

2010

FINANCIAL ACCOUNTING

SECOND PAPER

Full Marks : 100

Time : 3 hours

*The figures in the margin indicate full marks  
for the questions*

1. Answer any *five* of the following :

5×5=25

- (a) Define financial accounting and discuss the main limitations of financial accounting.
- (b) What do you mean by a Trial Balance? Discuss the main limitations of the Trial Balance.
- (c) "Cash Book performs the functions of Journal and Ledger at the same time."  
Explain the above statement.
- (d) Define capital expenditure, revenue expenditure and deferred revenue expenditure.
- (e) What do you mean by cash and accrual basis of accounting?
- (f) What adjustments are usually necessary at the time of preparing the final accounts?
- (g) Discuss critically historical cost concept as applied in financial accounting.

2. Answer any *three* of the following :

10×3=30

- (a) The following data is given by M/s Smart (Proprietor Mr. Shyam). You are asked to compile only the personal account of Mr. Robert, in the ledger book of 'M/s Smart' for the month of June 2010 :

2010		
June	1	M/s Smart owes Mr. Robert—Rs 15,000
"	4	Mr. Robert sold goods worth Rs 60,000 @ 10% trade discount to M/s Smart
"	6	M/s Smart rejected 10% of Mr. Robert's goods of 4th June
"	7	Paid cash Rs 5,000 on account to Mr. Robert
"	8	Purchased goods worth Rs 18,000 on credit from Mr. Robert
"	9	Robert's total dues were cleared by A/c payee cheque, enjoying a cash discount of Rs 1,000 on the payments made

- (b) An inexperienced book-keeper has drawn up a Trial Balance for the year ended 30.6.2010 :

Dr.			Cr.
	Rs		Rs
Bank Overdraft	1,854	Capital	4,591
Debtors	2,983	Discount Allowed	733
Discount Received	616	Creditors	1,637
Drawings	1,200	General Expenses	829
Purchases	13,078	Return Inwards	330
Salaries	2,834	Sales	16,882
Stock	2,418	Interest on	
Commission Received	155	Bank Overdraft	155
	<u>25,138</u>		<u>25,157</u>

Draw up a Corrected Trial Balance debiting or crediting any residual error to suspense account.

(c) Pass necessary Journal Entries for the month of January 2010 :

2010		
January	1	Started business with Rs 80,000 in bank and Rs 30,000 in cash
"	2	Paid rent by cheque Rs 3,000. Bought goods on credit from X & Co. for Rs 15,000
"	4	Sold goods for cash Rs 3,000 and on credit to P. Das for Rs 15,000
"	8	Paid cash into Bank Rs 1,000 and returned goods to X & Co. Rs 3,000
"	12	Paid by cheque to X & Co. Rs 9,000
"	16	Goods returned by P. Das Rs 1,000. Bought shop furniture, paid by cheque Rs 1,500
"	24	Paid telephone bill Rs 500 and electric bill Rs 400 by cheque

(d) Write a note on maintenance of Books of Account by a company.

(e) Mr. Vaid of Kolkata purchased the required machine on 1.4.2008 for Rs 70,000. The machinery was depreciated @ 10% p.a. on SLM and accounting year being April-March.

On 1.10.2009 a single unit which costs Rs 10,000 originally was sold for a cash price of Rs 7,000. On the same date a new machine costing Rs 10,000 was installed.

Write up the Machinery Account for the year 2008-2009 and 2009-2010.

3. Answer any *three* of the following :

15×3=45

- (a) The books of A. Deka show the following balances as on 31.12.2009. You are required to prepare a Trading and Profit & Loss Account and Balance Sheet : 15

	Rs	Rs
Stock (1.1.2009)	67,000	
Sales		5,24,600
Purchases	4,88,000	
Salaries and Wages	9,800	
Rent	3,700	
Creditors		58,500
Printing and Stationery	3,220	
Capital Account		95,000
Interest	2,200	
Repairs	210	
Sundry Receipts		175
Furnitures	7,000	
Debtors	85,000	
Cash at Bank	3,975	
Cash in Hand	2,170	
Drawings	6,000	
	<u>6,78,275</u>	<u>6,78,275</u>

Depreciate furniture by 5%. Salaries and rent were outstanding Rs 1,100 and Rs 100 respectively. Stock as on 31.12.2009 was valued at Rs 70,350.

- (b) The following transactions relate to a business concern for the month of March 2010. Post the transactions into ledger accounts and prepare the Trial Balance : 15

2010 March	1	Started business with a capital of Rs 9,000
"	2	Purchased furniture—Rs 300
"	3	Purchased goods—Rs 6,000
"	11	Received order from customer for half of goods
"	15	Delivered goods to the customer invoiced at Rs 4,000
"	17	Received order for the remaining half of the goods
"	21	Delivered goods, cash received Rs 3,800
"	31	Paid salaries—Rs 300
"	31	Withdrawn Rs 1,000 from business for personal use of the proprietor

- (c) (i) What adjustment entries would you pass in respect of—
- (1) income received in advance;
  - (2) outstanding expenses;
  - (3) accrued income;
  - (4) prepaid expenses;
  - (5) depreciation;
  - (6) bad debts? 10
- (ii) What is meant by Accrual Concept in accounting? 5

- (d) From the following particulars, prepare the Three-Column Cash Book of H. Ahmed for the month of June 2010 : 15

2010	
June	1 Balance of cash—Rs 400, Bank overdraft—Rs 1,000
"	2 Received for cash sales—Rs 600
"	3 Received a cheque from A. Bashir of Rs 150 and allowed him discount of Rs 10
"	5 M. Ali settled his account of Rs 180 after a discount of Rs 30 was allowed by H. Ahmed. He made his payment by cheque
"	10 Paid creditor M. Yusuf Rs 125 by cheque and received a discount of Rs 5
"	17 Paid cheques into bank received earlier Rs 300
"	25 Drew cash for personal use of proprietor Rs 10
"	30 Drew from bank for office use an amount of Rs 40

- (e) Define the following and give examples : 15

- (i) Asset
- (ii) Fixed Asset
- (iii) Current Asset
- (iv) Liability
- (v) Account
- (vi) Private Company
- (vii) Transactions
- (viii) Debit and Credit

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