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47 (2) FIAC 2·4

2014

FINANCIAL ACCOUNTING

Paper : 2·4

Full Marks : 80

Time : Three hours

The figures in the margin indicate full marks for the questions

1. Fill in the blanks with appropriate words : 1×5=5
 - (a) Income and Expenditure Account records —
——— year items only.
 - (b) ——— is the process of transferring
entries from Journal to Ledger.
 - (c) Goods distributed as charity should be
recorded in ———.
 - (d) Bank overdraft as per bank statement shows
——— balance.

Contd.

(e) If an amount of ₹ 200 spent on payment wages for installation of a machine wrongly debited to Machinery Account it is an error of _____.

2. Answer the following : (very briefly) 1=1

- (a) What are books of original entry ?
- (b) What is trade-discount ?
- (c) What is contra-entry ?
- (d) Give an example of error of commission
- (e) What is suspense account ?

3. Answer the following : (maximum fifty words) 2×5=10

- (a) What is non-fund based accounting ?
- (b) What is contingent liability ? Give one example. 1+1=2
- (c) Mention any two features of a Balance-Sheet.
- (d) Mention any two sources of accounting information.
- (e) Mention any two differences between capital expenditure and revenue expenditure.

Answer / Solve the following : (any four) 5×4=20

(a) Explain briefly the steps involved in the process of book-keeping.

(b) State the rules of debit and credit for different types of accounts under American approach.

(c) Briefly explain the structure of GAAP.

(d) What is a corporate annual report ? Mention any six contents of the report. 2+3=5

(e) From the following particulars prepare a Bank Reconciliation statement in the books of Mr. Modi as on 31st December, 2013 :

- (i) Balance (Overdraft) as per Pass Book on 31st December, 2013 is ₹ 1,00,000.
- (ii) Cheques deposited valued ₹ 1,70,000, of which cheques aggregating ₹ 70,000 were credited in December, 2013, cheques aggregating ₹ 50,000 were credited in January, 2014 and the rest in February.

(iii) Cheque deposited into bank for 10,000 but omitted to be recorded in Cash Book.

(iv) Bank has charged ₹ 300 as commission and has allowed interest of ₹ 100.

(f) From the following particulars of Jaitel Brothers you are required to prepare Purchase Day Book for the month of May 2014 :

2014

May

10th Purchased from Joshi Traders

100 books of ₹ 20 each

50 registers of ₹ 80 each

less : Trade discount @ 5%

14th Purchased from Irani Stationeries

80 Pencil boxes @ ₹ 40 each

100 erasers @ ₹ 5 each

18th Purchased from Swaraj and Associates 100 marker pen at ₹ 20 each for cash, less cash discount 2%.

30th Purchased on credit from Advani Furnitures, one table for official use worth ₹ 5000.

(g) Pass necessary rectification entries for the following errors in the books of Advani Stores :

(i) ₹ 20,000 paid as salary was posted as ₹ 2,000 to salary account.

(ii) Cash received from Hena was wrongly credited to Heena Account ₹ 1,000.

(iii) ₹ 15,000 paid for rent wrongly debited to Landlord Account.

(iv) ₹ 20,000 paid for proprietor's medical expenses were debited to business expenses account.

(v) Cheque of ₹ 1,000 issued to Ramesh was credited to Ramesh account.

N:B: Errors were detected after preparation of Trial Balance

5. Answer / Solve the following : (any five)

(a) What is rectification of errors ? Mention any five types of errors that are not disclosed by a Trial Balance.

(b) 'Is Cash Book a journal or a ledger ? Explain. Also, state any four causes of differences between bank balance as per Cash Book and Pass Book.

(c) Write short notes on :

(i) Dual Aspect Concept

(ii) Going Concern Concept

(d) What is financial accounting ? State any four objectives of financial accounting. Is it different from book-keeping ? How ?

(e) (i) What is a Trial Balance ?

(ii) From the following balances of Sonowal Traders prepare a Trial Balance as on 31.03.14 :

Opening Stock :	₹ 40,000
Purchases	₹ 60,000
Sales	₹ 1,00,000
Rent	₹ 12,000
Salaries	₹ 24,000
Wages	₹ 4,000
Bad-debts	₹ 3,000
Sundry Debtors	₹ 10,000
Drawings	₹ 5,000
Sundry Creditors	₹ 5,000
Bank Loan	₹ 20,000
Advertisement	₹ 12,000
Capital Account	₹ 70,000
Provision for bad-debts...	₹ 1,000
Plant & Machinery	₹ 25,000
Prepaid Insurance	₹ 3,000
Outstanding expenses	₹ 1,000

2+6=8

(f) Kamrup Charitable Society had a cash balance of ₹ 1,00,000 and a bank balance of ₹ 60,000 as on 1st of April, 2013. From the following particulars prepare a Receipts and Payments Account for the year ending 31st of March, 2014 :

Rent received from Auditorium	₹ 15,000
Entrance fees received	₹ 55,000
Donations for new building	₹ 2,00,000
<u>Subscriptions from members</u>	
for 2012-13	₹ 10,000
for 2013-14	₹ 1,40,000
for 2014-15	₹ 6,000
Receipts from sale of newspapers	₹ 500
Honorarium to coaches	₹ 10,000
Wages to Labour	₹ 2,000
Repairs to building	₹ 1,000
Ground rent, Municipal Tax	₹ 3,000
Salary paid to staff	₹ 10,000
Cash in hand as on 31.3.14	₹ 1,54,000
Construction of building	₹ 50,000

(g) From the following transactions prepare a double column Cash Book with cash and bank columns only in the books of M/s Mahajan Enterprises :

January

1. Cash in hand ₹ 20,000
Cash at bank ₹ 60,000
2. Issued a cheque of ₹ 5,000 to the petty cashier.
3. Received a cheque of ₹ 10,000 and cash ₹ 5,000 from Gadkari and the amounts were deposited into bank
14. Issued a cheque worth ₹ 5,000 to Uma as advance against order of furniture.
18. Withdrew ₹ 2000 in cash and ₹ 5,000 by cheque for personal expenses.
20. Received ₹ 6,000 from Kejriwal by a cheque
22. Cash sales of ₹ 20,000 out of which ₹ 10,000 was banked.
25. Goods sold to Hari ₹ 50,000 and the amount was received from him on the 28th of this month.

27. Paid Bedi ₹ 10,000 for goods bought on 10th January.

(h) From the following Trial Balance of Vajpayee prepare a Trading and Profit and Loss Account for the year ended 31st March, 2014 and a Balance Sheet as on that date :

Trial Balance			
Debit	₹	Credit	₹
Building	1,80,000	Purchase Return	14,000
Opening Stock	84,000	Provision for bad debt.	4,000
Salaries	1,24,000	Sales	6,62,750
Rent	35,000	Interest received	4,000
Furniture	49,500	Creditors	42,000
Wages	64,000	Outstanding	
Purchases	3,80,000	Wages	9,000
Octroi duty	8,750	Capital	4,50,000
Bad debt.	6,000	Bills Payable	20,000
Advertisement	20,000		
Drawings	30,000		
Sundry Debtors	1,50,000		
Bills Receivable	60,000		
Carriage Inward	14,500		
Total	₹ 12,05,750	Total	₹ 12,05,750

Adjustments :

- (i) Closing Stock ₹ 97,500
- (ii) Salaries Prepaid ₹ 4,000
- (iii) Make a provision for bad debt for ₹ 5,000