



58 (1) FIAC 1-2

FINANCIAL ACCOUNTING

Paper : 1-2

Full Marks : 60

Time : 3 hours

The figures in the margin indicate full marks for the questions

1. Answer as directed : 1×5=5
- (a) Examine the correctness of the following statement :
"Anticipated income and expenses should not be accounted in the books of account."
- (b) Write the objective of income measurement.
- (c) Select the incorrect statement from the following :
- (i) Accounting is a service function.
 - (ii) Accounting involves only the recording of business transactions.
 - (iii) Accounting is as old as money itself.
 - (iv) Accounting is an information system having inputs processing methods and output.

- (d) Define capital expenditure.
 (e) Mention the accounting treatment of 'donation received for building' in the books of Gauhati University.

2. Answer the following questions :

- (a) Mention four limitations of Financial Accounting.
 (b) A furniture dealer purchased 50 chairs @ Rs 850 per chair. At the end of the financial year, there were 5 chairs which remained unsold. The market price of these chairs on that date (end of financial year) was Rs 1,050 per chair. Calculate the value of closing stock of chairs mentioning the accounting principle.
 (c) Mention the accounting principle followed in recording the following transactions. Also mention the accounting treatment for the same :
 (i) 5% depreciation provided on fixed assets of Rs 2,00,000
 (ii) Goods of Rs 10,000 sold to Mr. Ratan on credit on 28.03.2011. He was declared insolvent on 10.04.2011 and could not pay his dues. Accounting year ends on 31st March in each year.

- (d) What are the fundamental accounting assumptions identified by the ICAI?
 (e) 'Accounting period concept' and 'doctrine of continuity' are contradictory to each other. Explain in about 50 words.

3. Explain the qualitative features of accounting information. 5

Or

Write the meaning of Accounting Information. What are its sources? What is Accounting Process? 1+2+2

4. Briefly describe the features of Accounting Standards 6 or Accounting Standards 1. 5
 5. What is meant by Revenue Recognition? Mention the salient features of Accounting Standards 9. 5
 6. Prepare Debtors' Ledger Account and Creditors' Ledger Account from the following information supplied by M/s Bholaram for the year 2010-11 : 10

	Rs
Balances (on 01.04.2010)	
Debtors	40,000
Creditors	20,000
Summary of transactions during 2010-11	
Total Purchases	60,000
Total Sales	1,20,000
Cash Sales	25,000

(4)

Cash Purchases
Paid to Creditors
Discount Allowed by them
Bad Debts written off
Bad Debts written off in the
year 2009-10, now recovered
Discount Allowed to Debtors
Cash received from Debtors
Provision for Bad Debts
Goods returned to Suppliers
Goods returned by Customers
Bills Receivable received
Bills Payable accepted
Bills Receivable dishonoured

7. What is Inventory? Explain the significance of inventory valuation. Mention the salient features of Accounting Standards 2.

Or

Clearly elaborate the meaning of LIFO and FIFO methods of inventory valuation. Calculate the value of Closing Stock from the following information using FIFO and LIFO methods on 30.04.2011 :

Opening Stock : 500 units @ Rs 10 per unit
(on 01.04.2011)

Purchases :

10.04.2011 : 800 units @ Rs 12 per unit
20.04.2011 : 1000 units @ Rs 13 per unit
25.04.2011 : 600 units @ Rs 15 per unit
30.04.2011 : 1000 units @ Rs 14 per unit

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(Continued)

(5)

Issues :

06.04.2011 : 300 units
13.04.2011 : 500 units
23.04.2011 : 1200 units
27.04.2011 : 800 units

8. Prepare a Trading and Profit & Loss Account for the period ended on 31.03.2011 and a Balance Sheet as on that date from the following balances taken from the books of M/s Pimpim :

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	Rs
Capital (on 01.04.2010)	90,000
Salary Payable	4,000
Bank of Baroda Loan Account	15,000
Suppliers' Account	21,000
Interest Payable	3,000
Interest Expenses	8,000
Sales	5,00,000
Miscellaneous Income	7,000
Furniture	18,000
Office Equipments	20,000
Purchases	3,00,000
Stationery and Printing	10,000
Miscellaneous Office Expenses	11,000
Debtors	35,000
Creditors for Purchases	40,000
Rent Account	20,000
Advance Rent	4,000
Opening Stock	35,000
Drawings	75,000
Cash in hand	12,000
Bank of Baroda Current Account	32,000
Investment in Shares	1,00,000

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(Turn Over)

Additional information to be considered :

- (i) Value of Closing Stock at cost Rs 40,000
(market price Rs 60,000)
- (ii) Make provisions for the following :
- (a) Depreciation on Furniture @ 10 p.c.
and Office Equipment @ 20 p.c.
- (b) Provision for Doubtful Debts on
Debtors @ 5 p.c.
- (iii) A Bill of Rs 1,500 for stationery items
not yet paid
- M/s Pimpim operates its business from a
rented building.

Or

Commerce Forum of Gauhati University has
supplied the following information :

Balances (on 01.07.2010)	Rs
Cash at Bank	25,000
Furniture	5,000
Subscription Outstanding	3,000
Honorarium Payable	2,000
Cash transactions during 2010-11	
Subscription received :	
For 2009-10	3,000
For 2010-11	40,000
For 2011-12	2,000

	Rs
Honorarium Paid	6,000
Donation received from Teachers	5,000
Expenses on Freshmen Social	8,000
Puja Expenses	3,000
Donation given to flood victims	4,000
Printing of Journal	17,000
Furniture Purchased	5,000
Grant received from University for Journal	10,000

There are 210 members of the Forum and the
annual rate of subscription is Rs 200 per
student. Honorarium of Rs 1,000 is payable
on 30.06.2011. Provide Rs 1,000 for
depreciation on Furniture.

You are required to prepare Income and
Expenditure Account for the year ended on
30.06.2011 and a Balance Sheet as on that
date.
