Reg.No. \_\_\_\_\_\_\_\_\_\_\_\_



**UNIVERSITY**

(Karunya Institute of Technology & Sciences)

(Declared as Deemed-to-be University under Sec.3 of the UGC Act, 1956)

**End Semester Examination – April/May– 2017**

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| **Code :** | **16BC2004** | **Duration :** | **3hrs** |
| **Sub. Name :** | **FINANCIAL ACCOUNTING** | **Max. marks :** | **100** |

**ANSWER ALL QUESTIONS (5 x 20 = 100 Marks)**

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| Q. No. | Sub Div. | Questions | Course  Outcome | Marks |
| 1. | a. | Define Depreciation, Depletion and Amortization. Why dedpreciation is provided for? | CO1 | 5 |
| b. | Distinguish between Provision and Reserve. | CO1 | 5 |
| c. | A company purchased 10 identical machines on January 1st at a cost of Rs 11,000 each. Each having a zero scrap value and an average life of 5 years. At the end of the 2nd year the company sold one machine for Rs 6,000 and purchased another for Rs 14,000 in the beginning of the 3rd year.  Journalise the above transaction in the books of the company for the 1st three years. | CO1 | 10 |
| (OR) | | | | |
| 2. | a. | Write a note on nature and purpose of Investment Accounts. | CO1 | 5 |
| b. | Distinguish between Cum – Interest and Ex – Interest. | CO1 | 5 |
|  | c. | On July 1, 2015, Sun Investment Ltd. held Rs. 2,00,000 6% debentures of Moon Ltd. which appeared in the books at Rs. 1,93,000. Interest is payable on July 31 and January 31. On October 1, 2015, a further Rs.1,00,000 debentures in Moon Ltd, were bought at Rs. 98 cum-interest and on January 1, 2016, a further Rs.60,000 debentures were bought at Rs.97 ex- interest.  On March 31, 2016, Rs.1,60,000 debentures were sold at Rs. 101 cum- interest and on June 1, 2016, Rs. 1,20,000 debentures were sold at Rs. 102 ex- interest.  Show the Investment Account for the period ending on June 30 2016. | CO1 | 10 |
| 3. | a. | Explain the types of royalties and Point out the importance of minimum rent in the royalty agreement. | CO2 | 5 |
|  | b. | Write a notes on Minimum rent and Nazrana. | CO2 | 5 |
|  | c. | On January 1, 2014, a Brick co . acquired a lease of 15 years from Mr.Jain on lease for getiing earth. Terms of lease are:   1. Annual rate of royalty is Re. 1 per 100 cubic feet of earth taken out. 2. Minimum rent is Rs. 12, 000 per annum. 3. On 1st January, 2014, company gave Rs. 1,50,000 to Jain for nazrana. 4. Shortworkings can be recouped during first 4 years only. 5. Annual royalty is paid on 31st Decemeber, each year.   Brick making company extracted earth inn the following manner:   |  |  |  |  |  | | --- | --- | --- | --- | --- | | Years | 2004 | 2005 | 2006 | 2007 | | Earth in cubic feet | 10,00,000 | 15,00,000 | 9,00,000 | 14,00,000 |   Open Nazrana Account, Royalty Account, and Shortworkings Account in the books of Bricks Co. | CO2 | 10 |
| (OR) | | | | |
| 4. | a. | Distinguish between Single entry and Double entry system. | CO2 | 5 |
|  | b. | What do you understand by Single Entry? What are its disadvantages? | CO2 | 5 |
| c | Durai, Dheena, and Diana were in partnership and towards the end of 2007 most of their books nad records were destroyed in a fire. The Balance sheet as on 31st December , 2006 was as follows:   |  |  |  |  |  | | --- | --- | --- | --- | --- | | Particulars | Rs | Rs | Particulars | Rs | | Creditors |  | 5,500 | Cash | 2,400 | | Capitals: |  |  | Debtors | 3,600 | | Durai | 4,500 |  | Stock | 6,500 | | Dheena | 3,000 |  | Machinery | 1,440 | | Diana | 1,500 | 9,000 | Fixtures and Fittings | 600 | | Current Account:  Durai | 145 |  | Advance Payments | 35 | | Dheena | 100 | 245 | Current Account:  Diana | 170 | |  |  | 14,745 |  | 14,745 |   The Partners drawings during 2007 have been proved at Durai – Rs 1,400, Dheena – Rs, 1,000, and Diana Rs 650, On 31st December 2007 Cash was Rs. 3,200, debtors Rs 4,025, Stock Rs 5,900, Advance payment Rs 25, and Creditors Rs 6,040. Machinery is to be depreciated by 10% per annum and Fixtures and Fittings at 7%. 5% interest is to be allowed on capital. The partners share profits in the proportions of ½, 1/3, and 1/6 .  You are required to prepare a statement showing the net trading profit for the year 2007 and the division of the same between the partners, together with the Balance sheet as on 31st December 2007. | CO2 | 10 |
| 5. | a. | Discuss in brief allocation of expenses at the time of preparation of final accounts. | CO3 | 10 |
|  | b. | The following purchases were made by a business house having three departments:   |  |  |  | | --- | --- | --- | | Department | Units | at a total cost of Rs 1,00,000 | | A | 1,000 | | B | 2,000 | | C | 2,400 |   Stock on 1st January were:  Department A 120 units, Department B 80 units, Department C 152 units. The sales were:   |  |  |  | | --- | --- | --- | | Department | Units | Price per unit (Rs) | | A | 1,020 | 20 | | B | 1,920 | 22.50 | | C | 2,496 | 25 |   The rate of gross profit is the same in each case. Prepare Departmental Trading Account. | CO3 | 10 |
| (OR) | | | | |
| 6. | a. | Explain the features of Dependent Branches. | CO3 | 10 |
|  | b. | On 1st April, 2013, ABT company obtained a machine on the hire purchase system, the total amount payable being Rs. 2,50,000. Payment was to be made Rs. 50,000 down and the balance in four instalments of Rs 50,000 each. Interest charged was at the rate of 15%. At what value should the machine be capitalized? | CO3 | 10 |
| 7. | a. | A firm purchases a lease - hold property for a period of five years for Rs 10,000 on 1.1.2015. It decides to write off the lease by Annuity method presuming the rate of interest at 5% p.a. The Annuity table shows that the annual amount necessary to write off Re 1 at 5% p.a. is Re 0.230976.You are required to prepare the Lease hold property account for five years and show the net amount to be charged to the profit & loss account for these five years. | CO1 | 10 |
|  | b. | Describe the accounting books of stock and debtors system. | CO1 | 10 |
| (OR) | | | | |
| 8. | a. | Vasan purchases a auto from Hasan whose cash price is Rs 60,000 on 1st January 2010. Rs 20,000 is paid at the signing of the contract and the balance is to be paid in three equal annual instalments of Rs 20,000 each. The rate of interest being 22% p.a. You are required to calculate the amount of interest included in each instalment. | CO3 | 10 |
|  | b. | Draft the Proforma of Hire purchase Trading and Adjustment account. | CO3 | 10 |
|  | | **Compulsory:** |  |  |
| 9. | a. | On 31st Jan 2016, X purchased for cash from Y four 6% Rs.100 Debentures of the ABC limited at Rs 110.5% cum- interest ; interest being payable on 1st June and 1st December each year. How will you record the transaction in the books of X and Y if each party had to pay commission of 25 paise on face value | CO1 | 10 |
|  | b. | Mr. Jain wrote a book on Accountancy and got it published with Tata Mc graw publishers on the terms that royalties will be paid @ Rs 50 per copy sold subject to minimum rent of Rs 1,50,000 with a right of recoupment of shortworkings over the first three years of the royalty agreement. From the following details write up (i) Minimum Rent Account, (ii) Royalties Account, (iii) Shortworkings Account, and (iv) Mr. Jain’s account.   |  |  |  | | --- | --- | --- | | Year | No. of copies Printed | Closing Stock | | 2004 | 2,000 | 100 | | 2005 | 3,000 | 200 | | 2006 | 4,000 | 400 | | 2007 | 5,000 | 500 | | CO2 | 10 |

ALL THE BEST