

ST. JOSEPH'S COLLEGE (AUTONOMOUS) BENGALURU-27
MID SEMESTER EXAMINATION- AUGUST 2019
B.COM (ACCA)- I SEMESTER
IFA 1119 : FINANCIAL ACCOUNTING

13.08.2019

TIME: 1 Hour

MAX. MARKS: 30 Marks

SECTION A

Answer any FIVE of the following questions. Each question carries two marks. (5x2=10)

1. Which of the following statements best defines a statement of financial position?
A It is a summary of income and expenditure for an accounting period
B It is a summary of cash receipts and payments made during an accounting period
C It is a summary of assets, liabilities and equity at a specified date
D It is a summary of assets and expenses at a specified date
2. Which one of the following user groups is likely to require the most detailed financial information?
A The management
B Investors and potential investors
C Government agencies
D Employees
3. Which of the following items is the IFRS Advisory Council is responsible for?
(1) To give advice to the IASB or to the trustees.
(2) To give advice to the IASB on agenda decisions.
A (1) and (2)
B (1) only
C (2) only
D Neither (1) nor (2)
4. Which ONE of the following statements is correct?
A The going concern concept guarantees that a business will continue in operational existence for at least twelve months after the reporting date.
B To comply with the law, the legal form of a transaction must always be reflected in financial statements.
C If a non-current asset initially recognised at cost is revalued, the surplus must be credited in the statement of cash flows.
D In times of rising prices, the use of historical cost accounting tends to understate assets and overstate profits.
5. Which of the following statements best explains the principle of faithful representation in relation to the preparation of the annual financial statements?
A Transactions are presented any way that is considered appropriate.
B Transactions are presented in such a way as to maximise profit for the year.
C Transactions are presented in such a way to maximise asset values in the statement of financial position.
D Transactions are presented to reflect their commercial substance of a transaction rather than their legal form.
6. Which of the following statements defines the business entity concept?
A The business will continue to operate for the foreseeable future.
B A business is always a separate legal entity, distinct from those who own or manage that business.

C A business is never a separate legal entity from those who own or manage that business.

D Financial transactions are recorded and presented from the perspective of the business, rather than from the perspective of the owners or managers of that business.

7. Oscar runs a sole trader business selling computers. On 12 January 20X7, he employed his daughter as an administrator for the business and took a computer from the store room for her to use in the office.

What is the double entry for this transaction?

- A Dr Drawings Cr Cost of sales
- B Dr Non-current assets Cr Cost of sales
- C Dr Cost of sales Cr Drawings
- D Dr Cost of sales Cr Non-current assets

SECTION B

Answer any TWO of the following questions. Each question carries five marks. (2x5=10)

8. Illustrate a specimen of statement of financial position.

9. The transactions of a new business in its first five days are as follows:

Day 1 Avon commenced business introducing \$1,000 cash.

Day 2 Bought a motor car for \$400 cash.

Day 3 Obtained a \$1,000 loan.

Day 4 Purchased goods for \$300 cash.

Day 5 Sold all of the goods purchased on day 4 for \$400 on credit.

Use the accounting equation to illustrate the position of the business at the end of each day.

10. Briefly describe the role of corporate governance.

SECTION C

Answer the following compulsory question. The question carries ten marks. (1x10=10)

11. Mr Kipper-Ling runs a business providing equipment for bakeries. He always makes a note of sales and purchases on credit and associated returns, but he is not sure how the transactions should be recorded for the purposes of his accounts.

Write up the following credit transactions arising in the first two weeks of August 20X6 into the relevant day books.

1 August Mrs Bakewell purchases cake tins at a cost of \$500.

1 August Mr Kipper-Ling purchases equipment at a cost of \$2,000 from wholesalers TinPot Ltd.

2 August Mr Kipper-Ling returns goods costing \$150 to another supplier, I Cook.

3 August Jack Flap buys equipment which cost \$1,200.

3 August Mrs Bakewell returns \$100 of the goods supplied to her.

4 August Victoria Sand-Witch buys a new oven for \$4,000.

5 August Mr Kipper-Ling purchases baking trays for \$500 from regular supplier TinTin Ltd.

8 August Mr Kipper-Ling purchases ovens costing \$10,000 from Hot Stuff Ltd.

8 August Mr Kipper-Ling returns equipment costing \$300 to TinPot Ltd.

9 August Pavel Ova purchases goods costing \$2,200.

11 August Mrs Bakewell buys some oven-proof dishes costing \$600.