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**ST. JOSEPH'S COLLEGE (AUTONOMOUS), BANGALORE-27**

**B.Com - I SEMESTER**

**SEMESTER EXAMINATION: JANUARY 2021**

**BCIFA1119 – FINANCIAL ACCOUNTING**

**Time- 2 1/2 hrs**

**Max Marks-70**

**This paper contains 4 printed pages and four parts**

**SECTION A**

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

1. Why Statement of Profit and Loss is prepared?
2. What is meant by business entity concept?
3. What is purchase order?
4. Give the meaning of amortisation
5. What is Contingent Assets? Give an example.
6. Compute Quick ratio from the following information  
Cash \$10,000  
Stock \$15,000  
Receivables \$ 5,000  
Short-term loan \$15,000  
Mortgage loan \$ 5,000

**SECTION B**

**Answer any THREE of the following questions. Each question carries five marks. (3x5=15)**

7. Explain the following with example: 1) Amortization 2) Depreciation 3) Intangible assets 4) Receivables 5) Tangible assets
8. Explain the various users of financial Statement.
9. Lawrence has extracted the following balances from his accounting records:

Particular	Amount in \$
Property, plant and equipment	209,000
Inventory	4,600
Payables	6,300
Receivables	5,900
Bank overdraft	790
Loan	50,000
Capital	100,000
Drawings	23,000
Sales	330,000
Purchases	168,200
Sales returns	7,000
Discounts received	?
Sundry expenses	73,890

He has forgotten to extract the balance on the discounts received account. When this is included, the totals of the trial balance will agree. What was the balance on the discounts received account?

10. Polar purchases and sells inventory during the month of August as follows:

		No. of units	\$
Opening inventory		100	2.52/unit
4-Aug	Sales	20	
8-Aug	Purchases	140	2.56/unit
10-Aug	Sales	90	
18-Aug	Purchases	200	2.78/unit
20-Aug	Sales	180	

Compute the closing inventory using FIFO and Periodic weighted Average method.

### SECTION C

Answer any TWO of the following questions. Each question carries fifteen marks. (2x15=30)

11. (i) Explain the various types of business documentation and sources of data for an accounting system with their content and purpose. (10 Marks)

(ii) Under which heading the following item appears in balance sheet.

- a) Land and building b) Machine c) Payables d) Loan repayable in a year e) Cash  
 f) Inventory g) Bank overdraft h) Taxation i) Share premium j) Retained earnings  
 (5 Marks)

12. (a) For each of the following individual transactions state the two ledger accounts affected, and whether the ledger account should be debited or credited: (6 Marks)

- (i) Ole purchases goods for \$5,000, and pays by cheque.  
 (ii) Ole makes a sale to a customer for \$500. The customer pays in 30 days' time.  
 (iii) Ole pays a telephone bill amounting to \$40, and pays by cheque.  
 (iv) Ole receives bank interest income of \$150.  
 (v) Ole purchases stationery for \$12 and pays cash.  
 (vi) Ole makes a sale to a customer for \$400. The customer pays cash.

(b) Matthew set up a company and in the first nine days of trading the following transactions occurred. (9 Marks)

- (i) January Matthew subscribes for \$10,000 of share capital in the newly formed company, paying by cheque.  
 (ii) January Matthew buys supplies worth \$4,000 and pays by cheque.  
 (iii) January Matthew buys a delivery van for \$2,000 and pays by cheque.

- (iv) January Matthew buys \$1,000 of purchases on credit.
- (v) January Matthew sells goods for \$1,500 and receives a cheque of that amount.
- (vi) January Matthew sells all his remaining goods for \$5,000 on credit.
- (vii) January Matthew pays \$800 to his supplier by cheque.
- (viii) January Matthew pays rent of \$200 by cheque.

Complete the relevant ledger accounts.

13. The trial balance of Crown Co as at 31 December 2015 was as follows:

	Dr (\$)	Cr (\$)
Ordinary share capital		100,000
Sales and purchases	266,800	365,200
Inventory at 1 January 2015	23,340	
Returns	1,200	1,600
Wages	46,160	
Rent	13,000	
Motor expenses	3,720	
Insurance	760	
Irrecoverable debts	984	
Allowance for receivables 1 Jan 2015		588
Sundry income		1,622
Light and heat	3,074	
Bank overdraft interest	74	
Motor vehicles at cost	24,000	
- accumulated depreciation 1 Jan 2015		12,240
Fixtures and fittings at cost	28,000	
- accumulated depreciation 1 Jan 2015		16,800
Land	100,000	
Receivables and payables	17,330	23,004
Bank	3,312	
Income tax under provision	100	
Buildings at cost	100,000	
- aggregate depreciation: 1 Jan 2015		6,000
Retained earnings at 1 Jan 2015		104,800
	<b>631,854</b>	<b>631,854</b>

You are given the following additional information:

1. Inventory at 31 December 2015 was \$25,680.
2. Rent was prepaid by \$1,000 and light and heat owed was \$460 at 31 December 2015.
3. Land is to be revalued to \$250,000 at 31 December 2015.
4. Following a final review of the receivables at 31 December 2015, Crown Co. decided to write off another debt of \$130. The entity also adjusted the allowance for receivables to \$516 at 31 December 2015.
5. Crown Co estimated that the income tax charge on profit for the year was \$7,300.
6. Depreciation is to be provided as follows:

- a. Building – 2% annually, straight-line
- b. Fixtures & fittings – straight line method, assuming a useful economic life of five years with no residual value
- c. Motor vehicles – 30% annually on a reducing balance basis.

A full year's depreciation is charged in the year of acquisition and none in the year of disposal.

Prepare a statement of profit or loss and other comprehensive income for the year ended 31 December 2015 and a statement of financial position as at that date for Crown Co.

#### SECTION D

**Answer the following compulsory question. Below question carries fifteen marks.  
(1x15=15)**

14. (a) A bank reconciliation statement for Dallas at 30 June 2015 is being prepared. The following information is available: ( 7 Marks)

- (i) Bank charges of \$2,340 have not been entered in the cash book.
- (ii) The bank statement shows a balance of \$200 Dr.
- (iii) Unpresented cheques amount to \$1,250.
- (iv) A direct debit of \$250 has not been recorded in the ledger accounts.
- (v) A bank error has resulted in a cheque for \$97 being debited to Dallas' account instead of Dynasty's account.
- (vi) Cheques received but not yet banked amounted to \$890.

What should the final cash book balance be when all the above items have been properly accounted for?

- (b) A trial balance shows a total of debits of \$347,800 and a total of credits of \$362,350. (8 Marks)

- (i) A credit sale of \$3,670 was incorrectly entered in the sales day book as \$3,760.
- (ii) A non-current asset with a carrying amount of \$7,890 was disposed of for \$9,000. The only accounting entry was to debit cash.
- (iii) The allowance for receivables was increased from \$8,900 to \$10,200. The allowance account was debited in error.

Pass necessary journal entries and Suspense ledger account.

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