



**Institute of Management
JK Lakshmipat University
Jaipur**

END TERM EXAMINATION 2017

Programme: BBA & B.Com (H) Sem: I
MM: 50 Marks

Sub.: Financial Accounting
Time: 3 Hours
Subject code: AC04

Instructions: Attempt any three questions from Section A. Section B is compulsory.

Section A

Q1. On 1st April, 2014, Z Ltd. purchased a plant for Rs. 500000. On 1st October, 2014, additional plant costing Rs. 200000 was purchased. On 1st October, 2015, the plant purchased on 1st April, 2014, having become obsolete was sold off for Rs. 265000. On 1st July, 2016, new plant was purchased for Rs. 800000 and on the same date plant purchased on the same date plant purchased on 1st October, 2014, was sold for Rs. 170000. Depreciation is charged at 10% p.a. on original cost every year and accounts are closed every year on 31st March. You are required to prepare Plant Account, Depreciation Account and Provision for Depreciation Account for three years. (10 marks)

Q2. Post the following transactions of N.D. Enterprises into ledger:

Date	Transactions
April, 2017	
01	Cash in hand Rs. 170500 and Bank Balance Rs. 85000
02	Paid Rent for the month Rs. 25000 by cheque
10	Deposited cash into bank Rs. 30000
11	Sold goods and received cheque Rs. 190000
15	Purchased goods and furniture and issued cheque of Rs. 51350 and Rs. 29500 respectively
18	Received cheque from Manav Rs. 33500 and allowed discount Rs. 500
19	Paid to Deepak by cheque Rs. 19400 and he allowed discount Rs. 600
24	Received commission in cash Rs. 1700
30	Withdrew cash from bank Rs. 32000

(10 marks)

Q3. "The Income statement and Balance sheet are the financial statements which companies must publish every year. This is viewed as a summary of the firm's financial position." Explain the classification of these financial statements in the above stated context. (10 marks)

Q4. "Accounting concepts are the basic assumptions on which science of accounting is based." Discuss. (10 marks)

Q5. (a) From the following Receipts and Payments Account, prepare the Income and Expenditure account for 2016:

Receipts	Rs.	Payments	Rs.
To balance as on 1 st Jan. 2016:		By salaries	3500
Cash	550		
Bank	2800		
To subscriptions including Rs. 200 for 2015 and Rs. 150 for 2017	3900	By rent	1200
To investments	600	By printing and stationery	190
To sale of furniture	40	By postage	130
To sale of old newspapers	40	By steel almirahs	350
To entrance fees	100	By defence bonds	1000

To life membership fees	1000	By balance as on 31 st Dec.2016:	
		Cash	970
		Bank	2500
	9840		9840

(b) Show the effect of following transactions on the accounting equation:

- Started business with cash Rs.10000
- Paid rent in advance Rs.3000
- Purchased goods for cash Rs.50000 and credit Rs.20000
- Bought Motor Cycle for personal use Rs.30000

(6+4 marks)

Section B

Q6. (a) The following balances are given for ABC Ltd.:

Debit Balances	Amount (in Rs.)	Credit Balances	Amount (in Rs.)
Purchases (Adjusted by Stock Account)	193500	Sales	300000
Wages	23250	Sales Tax Collected	24500
Carriage on purchases	18000	Interest on investment	700
Prepaid insurance on 1 st April 2016	625	Provision for Doubtful Debts	2500
Bad Debts	600	Cash Discount	4500
Rent and Insurance	7750	Capital	71175
Salary	13500	Creditors	18750
Debtors	37500	Outstanding wages on 31 st March 2017	900
Stock on 31 st March 2017	20500		
Investment	10000		
Cash	14500		
Accrued interest on 31 st March 2017	800		
Furniture	10500		
Plant of Factory	50000		
Income Tax	22000		
	423025		423025

Prepare final accounts for the year ended 31st March, 2017 with the help of following Information:

- On 1st October 2016, plant worth Rs. 10000 was purchased on credit but no entry has been passed.
- Outstanding Rent Rs.500 and Salary Rs.600.
- Prepaid Insurance Rs.250 and Wages Rs.400.
- Goods worth Rs.2750 were taken for personal use by the owner but no entry has been made.
- Write off depreciation on Plant and Furniture at 10% p.a.
- Write off Rs.500 from debtors as bad debts and create provision for doubtful debts at 5% and 2% provision for discount on debtors.

(b) Give your view on the following:

- A & Co., while launching its new product "ZOOM" toothpaste, incurred expenditure of Rs.1 million on advertisement. The MD of the company proposes that the expenditure be shown as an asset on the balance sheet, with which the accountant disagrees. Who is right?
- Charlie Ltd. purchased a luxury car, for the use by its chief executive. The car met an accident while driving to the factory immediately after taking delivery from the showroom. The car had no insurance cover that time. The firm incurred 0.3 million to repair the car. Should the expenditure be capitalized?
- "In order to strengthen the financial position of the business and with a view to meet all eventualities, some portion of the profit should be kept in the business for known and unknown liabilities in a future." Discuss.

(12+2+2+4 marks)