	Buildings	40,000	
			-Depn	2000	38,000
			Furniture	6,000	
			-Depn	600	5,400
			Stock of Stationery		300
			Prepaid salary		1,200
			Comm Receivable		300
		85,700			85,700

**Q.5. A. Distinguish between Straight Line Method and Written Down Value Method 8Marks.**

	Straight Line Method	Written Down Value Method
1.	The method of depreciation in which amount of depreciation per year on the asset remains fixed.	The method of depreciation in which amount of depreciation per year on the asset goes on reducing.
2.	Depreciation is charged on the original cost of the asset every year.	Depreciation is charged on the written down value of the asset every year.
3.	The book value of the asset becomes zero or to scrap at the end of its useful life.	The book value of the asset never becomes zero or to scrap at the end of its useful life.
4.	The amount of depreciation remains constant for all the years	The amount of depreciation goes on reducing every year.
5.	This method is suitable where repair charges are less and obsolescence is not frequent.	This method is suitable where repair charges are more in later years and also obsolescence.
6.	This method is not accepted by income tax authorities	This method is accepted by income tax authorities

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Q.5.B. Any 4 Accounting principles

OR

Q.5. Write short notes on (any 3/5) 5 marks each

1. Explain Single Entry System.

Ans: Kohler defines Single entry system as "A system of book keeping in which, as a rule, only records of cash and personal accounts are maintained, it is always incomplete double entry varying with circumstances".

Usually under this system, the Cash Book and Personal accounts are maintained, Real and Nominal Accounts are not maintained. Since both the aspects of transactions are not recorded the system is known as "Single Entry System of Accounting."

2. Explain Consistency Concept.

Ans: Any policy adopted for accounting should be continuous or consistent throughout the business and it need not be changed generally unless and until circumstances demand. However it does not stop any improvement of new techniques. But that should be disclosed with a note.

Ex: A company adopts fixed installment method for charging depreciation on fixed assets from the beginning till the end of estimated life of asset.

3. Explain Average Clause In Fire Insurance policy

Fire insurance is a contract of indemnity. As a result, the owner of goods/stocks cannot claim more than the amount of actual loss sustained by fire. Under the circumstances, if the goods and/or assets are insured at a price which is either equal or more than the actual amount, the Insurance Company is liable to pay to the owner only the actual amount of loss sustained by fire and not more than that by way of compensation.

In order to maintain the interest of the Insurance Company from 'Under-Insurance', a condition is imposed what is known as Average Clause in the fire insurance policy. In this case, the Insurance Company is not liable to pay to the owner of goods the full amount of compensation for the loss of stock/assets sustained by fire.

In other words, if the property/goods is under-insured, the insurer shall bear only that proportion of actual loss as his insurance bears to the actual value of property at the time of loss.

Thus, the same can be ascertained with the help of the following:

Amount of Claim = Actual Loss × Amount of Policy / Value of Stock at the date of Fire

4. Explain Manufacturing Account.

A manufacturing organization's accounting process statement. This financial statement shows the cost of direct materials and labor, including production overhead, and not profit and loss figures.

Manufacturing account shows the cost of producing the goods that are sold during an accounting period.

Stocks in manufacturing organisations

There are three types of stock that we deal with in manufacturing accounts. These areas follows :







Raw materials - the purchases of these will be adjusted for opening stock and closing stock in the prime cost.

Work-in-progress - partly completed goods will be dealt with at the end of the manufacturing account.

Finished goods - opening and closing stocks will be dealt with, as is normal, in the trading account.

All three types of closing stocks will appear as current assets on the balance sheet.

5. Explain Subsidiary book.

Subsidiary book is the sub division of Journal. These are known as books of prime entry or books of original entry as all the transactions are recorded in their original form. In these books the details of the transactions are recorded as they take place from day to day in a classified manner.

**The important subsidiary books used are as following:-**

- Cash Book** : Used to record all the cash receipts and payments.
- Purchase Book** : Used to record all the credit purchases.
- Sales Book** : Used to record all the credit sales
- Purchase Return Book** : Used to record all goods returned by business to the supplier
- Sales Return Book** : Used to record all good returned by the customer to the business.
- Bills Receivable Book** : Used to record all accepted bills received by business.
- Bills Payable Book** : Used to record all bill accepted by us to our creditors.
- Journal Proper** : Used to record those transactions for which there is no separate book.

