

2018

**FINANCIAL ACCOUNTING - I – HONOURS**

**Paper : CC 1.1 Ch**

**Full Marks : 80**

*The figures in the margin indicate full marks.*

*Candidates are required to give their answers in their own words as far as practicable.*

**Group - A**

1. (a) Mention *any two* conventions that are followed in accounting.
- (b) Shri Sarkar has maintained his accounts under *accrual basis*. The profit for the year 2017-18 comes to ₹ 88,500. After considering the following information, you are required to determine his profit for the same period under *cash basis*:
- (i) Office expenses outstanding for the year 2016-17 ₹ 12,500.
  - (ii) Rent paid in 2017-18 for the year 2018-19 ₹ 13,200.
  - (iii) Interest earned on investment for the year 2017-18, but not yet received ₹ 5,100. 2+3

*Or,*

- (a) Name two users of Accounting Information.
  - (b) What do you mean by 'Expense'?
  - (c) Write the Accounting Equation with an example. 2+1+2
2. The Trial Balance of Mr. Saha did not agree as on 31.03.2018 and the difference were put to suspense account and the following mistakes were detected before preparation of final accounts :
- (a) Purchases Day Book was over cast by ₹ 2,200.
  - (b) ₹ 12,000 paid to Sudipta was wrongly debited to Sudipa Account.
  - (c) ₹ 6,900 paid for replacement of a mother board of a desktop, debited to Repairing Charges Account as ₹ 900.

You are required to pass necessary journal entries to rectify the above errors. 1+2+2

3. Briefly discuss the Procedure for issuing accounting standards in India. 5
4. What do you mean by Accounting theory? State the relation between Accounting Theory and Accounting Practice. 2+3

Or,

- (a) Write short note on GAAP.  
 (b) Write two reasons behind maintenance of Capital.

3+2

5. From the following information, prepare Sales Ledger Adjustment Account in the Nominal Ledger :

|                                       | ₹        |
|---------------------------------------|----------|
| 01.04.17 Debtors Ledger Balance (Dr.) | 45,000   |
| 01.04.17 Debtors Ledger Balance (Cr.) | 1,000    |
| 31.03.18 Sales                        | 4,10,000 |
| Bad Debt                              | 1,650    |
| Miscellaneous charges debited         | 175      |
| Cash received from Debtors            | 3,20,000 |
| Returns Inward                        | 5,000    |
| Bad Debt Recovered                    | 450      |
| Bills Received                        | 30,000   |
| Discount Allowed                      | 7,500    |
| Transfer from Bought Ledger           | 75       |

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Or,

On March 01, 2018 Mr. Basu sent goods valuing ₹ 1,50,000 at an invoice price (*Cost plus 25%*) to few customers on sale or return basis having two months approval period. He records sale or return transactions as ordinary sales transaction.

During March, goods having Invoice Price of ₹ 40,000 were returned by a customer and another customer was willing to accept the goods at a price of ₹ 76,000 which was lower than the Invoice Price by 5%. It was accepted by Mr. Basu. The other customers could not yet decide anything about the goods sent.

Show the relevant extracts in the final accounts on 31.03.2018, if the balances of the Sales Account and Sales Ledger as on such date were ₹ 15,00,000 and ₹ 7,35,000 respectively.

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**Group - B**

6. Plant and Machinery Raving value of ₹ 1,00,000 was bought on 1st January, 2015. On 15th July, 2016 a new machine was purchased for ₹ 40,000. Installation charges paid for this machine was ₹ 5,000. The machine (bought on 15th July, 2016) was sold at a profit of ₹ 7,000 on 1st September, 2018.

Write up the Plant and Machinery Account for the four years ended 31st December, 2018 providing 10% p.a. depreciation under Diminishing Balance Method.

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Or,

Saha Bros. has commenced a bakery business on 01.04.2016. During 2016-17, the firm was unable to recover a considerable amount from its customer and subsequently at the end of the year; the firm has

(3)

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decided to create Provision for Bad Debt @ 10% to cope up with the future bad debt losses. The following information was further obtained from its records :

|            |                                      |          |
|------------|--------------------------------------|----------|
| 31.03.2017 | Debtors balance                      | ₹        |
|            | Bad debt written-off during the year | 2,20,000 |
| 31.03.2018 | Debtors balance                      | 46,000   |
|            | Bad debt to be written-off           | 5,60,000 |
|            | Recovery of Bad debt                 | 32,000   |
|            |                                      | 6,000    |

You are required to prepare Bad Debt A/c and Provision for Bad Debt A/c for two consecutive years 2016-17 and 2017-18. 4+6

7. Swati, a small trader, maintains her books under Single Entry system. From the following information you are asked to prepare Trading Account, Profit & Loss Account and Balance Sheet as on 31st December, 2018.

|                  | 1st January, 2018 | 31st December, 2018 |
|------------------|-------------------|---------------------|
| Debtors          | 20,000            | 25,200              |
| Creditors        | 15,000            | 14,100              |
| Sewing Machine   | 15,000            | 14,200              |
| Furniture        | 12,000            | 11,800              |
| Bills Receivable | 7,000             | 6,000               |
| Bills Payable    | 3,000             | 5,000               |
| Stock            | 4,000             | 3,000               |

#### Bank Summary

|                         |                 |                      |                 |
|-------------------------|-----------------|----------------------|-----------------|
| Opening Balance         | 21,000          | Payment to Creditors | 42,000          |
| Collection from Debtors | 75,200          | Bills Payable        | 2,800           |
| Bills Receivable        | 5,600           | Rent                 | 2,000           |
| Capital                 | 13,000          | Wages                | 2,000           |
|                         |                 | Printing             | 2,000           |
|                         |                 | Drawings             | 24,000          |
|                         |                 | Salaries             | 12,000          |
|                         |                 | Closing Balance      | 28,000          |
|                         | <b>1,14,800</b> |                      | <b>1,14,800</b> |

Additional Information :

She allowed discount to debtors ₹ 2,400 and received discount from creditors for ₹ 3,900. She endorsed bills receivable of ₹ 1,200 to her creditors. 10

**Please Turn Over**

Or,

From the following information prepare Income & Expenditure Account of Hugli Club for the year ended 31st December, 2018 and a Balance Sheet as on that date.

- (a) Subscriptions in arrear for 2018 ₹ 900 and received in advance for 2019 ₹ 350.  
 (b) Insurance Premium due ₹ 40.  
 (c) Miscellaneous expenses prepaid ₹ 90.  
 (d) 50% of the donation to be capitalised.  
 (e) 75% of entrance fees are to be capitalised.  
 (f) 8% interest is accrued on investment for five months.  
 (g) Tennis Table was purchased in 2017 for ₹ 30,000. Only ₹ 22,000 was paid for it till 31st December 2017.

**Receipts and Payments A/c for the year ended 31.12.2018**

| Receipts                    | ₹             | Payments          | ₹             |
|-----------------------------|---------------|-------------------|---------------|
| Cash in Hand                | 4,000         | Salary            | 2,000         |
| Cash at Bank                | 10,000        | Repairs           | 500           |
| Donation                    | 5,000         | Furniture         | 6,000         |
| Subscription                | 12,000        | Misc. Expenses    | 500           |
| Entrance Fees               | 1,000         | Investment        | 6,000         |
| Interest on Investment      | 100           | Insurance Premium | 200           |
| Interest received from Bank | 400           | Tennis Table      | 8,000         |
| Sale of old Newspaper       | 150           | Stationeries      | 150           |
| Sale of Drama tickets       | 1,050         | Drama Expenses    | 500           |
|                             |               | Cash in Hand      | 2,650         |
|                             |               | Cash at Bank      | 7,200         |
|                             | <b>33,700</b> |                   | <b>33,700</b> |

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8. Ganga consigned 5,000 kg of rice costing ₹ 32 per kg to Yamuna on February 01, 2018 by paying ₹ 5,000 as freight. During transit 200 kg of rice were destroyed by an accident. Yamuna paid clearing charges ₹ 6,100, Godown Rent ₹ 300 and Salesman's salary ₹ 900. Yamuna is entitled to 6% ordinary commission and 4% Del Credere Commission on sales.

Yamuna reported on June 30 that 4,000 kg were sold at ₹ 1,65,000 and 100 kg were lost due to some unavoidable cause. Entire amount due was received except in case of a customer who bought rice for ₹ 1,500 could pay only 40% of his amount. Yamuna sent a cheque for final settlement to Ganga along with the Account Sales.

Show Consignment Account and Yamuna Account in the books of Ganga.

7+3

9. On 09.11.17, the godown of ABC Ltd. was destroyed by fire. The organisation is insured for loss of stock policy of ₹ 75,000 with an average clause. From the following information, prepare a Statement showing claim to be lodged with the insurance company :

|                                     |          |
|-------------------------------------|----------|
| Stock on 01.04.16                   | ₹        |
| Wages for the year 16-17            | 72,000   |
| Purchases for the year 16-17        | 16,000   |
| Sales for the year 16-17            | 2,84,000 |
| Stock on 31.03.17                   | 4,06,800 |
| Purchases from 01.04.17 to 09.11.17 | 64,000   |
| Wages from 01.04.17 to 09.11.17     | 1,40,000 |
| Sales from 01.04.17 to 09.11.17     | 8,000    |
|                                     | 1,65,200 |

An item of stock purchased during 15-16 at a cost of ₹ 20,000 was valued at ₹ 12,000 on 31.03.16. Half of these goods were sold during 16-17 for ₹ 6,800 and remaining stock was valued at ₹ 4,000 on 31.03.17.  $\frac{1}{4}$ th of the original stock was sold in July 2017 for ₹ 5,200. The remaining stock was considered to be worth 40% of original cost. Stock valued ₹ 18,000 was salvaged.

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**Group - C**

10. The following Trial Balance has been extracted from the books of Mr. Das as on 31st March, 2018 :

**Dr.** **Trial Balance as on 31.03.2018** **Cr.**

| <i>Particulars</i>                     | ₹               | <i>Particulars</i>           | ₹               |
|--|-----------------|------------------------------|-----------------|
| Opening Stock                          | 2,400           | Capital                      | 46,200          |
| Building                               | 2,10,000        | Creditors                    | 25,000          |
| Bad Debt                               | 3,500           | 10% Loan (Taken on 01.10.17) | 24,000          |
| Closing Stock                          | 24,000          | Commission Received          | 200             |
| Furniture                              | 10,000          | Sales                        | 3,28,700        |
| Drawings                               | 4,500           | Outstanding Salaries         | 3,000           |
| Wages                                  | 1,800           | Provision for Bad Debt       | 2,100           |
| Purchases ( <i>Less</i> Closing Stock) | 1,18,000        |                              |                 |
| Advertisement                          | 1,400           |                              |                 |
| Debtors                                | 9,000           |                              |                 |
| Cash                                   | 3,200           |                              |                 |
| Interest on Loan                       | 400             |                              |                 |
| Commission Paid                        | 600             |                              |                 |
| Office Equipment                       | 18,000          |                              |                 |
| Miscellaneous Expenses                 | 700             |                              |                 |
| Insurance Premium                      | 800             |                              |                 |
| Salaries                               | 10,000          |                              |                 |
| Patent                                 | 7,200           |                              |                 |
| Rent                                   | 2,400           |                              |                 |
| Carriage Inward                        | 1,300           |                              |                 |
|  | <b>4,29,200</b> |                              | <b>4,29,200</b> |

Prepare Trading Account and Profit & Loss Account for the year ended 31st March, 2018 and a Balance Sheet as on date after considering the following :

- (a) Furniture costing ₹ 12,000 purchased on 01.10.2017 on credit was recorded as credit purchase of goods.
- (b) Mrs. Samanta, Debtor for ₹ 2,000 was declared insolvent, only 40 paise in the rupee was expected to realise from his estate. Create Provision for Doubtful Debts at 5% and Provision for Discount at 2% on Debtors.
- (c) Patent (acquired on 01.04.2015) having a useful life of ten years, is to be amortised in 10 equal installments over the years.
- (d) Depreciate relevant fixed assets at 10% p.a.