

FIRST SEMESTER UG DEGREE EXAMINATION, NOVEMBER 2024

(FYUGP)

CC24U COP1 MN103 - FUNDAMENTALS OF FINANCIAL ACCOUNTING

(B.Com. Professional - Minor Course)

(2024 Admission - Regular)

Time: 2.0 Hours

Maximum: 70 Marks

Credit: 4

Part A (Short answer questions)Answer *all* questions. Each question carries 3 marks.

1. Explain the branches of accounting. [Level:2] [CO1]
2. Describe the matching principle in financial accounting. [Level:2] [CO1]
3. How would a company report deferred revenue expenditures on its balance sheet? [Level:1] [CO2]
4. Define the process of accounting. [Level:1] [CO2]
5. Compare and contrast the role of the Sales Book and the Purchases Book. [Level:2] [CO3]
6. If a company pays off a loan, how would you record the debit and credit in the accounting system? [Level:2] [CO3]
7. Explain the importance of closing stock in valuation of gross profit. [Level:2] [CO4]
8. Why is it important for debits and credits to balance in a trial balance? [Level:1] [CO4]
9. Discuss the role of the International Accounting Standards. [Level:2] [CO1]
10. Can capital receipts be considered income? Justify your answer. [Level:1] [CO2]

(Ceiling: 24 Marks)**Part B** (Paragraph questions/Problem)Answer *all* questions. Each question carries 6 marks.

11. Prepare the Balance Sheet for the year ended 31st March 2023 from the following [Level:3] [CO4]
balances:
Cash in Hand: ₹ 20,000
Cash at Bank: ₹ 30,000
Sundry Debtors: ₹ 35,000
Inventory (Stock): ₹ 50,000
Land and Buildings: ₹ 2,00,000
Accumulated Depreciation on Buildings: ₹ 40,000
Trade Creditors: ₹ 45,000
Outstanding Expenses: ₹ 10,000
Long-Term Loan: ₹ 1,00,000
Capital: ₹ 1,50,000
Retained Earnings: ₹ 30,000

12. Prepare a Trading Account for the year ended 31st March 2023 from the following [Level:3] [CO4] balances:

Opening Stock	₹ 30,000
Purchases	₹ 150,000
Sales	₹ 250,000
Closing Stock	₹ 40,000
Carriage Inward	₹ 2,500
Carriage Outward	₹ 1,200
Wages	₹ 25,000
Rent and Taxes	₹ 8,000
Direct Materials	₹ 5,000
Returns Inwards	₹ 3,000
Returns Outwards	₹ 2,000
Freight Charges	₹ 2,000
Manufacturing Expenses	₹ 4,000
Factory Lighting	₹ 1,500
Miscellaneous Expenses	₹ 1,000
Other Direct Expenses	₹ 3,000

13. Compare and contrast the advantages and disadvantages of the traditional and modern [Level:4] [CO3] approaches to accounting in terms of accuracy, efficiency, and relevance to decision-making.
14. Orion Manufacturing relocated their factory to a larger facility to accommodate growing [Level:3] [CO2] operations. The following expenses were incurred during the relocation:
- (a) An amount of ₹ 52,000 was spent on dismantling, transporting, and reinstalling plant, machinery, and equipment.
 - (b) Transfer of inventory from the old facility to the new location cost ₹ 6,000.
 - (c) The factory's machinery, recorded in the books at ₹ 85,000, included an outdated machine with a book value of ₹ 20,000. This machine was sold for ₹5,000 and replaced by a new one costing ₹30,000.
 - (d) The transportation and installation of the new machine cost ₹ 1,800, while assembly and setup charges amounted to ₹3,000.
 - (e) An additional ₹ 15,000 was spent on refurbishing and repainting the new facility to meet operational standards.
- Determine which items of expenditure should be charged to capital and which to revenue. Provide reasons for your classification.
15. Describe the circumstances under which contingent liabilities arise and their significance [Level:2] [CO2] in accounting.

16. Prepare the Profit & Loss Account for the year ended 31st March 2023 from the [Level:3] [CO4] following balances:

Particulars	Amount	Particulars	Amount
Sales		Rent and Taxes	12,000
Opening Stock	3,50,000	Salaries	45,000
Purchases	40,000	Office Expenses	7,000
Closing Stock	1,60,000	Advertising Expenses	10,000
Wages	50,000	Interest on Loan	2,500
Carriage Inward	20,000	Discount Allowed	1,500
Carriage Outward	3,000	Provision for Bad	1,200
Depreciation	2,500	Debts	
on Machinery	4,000		

17. You are given the following details to prepare a bank reconciliation statement for XYZ [Level:3] [CO3] Company as of October 31, 2024:
- Debit Balance as per Cash Book: ₹ 10,000
- Deposits not credited by the bank: ₹ 2,500
- Cheques issued but not presented for payment: ₹ 1,500
- Bank charges not recorded in cash book: ₹ 200
- Direct debits not recorded in cash book: ₹ 300
- Interest credited by bank not recorded in cash book: ₹ 150

18. Explain primary objectives of financial accounting. [Level:2] [CO1]
(Ceiling: 36 Marks)

Part C (Essay questions)

Answer any *one* question. The question carries 10 marks.

19. From the following information prepare the ledger account of Mr. Ram and Mr. Dev; [Level:3] [CO3]
- January 5 : Sold goods to Ram on credit for ₹ 1,200.
- January 6 : Purchased inventory from Dev on credit for ₹ 1,500.
- January 10 : Received payment from Ram of ₹ 600 against the outstanding balance.
- January 12 : Paid Dev ₹ 700 against the outstanding balance.
- January 15 : Sold additional goods to Ram on credit for ₹ 800.
- January 18 : Purchased additional inventory from Dev on credit for ₹ 2,000.
- January 20 : Received payment from Ram of ₹ 1,000 against his account.
- January 22 : Returned defective goods to Dev and received a credit note for ₹ 300.
- February 2 : Issued a credit note to Ram for returned goods worth ₹ 200.
- February 5 : Paid Dev ₹ 800 against the outstanding balance.
- February 10 : Received a payment of ₹ 400 from Ram for his outstanding balance.
- February 15 : Sold goods to Ram on credit for ₹ 500.
- February 20 : Purchased office supplies from Dev on credit for ₹ 400.
- February 25 : Received payment of ₹ 500 from Ram for his outstanding balance.
- March 5 : Provided a discount of ₹ 100 to Ram for early payment.

20. From the following Trial Balance, prepare a Trading and Profit and Loss Account and [Level:4] [CO4] Balance Sheet of Mr. Ramesh:

Trial Balance:

Particulars	Debit ₹	Credit ₹
Capital Account		2,50,000
Cash in Hand	20,000	
Bank Overdraft		30,000
Debtors	80,000	
Creditors		70,000
Bills Receivable	15,000	
Bills Payable		10,000
Machinery	1,00,000	
Fixtures and Fittings	30,000	
Purchases	2,20,000	
Sales		4,50,000
Return Inward	5,000	
Return Outward		8,000
Wages	20,000	
Salaries	40,000	
Commission Paid	10,000	
Rent Paid	25,000	
Interest on Bank Loan	3,000	
Prepaid Insurance	2,000	
Outstanding Salaries		5,000
Trade Expenses	8,000	
Accrued Income		6,000
Bad Debts	1,000	
Total	5,79,000	5,79,000

Adjustments:

1. Outstanding wages: ₹ 2,500
2. Prepaid rent: ₹ 1,500
3. Provide depreciation @ 10% on Machinery and 5% on Fixtures and Fittings.
4. Bad debts to be written off: ₹ 3,000
5. Accrued Income: ₹ 6,000
6. Income received in advance (Commission): ₹ 1,000

(1 × 10 = 10 Marks)
