

16U238A

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Name.....

Reg. No.....

**SECOND SEMESTER B.Com DEGREE EXAMINATION, MAY 2017**

(CUCBCSS – UG)

(Core Course: Commerce)

**CC16U BC2 B02 – FINANCIAL ACCOUNTING**

(2016 Admissions Regular)

Time: Three Hours

Maximum: 80 Marks

**Part A**

*Answer all questions. Each question carries 1 mark.*

**I. Choose the correct answer from the following**

1. Heavy advertising to launch a new product is a:  
(a) Capital Expenditure (c) Revenue Expenditure  
(b) Deferred Revenue Expenditure (d) None of the above
2. Depreciation is a process of :  
(a) Valuation (c) Allocation  
(b) Both valuation and allocation (d) None of these
3. IFRS 11 meant for:  
(a) Financial instruments (c) Joint arrangement  
(b) Insurance contract (d) Fair value measurement
4. Sales are equal to  
(a) Cost of goods sold + Net profit (c) Gross profit – Cost of goods sold  
(b) Cost of goods sold + Gross profit (d) Purchases + Gross profit
5. If a share of Rs.10 issued at a premium of Rs.2, on which the full amount has been called and Rs.8 (including premium) paid is forfeited, the Capital Account should be debited with  
(a) Rs.12 (b) Rs.10 (c) Rs.8 (d) Rs.6

**II. Fill in the Blanks:**

6. .... refers to the systematic write off of cost of an intangible asset over the period of its economic usefulness.
7. A ..... is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net asset of the arrangement.
8. Balance sheet is a ..... statement.
9. Medicines given to the office staff by a manufacturer of medicine will be debited to ..... account.
10. Indian Accounting Standard Board established on ..... (10x1=10 marks)

**Part B**

*Answer any eight questions. Each carries 2 marks.*

11. What you mean by Non- operating expenses?
12. What do you understand by single entry?

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**Turn Over**

13. Define debenture
14. What do you mean by contingent liability? Support your answer with one example.
15. What you mean by wasting asset?
16. What you mean by structured entity?
17. What is Regulatory Deferral Accounts?
18. What is the difference between equity shares and preference shares?
19. Ascertain credit purchases from the following:  
Creditors on opening date Rs.7,200; Cash paid to creditors during the year Rs.36,500; Cheques paid during the year Rs.24,000; Discount allowed by creditors Rs.2,500; Bills accepted during the year Rs.12,500; Goods returned to creditors Rs.3,200; Creditors on closing date Rs.8,600.
20. Pass necessary adjustment entries to the following
  - (a) Outstanding expenses Rs.1,300
  - (b) Income Rs.10,000 earned but not received

(8x2=16 marks)

### Part C

*Answer any six questions. Each carries 4 marks.*

21. Briefly explain the challenges to be faced on the way of IFRS convergence.
22. "Ending inventory should be valued at cost or market price, whichever is lower." Elaborate this statement.
23. Explain the terms: Provision, Reserve and Reserve fund.
24. What are the differences between Reserve Capital and Capital Reserve?
25. ABC Ltd. gave 60,000 equity shares of Rs.10 each (fully paid up) in consideration for supply of certain machinery by X & Co. The shares exchanged for machinery are quoted on Bombay Stock Exchange at Rs.15 per share, at the time of transaction. In the absence of fair market value of the machinery acquired, how the value of machinery would be recorded in the books of the company.
26. The following information was taken from an income statement: Opening stock Rs.40,000; Sales Rs.2,00,000; Freight inwards Rs.10,000; Gross profit on sales Rs.60,000; Purchases Rs.90,000; Purchases returns Rs. 9,000. Calculate
  - (a) Cost of goods sold and
  - (b) Closing stock
27. On July 1, 2013 Granites Ltd. purchased second hand machine for Rs.40,000 and reconditioned the same by spending Rs.6,000. On January 1, 2014 a new machine was purchased for Rs.24,000. On June 30, 2015 the machine purchased on January 1, 2014 was sold for Rs.16,000 and another machine was installed at a cost of Rs.30,000  
The company writes off 10% on original cost every year on March 31. Show the machinery Account update.

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28. Mr. X keeps his books under single entry system. His assets and liabilities were as under

	31 <sup>st</sup> Dec. 2015	31 <sup>st</sup> Dec. 2016
Cash	200	125
Sundry Debtors	1,900	2,300
Stock	2,000	1,750
Furniture	3,250	4,250
Sundry Creditors	800	690
Bills Payable	NIL	300

During the year he introduced Rs.10,000 as additional capital. He withdrew Rs.150 every month for his domestic purpose. Calculate his profit.

(6x4=24 marks)

**Part D**

Answer any two questions. Each question carries 15 marks

29. What do you mean by financial statement? Explain nature and attributes of financial statement.  
30. The following are the balances of Goods India Co. Ltd. as on 31<sup>st</sup> March 2016:

Debit	Rs.	Credit	Rs.
Premises	30,72,000	Share capital	40,00,000
Plant	33,00,000	12% Debentures	30,00,000
Stock	7,50,000	P&L A/c	2,62,500
Debtors	8,70,000	Bills Payable	3,70,000
Goodwill	2,50,000	Creditors	4,00,000
Cash and bank	4,06,500	Sales	41,50,000
Calls in arrear	75,000	General reserve	2,50,000
Interim Dividend paid	3,92,500	Bad Debt. Provision	35,000
Purchases	18,50,000		
Preliminary Expenses	50,000		
Wages	9,79,800		
General Expenses	68,350		
Salaries	2,02,250		
Bad debts	21,100		
Debentures Interest paid	1,80,000		
<b>Total</b>	<b>1,24,67,500</b>	<b>Total</b>	<b>1,24,67,500</b>

Information:

- Depreciate plant by 15%
- Write off Rs.5,000 from preliminary expenses
- Half-year's debenture interest due
- Credit 5% provision on debtors for doubtful debts
- Provide for Income Tax @50%
- Stock on 31<sup>st</sup> March, 2016 was Rs.9,50,000
- A claim of Rs.25,000 for workmen's compensation is being disputed by the company.

Prepare Final Accounts of the company.

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Turn Over

31. VXL Ltd. issued a prospectus inviting applications for 20,000 shares of Rs.10 each at a premium of Rs.2 per share payable as under:

On application	Rs.2
On allotment	Rs.5 (including premium)
On first call	Rs.3 and
On second and final call	Rs.2

Applications were received for 30,000 shares and pro-rata allotment was made to the applications for 24,000 shares. Excess money paid on applications was utilized towards allotment money.

Mohan to whom 400 shares were allotted, failed to pay the allotment money. On his subsequent failure to pay the first call, his shares were forfeited.

Suresh, the holder of 600 shares, failed to pay the two calls, and his shares were forfeited after the second call. Of the shares forfeited, 800 shares were sold to Ramesh credited as fully paid for Rs.9 per share, the whole of Mohan's shares being included. Pass necessary journal entries in the books of VXL Ltd.

(2x15= 30 marks)

Debit	Rs.	Credit	Rs.
Share Capital	30,00,000	Share Capital	30,00,000
Share Premium	4,80,000	Share Premium	4,80,000
Stock	7,20,000	Stock	7,20,000
Debtors	8,70,000	Bills Payable	2,70,000
Goodwill	2,50,000	Creditors	4,00,000
Cash and Bank	4,00,000	Sales	11,30,000
General Reserve	2,80,000	General Reserve	2,80,000
Interim Dividend Paid	2,92,500	Bad Debt Provision	32,000
Purchases	18,20,000		
Preiminary Expenses	30,000		
Wages	9,70,000		
General Expenses	68,350		
Salaries	2,02,250		
Bad debts	21,100		
Dividendes Interest Paid	1,80,000		
Total	1,24,67,500	Total	1,24,67,500

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Turn Over