

END TERM EXAMINATION

FIRST SEMESTER [BBA/BBA(B&I/TTM)] | DECEMBER-2010

Paper Code: BBA/BBA (B&I)(TTM) 109

Subject: Financial Accounting

Time : 3 Hours

Maximum Marks : 75

Note: Attempt all questions as per internal choice given.

- Q1. Comment on **any five** (answer briefly explaining the basic concept involved): (15)
- (a) In accounting, all business transactions are recorded as having a dual aspect.
 - (b) Book-keeping and accounting are not synonymous terms.
 - (c) Measurement of business income requires matching revenue with related cost or expense.
 - (d) Cost of information of a new company is revenue expenditure.
 - (e) Depreciation is the process of apportionment of the cost of an asset over its useful life.
 - (f) FIFO method correlates the current costs with the current market prices.
 - (g) Interest on debentures is payable only when profits are there.
 - (h) Surrender of shares means the return of shares voluntarily by the shareholders.

- Q2. Explain any three of the following accounting concepts: (15)
- (a) Money Measurement concept
 - (b) Business Entity concept
 - (c) Going Concern concept
 - (d) Realization concept
 - (e) Cost concept

Or

- (a) Distinguish between any two: (6)
 - (i) Real accounts and normal accounts
 - (ii) Financial accounting and management accounting
 - (iii) Capital expenditure and revenue expenditure.
- (b) Pass necessary Journal entries for the following transactions: (9)
 - (i) Received cash Rs. 6,000 of a bad debt written off last year for Mr. Atul.
 - (ii) A fire occurred in the factory and stock worth Rs. 30,000 was destroyed. The insurance company accepted a claim for Rs. 25,000.
 - (iii) Exchanged old machinery for a new one. The old machinery was valued at Rs. 70,000, the price of new one is 2,00,000. The balance is paid in cash.
 - (iv) Received a first and final dividend of 60 paise in a rupee from the official receiver of Mr. Shankar who owed Rs. 2,000.
 - (v) Purchased plant from Mukesh for Rs. 50,000 and paid 1,000 as cartage and Rs. 5,000 as installation expenses.

- Q3. (a) Distinguish between 'straight line method' and 'diminishing balance method' of providing depreciation. (5)
- (b) The book value of Plant and Machinery on 01-01-2004 was Rs. 2,00,000. New machinery for Rs. 10,000 was purchased on 01-10-2004 and for Rs. 20,000 on 01-07-2005. On 01-04-2006, a machinery whose book value had been Rs. 30,000 on 01-01-2004 was sold for Rs. 16,000. Depreciation had been charged at 10% p.a. since 2004 on straight-line method. It was decided in 2006 that depreciation at the rate of 20% p.a. on diminishing balance method should be charged from 01-01-2006. Show plant and machinery account up to 31-12-2006. Give detailed workings. (10)

Or

- (a) Compare LIFO and FIFO methods of inventory valuation. Which one is better in periods of rising prices? (5)
- (b) Calculate the value of the inventory on January 31 using LIFO method from the following data using (i) periodic inventory system and (ii) perpetual inventory system. (10)

Receipts		Units	Rate	Amount
Jan. 1	Inventory in hand	200	@Rs. 7	Rs. 1400
Jan.8	Purchases	1,100	@Rs.8	Rs. 8,800
Jan.25	Purchases	300	@Rs.9	Rs. 2,700
Jan.31	Purchases	400	@Rs. 10	Rs. 4,000
Issued				
Jan.	For sale	100		
Jan.9	For sale	200		
Jan.15	For sale	400		
Jan. 27	For sale	600		

- Q4. R Ltd. invited applications for 50,000 shares of Rs. 10 each at a premium of 20% payable as follows: (15)
- | | |
|--------------------------|-------------------------------------|
| On Application | Rs. 3 per share |
| On Allotment | Rs. 5 per share (including premium) |
| On First Call | Rs. 1 per share |
| On second and final call | Rs. 3 per share |

Applications were received for 75,000 shares and pro-rata allotment was made on 60,000 shares. The remaining applications were refused.

Ram, to whom 2,000 shares were allotted failed to pay the allotment money and on his failure to pay the first call, his shares were forfeited. Shayam to whom, 2500 shares were allotted failed to pay the two calls. Of the forfeited shares, 4,000 shares were reissued to Gita credited as fully paid up for Rs. 15 per share (whole of Ram's shares being included). Give journal entries to record these transactions. (15)

Or

- (a) State legal provisions regarding issues of shares at discount.
- (b) What are right shares? When can these shares be issued?
- (c) State the purposes for which money received on account of share premium can be used.
- Q5. (a) What is a debenture? Describe various methods for redemption of debenture with illustrations. (10)
- (b) State how will you deal with loss of debentures in the books of accounts. (5)

Or

The following is the Trail Balance of Lakshmi Co. Ltd. as on 31st Dec. 2009. (15)

Item	Dr. (Rs.)	Cr. (Rs.)
Opening stock	75,000	-
Sales	-	3,50,000
Purchases	2,45,000	-
Wages	50,000	-
Discount	-	5,000
Furniture	17,000	-
Salaries	7,500	-
Rent	4950	-
Sundry expenses	7,040	-
Profit and Loss Appropriation Account on 31 st Dec. 2008	-	15,030
Dividends paid	9,000	-
Share capital	-	1,00,000
Debtors and creditors	37,500	17,500
Plant and machinery	29,000	-
Cash at bank	16,200	-
Reserve	-	15,500
Patents and Trademark	4,830	-
Total	5,03,030	5,03,030

Prepare Trading Account, Profit and Loss Account, and Profit and Loss Appropriation Account for the year ending 31st Dec. 2009 and Balance Sheet as on that date. Take into consideration the following adjustments:

- (a) Stock on 31st Dec. 2009 was valued at Rs. 82,000.
- (b) Depreciation on fixed assets is at 10%.
- (c) Make a provision for income tax @50%.