

During the year 2013–14, he introduced Rs.25,000 as additional capital and withdrew Rs.5,000 per month. Depreciate furniture by 5% and machinery by 10% per year. Ascertain profit for the year ended 31.03.2014 and prepare a balance sheet as on that date.

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B.B.A. (CBCS) DEGREE EXAMINATION,
NOVEMBER 2015.

Third Semester

Business Administration — Main

FINANCIAL ACCOUNTING

(For those who joined in July 2012 and afterwards)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Each question carries 1 mark.

Choose the correct answer :

1. The principle of Accountancy which recognizes the double aspect of the business transactions is known as _____ concept.
 - (a) Entity
 - (b) Dual
 - (c) Accrual
 - (d) Objectivity



2. The Balance sheet is prepared for a
(a) Particular period (b) Stipulated period
(c) Financial period (d) All the above
3. Non-trading expenses are debited to _____ account.
(a) Capital (b) Drawing
(c) Assets (d) Liabilities
4. Preliminary expense is an example of _____ expenditure.
(a) Capital (b) Revenue
(c) Deferred revenue (d) None of these
5. External causes of depreciation are
(a) Wear and tear (b) Obsolescence
(c) Time factor (d) Depletion
6. When a reserve is invested in outside securities it is termed as
(a) Secret reserve (b) General fund
(c) Capital reserve (d) Reserve fund

7. Receipts and Payments Account is a nature of _____ account.
(a) Real
(b) Nominal
(c) Personal
(d) Representative personal
8. The first part of the income statement is called
(a) Profit and Loss account
(b) Balance Sheet
(c) Trading Account
(d) Trail Balance
9. The Net Worth Method is also called as
(a) Conversion method
(b) Statement of affairs
(c) Single entry system
(d) Double entry system
10. Closing balance of cash can be obtained by drawing up a
(a) Balance sheet
(b) Cash account
(c) Statement of affairs
(d) Income statement



PART B — (5 × 5 = 25 marks)

Answer ALL questions choosing either (a) or (b).

11. (a) What do you mean by double entry book-keeping?

Or

- (b) State the difference between Trial Balance and Balance Sheet.

12. (a) Write a short note on trading account.

Or

- (b) Pass journal entries for the following transactions:

- (i) Samples worth Rs.5,000 distributed during a sale campaign programme.
- (ii) Proprietor brought his personal car into the business and the value of the same is Rs.1,00,000.
- (iii) Interest of Rs.9,000 received on investment amounting to Rs.50,000.

(20% Govt. of India Bonds).

The above interest was net of income tax.

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13. (a) What are the basic factors affecting the amount of depreciation?

Or

- (b) Rajan & Co. provides Rs.50,000 annually towards provision for repairs and renewals. On 01.04.2012 the provision account showed a balance of Rs.38,000. Actual repairs for three accounting years 2012, 2013 and 2014 were as follows:

2012	2013	2014
Rs.42,000;	Rs.46,000	Rs.69,000.

Draw up the provisions for Repairs & Renewals Account for all the three years.

14. (a) What are the features of Income and Expenditure Account?

Or

- (b) From the following details relating to Subscriptions of Coimbatore Sports Club, calculate the subscriptions income for the year ended 31st December, 2014:

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Subscriptions received as per Receipts and Payments Accounts for the year ended 31.12.2014 Rs.10,000. Subscription outstanding as on 31.12.2013, Rs.2,000. Subscription outstanding as on 31.12.2014, Rs.4,000. subscriptions received in advance as on 31.12.2013, Rs.3,000. Subscriptions received in advance as on 31.12.2014, Rs.2,000.

15. (a) What are the salient features of single entry system?

Or

- (b) Mr. V.Bharathi started his business on January 1, 2014 with a capital of Rs.50,000. His capital as on December 31, 2014 was Rs.60,000. During the year, he introduced a further capital of Rs.5,000 and withdraw from the business for his private use Rs.8,000. Find out his profit for the year 2014.

PART C — (5 × 8 = 40 marks)

Answer ALL questions choosing either (a) or (b).

16. (a) What do you understand by the concepts and convention of accounting?

Or

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- (b) Rectify the following errors. Calculate the difference in the Trial Balance.

Prepare Suspense Account and find out the effect of these errors on net profit.

- (i) An item of Rs.300 relating to prepaid rent account was omitted to be brought forward.
- (ii) Purchased goods from Narayan Rs.600, passed through sales book.
- (iii) Received a Bill of Exchange from Anand for Rs. 1,000 and passed it through sales book.
- (iv) Rs.1,000 paid to Mala against our acceptance was debited to Malar account.
- (v) Bill received from Jolly for repairs done to TV Rs.300 and TV supplied for Rs.1,900 was entered in the purchases book as Rs.2,000
- (vi) Received final dividend of Rs.400 from Ajay whose account had already been written off as bad debt, was credited to his newly opened account and was included in the list of creditors.

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17. (a) Discuss the procedure for preparation of the Final Accounts of a sole trader, step by step.

Or

- (b) From the following Trial Balance extracted from the books of Kamalnath prepare Trading and Profit and Loss Account and Balance Sheet for the year ended 31.03.2014:

Debit Balance (Rs.)		Credit Balance (Rs.)	
Cash at Bank	2,610	Creditors	4,700
Book Debts	11,070	Discounts	150
Salaries	4,950	Creditors for expenses	400
Carriage inwards	1,450	Returns outwards	2,520
Carriage outwards	1,590	Sales	80,410
Bad debts	1,310	Capital	40,000
Office expenses	5,100		
Purchases	67,350		
Return inwards	1,590		
Furniture and Fixtures	1,500		
Stock	14,360		
Insurance	3,300		
Depreciation on property	1,200		
Freehold property	10,800		
	<u>1,28,180</u>		<u>1,28,180</u>

Adjustments:

- Make provision for doubtful debts at 5%.
 - Calculate discount on creditors @2%.
 - Office expenses include stationery purchased Rs.800.
 - Carriage inwards includes carriage paid on purchase of furniture Rs.50.
 - Outstanding salaries Rs.150.
 - Prepaid insurance Rs.300.
 - Stock on hand Rs.10,700 (including stationery stock Rs.200).
18. (a) Explain the difference between capital reserve and revenue reserve.

Or

- (b) On 01.01.2012 machinery was purchased for Rs.80,000. On 01.07.2014 the machinery was replaced by new machinery costing Rs.60,000 the vendor taking the old machine in part exchange at a valuation of Rs.16,000. Show the machinery account upto 31.12.2014 assuming that the business charges depreciation @ 10% on the diminishing value of the machinery and the machinery employed at the end of each year.



19. (a) Distinguish between Receipts and Payments Account and Income and Expenditure Account.

Or

- (b) From the following Receipts and Payments Account of the City Club, Chennai for the year ended 31st March, 2014, prepare Income and Expenditure Account.

Receipts and Payments Account for the year ended 31.03.2014.

	Rs.		Rs
To Balance 01.04.2013	3,485	By Book	6,150
To Entrance fees	650	By Printing and Stationery	465
To Donations	6,000	By Newspapers	1,110
To Subscriptions	6,865	By Sports materials	5,000
To Interest on Investments	1,900	By Repairs	650
To Sale of furniture	685	By Investments	2,000
To Sale of old newspapers	465	By Furniture	1,000
To Proceeds from entertainments	865	By Salary	1,500
To Sundry receipts	125	By Balance on 31.03.2014	3,165
	<u>21,040</u>		<u>21,040</u>

The entrance fees and donations are to be capitalized; sports material are valued at Rs.4,000 as on 31.03.2014.

20. (a) Discuss the points of distinction between a statement of affairs and a balance sheet.

Or

- (b) Mr.S.Rangan has, kept his books under single entry system. His position as on 31.03.2013 and 31.03.2014 was as follows:

Particulars	31.03.2013	31.03.2014
	Rs.	Rs.
Cash in hand	1,000	1,500
Cash at bank	15,000	10,000
Stock	1,00,000	70,000
Debtors	42,500	85,000
Furniture	10,000	10,000
Machinery	75,000	75,000
Creditors	1,25,000	1,45,000

