

END TERM EXAMINATION

FIRST SEMESTER [BBA] DECEMBER 2013

Paper Code: BBA-109

Subject: Financial Accounting

Time: 3 Hours

Maximum Marks: 75

Note: Attempt any five questions, including Q.no.1 which is compulsory.
Internal choice is indicated. All question carry equal marks.

Q1. Attempt any three of the following

- a. Explain true or false
 - i. Goodwill is a fictitious asset
 - ii. Credit note is sent to a customer when goods sold are returned by him
 - iii. Premium paid on the life policy of proprietor is debited to profit and loss account.
 - iv. Wages paid for installation of a new machinery is a revenue expenditure
 - v. A new company cannot issue shares at a discount
- b. Differentiate between Provision and Reserves.
- c. Differentiate between FIFO and LIFO method of inventory valuation.
- d. What will be the treatment of goods sent on approval but not yet approved in the final accounts.

Q2. Define Accounting. Explain its objectives, functions and limitations.

or

Explain any three of the following with examples

- (a) Business entity Concept
- (b) Money Measurement Concept
- (c) Realization Concept
- (d) Convention of materiality

Q3. (a) What are the objectives of IASB?

(b) Explain Deferred Revenue Expenditure with the help of an example

© "Accounting begins where book keeping ends" comment.

Or

(a) Explain various branches of accounting.

(b) Pass journal entries for the following transactions:

- (i) A fire occurred in the factory and stock worth Rs. 30, 000 was destroyed. The insurance company accepted a claim for Rs. 25,000

P.T.O.

- (ii) Exchanged old machinery for a new one. The old machinery was valued at Rs. 70,000, the price of new one is 2,00,000. The balance is paid in cash.
- (iii) Received cash for a bad debt written off last year Rs. 2500.
- (iv) Purchased Plant from Mr. Ram for Rs. 50,000 and paid 1,000 as cartage and Rs. 5,000 as installation expenses.
- (v) Purchased goods worth Rs. 5000 for cash less 20% trade discount and 5% cash discount.

Q4. (a) Explain AS2(Revised): Valuation of Inventories

(5)

(b) From the following transactions compute the gross profit earned during the period and value of closing stock at June 30, 2006 using FIFO method.

(10)

Purchases January 1 - 600 units @20 each

February 1 - 200 units @24 each

April 1 - 300 units @30 each

June 1 - 300 units @40 each

Sales February 15 - 200 units @30 each

April 15 - 400 units @40 each

June 15 - 350 units @50 each

Or

(a) Distinguish between Straight Line Method and Diminishing balance method of providing Depreciation

(5)

(b) The book value of Plant and Machinery on 01-01-2004 was Rs.3,00,000. New machinery for Rs. 10000 was purchased on 01-10-2004 and for Rs. 20,000 on 01-07-2005. On 01-04-2006, a machinery whose book value had been Rs. 30,000 on 01-01-2004 was sold for Rs. 16,000. Depreciation had been charged at 10% p.a. since 2004 on straight line method. The method has been changed to written down value method from 01-01-2006. Show Plant and Machinery account up to 31-12-2006. Give detailed working.

(10)

Q5. Prepare Trading and Profit and Loss account and Balance Sheet from the following balances for the year ending 31-12-2009

P.T.O.

Particulars	Dr. (Rs.)	Cr. (Rs.)
Capital	-	60,000
Drawings	7,200	-
✓ Stock on 1-01-2009	20,500	-
Purchases	68,000	-
Carriage Inwards	1,500	-
Sales	-	1,40,000
Debtors	23,500	-
Creditors	-	14,300
Cash in hand	500	-
Cash at Bank	2,200	-
Carriage outwards	1,700	-
Salaries	16,000	-
Factory Rent	4,000	-
Bills Receivable	5,300	-
Bills Payable	-	4,200
Insurance	1,200	-
Furniture	10,000	-
Machinery	28,000	-
Office Rent	2,000	-
Manufacturing Wages	21,500	-
Provision for doubtful Debts	-	1,000
Manufacturing Expenses	1,500	-
General Expenses	5,400	-
TOTAL	2,20,000	2,20,000

Additional information for adjustments

- Closing Stock is Rs. 27,000
- Write off Rs. 500 as Bad Debts and Maintain the provision for doubtful debts at 5% on sundry debtors.
- Provide depreciation at 5% on machinery and 10% on furniture
- Unexpired insurance Rs. 300
- On 24 December 2009 a fire broke out and destroyed stock of the value of Rs. 10,000. The insurance company admitted the claim for the loss of stock of the value Rs. 6,000 only and paid the amount on 15 January 2010. **2010**

Or

- ✓ Distinguish between Trial Balance and Balance Sheet.
- ✓ For what purposes the Securities Premium account be used as per Sec.78 of the Companies Act.
- ✓ Write short note on Redemption of Debentures

P.T.O.