

D.K.M.COLLEGE FOR WOMEN (AUTONOMOUS), VELLORE-1.

I B.COM (CA) – FINANCIAL ACCOUNTING - I

UNIT – I ACCOUNTING CONCEPTS SECTION- A

1. What is accounting?
2. What is mean by Journal?
3. What is mean by Ledger?
4. Explain Accounting Rules.
5. What is an Accounting concept?
6. What is Accounting concept?
7. What is Business entity concept?
8. What is money measurement concept?
9. What is going concern concept?
10. What do you mean by Dual aspect concept?
11. What is Accounting period concept?
12. What do you mean by Dual aspect concept?
13. What is convention of full Disclosure?
14. What is convention of consistency?
15. What is convention of Materiality?
16. What convention of conservation.
17. What is Error?
18. What is Rectification of Error?
19. What are errors of omission?
20. What are errors of commission?
21. What are errors principles?
22. What are the errors of posting?
23. What do you understand by compensating error?
24. What is error is costing?
25. What is error of carry forward?
26. What is suspense Account?
27. What are single sided errors?

28. What are Double sided errors?
29. What is Bank Reconciliation statement?
30. What is cash Book?
31. What is passing Book?
32. What is cash Book Balance?
33. What is adjusted cash Book?
34. What is self-Balancing system?
35. What is General Ledger?
36. What is sold ledger?
37. What is Bought ledger?
38. What is setoff or transfer?
39. What is Total Debtors Account?
40. What is Total Creditors Account?
41. What is Depreciation?
42. What is obsolesce?
43. What is Depreciable Asset?
44. State any two reasons for Depreciation?
45. What is scrap value / Residual Value?
46. What is straight line method of depreciation?
47. What is diminishing Balance method of depreciation?
48. What is changes method of Depreciation?
49. What is Annuity method?
50. What is sinking Fund method?
51. What is insurance policy method?
52. What is machine Hour Rate method?
53. What is Revaluation method?
54. What is Average Due Date?
55. Mention any two uses of Average due date.
56. What are Base Data and Due date?
57. What is the formula to compute average due date?
58. What is fire Insurance claim?

59. What is Final Account?
60. What is manufacturing account?
61. What is Gross profit?
62. What is Net profit?
63. What is? Balance Sheet?
64. What is Fixed Asset?
65. When do you prepare manufacturing account?
66. How do you deal with outstanding expenses given in adjustment?
67. What are 'Adjustments' for Final Accounts?
68. What is capital expenditure?
69. What is Revenue expenditure?
70. What is single entry system?
71. What is net worth method?
72. What is statement of affairs?
73. What are the two methods of ascertaining profit in single entry system?
74. What is conversion method.
75. Bring out any four limitations of single entry system of Accounting.
76. Calculate the capital at the beginning of the Year.

	Rs.
Capital at the end of the year	35,000
Drawings during the year	5,000
Capital introduced during the year	2,500
Profit during the year	10,000

77. Mr. Ram maintains his books on single entry system. He gives you the following

Information.

Capital as on 1-1-92	32,000
Capital as on 1-1-93	36,000
Drawings during the year 1992	10,000

Capital introduced on Aug 1992 6,000

You are required to calculate profit made by Ram during 1992.

SECTION -B

1. What are the characteristics of accounting concepts?
2. What are the characteristics of accounting conventions?
3. Explain (I) Revenue Recognition concept and (II) Accrual concept.
4. Describe the meaning and importance of accounting equation?
5. What are the Rules for Accounting Equation?
6. What are the errors usually made in maintaining accounts?
7. What are the classifications of errors in accounts?
8. What is suspense Account? How do you rectify errors using suspense Account?
9. What is the need for preparation of B.R.S?
10. How do you prepare a Bank Reconciliation statement?
11. Differentiate Between cash Book and pass Book?
12. Describe the self-Balancing system?
13. What are the features of self-Balancing Ledger?
14. What are the benefits of maintaining self-Balancing ledger?
15. List out various transactions which can increase or decrease balance in Debtors Ledger.
16. Encumbrance various items which can increase or decrease balance in creditors Ledger.
17. What is Depreciation? Explain the need for providing depreciation?
18. Describe the causes for Depreciation.
19. Explain the basic factors affecting the amount of depreciation.
20. A company purchased a plant for Rs. 50,000. The useful life of the plant is 10 years and the residual value is Rs. 10,000. Find out the rate of depreciation under straight line method.

21. On January 1, 1993 a Ltd, company purchases machinery worth of Rs. 1, 00,000. On July 1, 1994. It buys additional machinery worth Rs. 46,000 and spends on Rs. 4,000 on its erection. Its accounts are closed each year on 30th June (July to June) Assuming the annual depreciation to be 10%.
22. Show the machinery Account up to 30th June 1996. Under straight line method.
23. A company acquired a machine on 01.01.1998 at a cost of Rs. 40,000 and spent Rs. 1000 on its installation. The firm writes off depreciation at 10% on the diminishing Balance.
24. The books are closed on 31st December of each year. Show the machinery Account for 3 years.
25. A firm purchased a 5 years lease for Rs. 80,000 on 1st January. It decides to write off depreciation on the Annuity method. Presuming the rate of interest to be 5% p. a. the annuity tables show that a sum of Rs. 18,478 should be written off every year.
26. Show the lease account for Five years. Calculations are to be made to the nearest rupee.
27. A machine was acquired on 1.4.1992 at a cost of Rs. 2,70,000, the cost of installation being Rs. 30,000. It is expected that its total life will be 60,000 hours. During 1992, it worked for 15,000 hours and during 1993 for 24,000 hours. Write up the machinery account for 1992 and 1993.
28. What are the advantages of Average due date?
29. How do you compute Average due dates?
30. Explain the purpose of fire insurance.
31. What is Average clause? What are its objectives?
32. What is "Loss of stock claim" and how do you compute?
33. Explain (i) Abnormal items (ii) Loss of profit.
34. Mr. Kannan purchased goods for payment in cash being as follows,

March 15	1000	Due 18 th April
April 21	1,500	Due 24 th May
April 27	500	Due 30 th June
May 15	600	Due 18 th July

Raman agreed to draw a bill for the total amount due on the average due date. Ascertain that date.

35. A fire occurred in the premises of a trader on 31-5-94 destroying a great part of his goods. His stock at 01-01-94 was Rs. 60,000. The value of stock salvaged was Rs. 13,500. The gross profit on sale was 30% and sales amounted to Rs. 1,53,000 from January to date of fire, while for the same period the purchases amounted Rs. 1,03,500.

Prepare a statement of claim.

36. A Fire occurred in the premises of 'x' Ltd. On 10-10-91. All stocks were destroyed except to the extent of Rs. 6,200. From the following figures, ascertain the loss of stock suffered by the company.

	Rs.
Stock on 1-1-90	40,000
Purchases during 1990	1,45,000
Sales during 1990	2,00,000
Stock on 31-12-90	25,000
Purchases during 1991	
Up to the date of fire	1,52,000
Sales during 1991 up to	
Date of the fire	1,89,000

37. Calculate insurance claim from the following, destroyed. The stock value at Rs. 40,000 was destroyed. The stock in the go down was insured for Rs 30,000 subject to average clause.

The balance of stock, left after fire, appeared in the books at Rs. 24,000.

38. What is the purpose of preparation of Final accounts?

39. What is 'provision for doubtful debts'? How do you compute it and show in final accounts?
40. From the following figures you are required to prepare (i) provision of Bad debts a/c (ii) Bad debts (iii) profit & Loss account.
1-1-2010 provision for doubtful debts Rs.5000, 31-12-2010, Bad debts Rs3,740, Debtors Rs40,000. Additional Information: Make a provision for bad debts 5% on Debtors
41. Prepare Trading a/c of Archana the year ending 31.12.2016 from the following.

Information	Rs.
Opening Stock	80,000
Purchases	8,60,000
Freight Inward	52,000
Wages	24,000
Sales	14,40,000
Purchase Returns	10,000
Sales Returns	3,16,000
Closing stock	1,00,000
Import Duty	30,000

42. Prepare profit and Loss account, from the following balances of Mr. Kandan, for the year ending 31.12.15

	Rs.		Rs.
Office Rent	30,000	Salaries	80,000
Printing expenses	2,000	Stationeries	3,000
Tax, Insurance	4,000	Discount allowed	6,000
Advertisement	36,000	Travelling expenses	26,000
Gross profit	2,50,000		

43. What are the salient features of single entry system?
44. What are the Advantages of single entry system?

45. What are the limitations of single entry system?
46. Explain conversion method as preparing final accounts under single entry system.
47. Mr. Janaki Raman keeps his books by single entry. He started business on 1-1-1991 with Rs. 1,00,000. On 31-12-1991 his position was as under.

Cash in hand	2,500	
Cash at bank	12,500	Creditors 20,000
Furniture	50,000	Bills payable 2,500
Plant	25,000	Outstanding creditors 2,500
Debtors		
Stock		
Bills Receivable		

Ascertain the profit (or) Loss made by Mr. Janaki Raman during 1991.

48. From the following data, ascertain sales made during the year by preparing Memorandum Trading Account.

Stock on 1.1.95	60,000
Stock on 31-12-95	40,000
Purchases during 1995	4,00,000
Rate of gross profit on}	
Sale	20%
Wages Paid	10,000

SECTION-C

1. Explain Accounting concepts?
2. Explain various Accounting Conventions.
3. "The entity concepts and money measurement.
4. Define Journal and Ledger? Distinguish between them.

5. Explain the meaning of (i) Journalising, (ii) posting (iii) Debiting & crediting (iv) Balancing.
6. What is Accounting equation? Explain the rules which help in understanding accounting equation.
7. What are the Different kinds of Error in accounts with suitable examples?
8. What is suspense Account? How is it opened and how is it finally closed? Give examples.
9. What is B.R.S? Why should it be prepared periodically?
10. Explain in detail the method of preparation of B.R.S
11. Give the preforms of BRS. Indicating the various items usually shown.
12. Explain the self-balancing ledge system. What are its advantages?
13. Explain the three ledgers under self-balancing system and the self-balancing accounts under each ledger.

14. Correct the following errors found in the books of Mr Dhandapani. The trail Balance was out by Rs.986, excess credit. The difference has been posted to a suspended account.
 - (i) A sale of Rs.400 to Bobby &co was wrongly credit to their account.
 - (ii) A purchase of Rs.134 had been posted to the creditors account Rs.120.
 - (iii) The total as returns inward book for December had been cost Rs.200 short.
 - (iv) A cheque for Rs.400 received from Sandhya had been dishonoured and was posted to the debit of "Allowance Account.
15. Prepare a Bank Reconciliation statement from the following data as 31.12.2016.
 - (i) Balance as per cash book Rs. 12,500.
 - (ii) Cheques issued but not presented for payment Rs.900
 - (iii) Cheques deposited in bank but not collected Rs. 1,200.
 - (iv) Insurance premium paid through bank Rs.500

(v) Direct deposit in to bank account by customers Rs.800

(vi) Interest on Investment collected by bank. Rs.200

(vii) Bank charges debited in Bank Account Rs.100

16. Form the following prepare Debtors Ledger Adjustment A/c and purchase Ledger Adjustment A/c in the General Ledger for the year ended 31-12-1999.

Purchase ledger (Cr)	20,000	Purchase returns	1,00,000
Purchase Ledger (Dr)	22,700	Sales Returns	80,000
Sales Ledger (Cr)	2,400	B/R Received	3,00,000
Sales Ledger (Dr)	4,21,000	B/R Accepted	2,00,000
Credit Purchases	20,00,000	Bad debits written off	10,000
Credit purchases	2,00,000	Provision for bad debts	10,000
Credit sales	18,00,000	B/R dishonoured	40,000
Cash sales	7,00,000	Cash Received	12,00,000
Closing Balances:		From debtors	
Purchase Ledger	17,000	Cash paid to creditors	16,000
(Dr)			
Sales Ledger (Cr)	9,000		

17. Give journal entries needed to make the debtors Ledger and creditors ledger into self-balancing ledger.

18. Set out the following particulars in the debtors Ledger Control A/c as on 31-12-95.

	Rs.		Rs.
Credit sales	50,000	Bills accepted	5,000
Discount allowed		Customers	
Cash Allowed	2,000	B/d w/o	1,500
Sales Returns	35,000	Bills dishonoured	500
	1,500	Allowances to	
B/d previously w/o		customers	1,200
now received	600	Transfer from	
		Debtors, Ledger to	
Balance as 1.1.95		creditors Ledger	
(Dr)	10,000		1,500

19. Define depreciation. Explain the objectives of providing for depreciation and various factors affecting the amount of depreciation.

20. Explain various methods of providing for depreciation of Fixed assets.

21. X co Ltd purchased a lease of Rs. 50,000 on 1-1-95 to be replaced at the end of 5 years. For this purpose, one insurance policy is taken out for which the annual premium is Rs. 9,400. At the end of the period the lease is renewed for Rs. 45,000. Show the various Ledger accounts in the books of the company.

22. On 01-01-1994 x Ltd., had a stock of bottles valued at Rs. 16,000. On 1-1-94 they purchased additional bottles which amounted to Rs. 10,000. On 31-12-94 the entire stock bottles were revalued at Rs. 21,000.

Show the bottles a/c for the year 1994.

23. A Machine was acquired on 1.4.92 at a cost of Rs.2,70,000, the cost of installation being Rs. 30,000. It is expected that its total life will be

60,000 hours. During 1992, it worked for 15,000 hours and during 1993 for 24,000 hours. Write up the

Machinery account for 1992 and 1993.

24. X Ltd, leased on June 30, 1990 an iron ore mine for a sum of Rs. 1,00,000. It is estimated that the total quantity of ore in the mine is 20,000 tonnes. The annual output is as follows,

Year	Tonnes
1990	1000
1991	4,000
1992	3,200
1993	4,200

Using the depletion method of depreciation show the Mine A/c for the four years.

25. On 1-1-92 machinery was purchased for Rs. 30,000. Depreciation at the rate of 10% on the original cost was written off during the first two years. For the next two years 15% was off the diminishing balance of the account. The machinery was sold for Rs. 15,000. Write up the machinery account for years and close the same.

26. A firm purchased a machine for Rs. 80,000 on 1-1-1995 and decided to depreciate it at 10% P. a. on diminishing balance method.

On 31.12. 1998, The management decided it @10% p. a on straight line method with retrospective effective from 1-1-95 and adjust the difference in depreciation arising from the change in method through profit & Loss a/c of 1990.

Show machinery A/c from 1995 to 1998.

27. A company purchased a 3 year, lease on 1.1.90 for Rs. 50,000. It is decided to provide for the replacement of lease at the end of three years by setting up a sinking fund It is expected that the investment will fetch interest at 5 % at the end of three years, on investment at Rs. 15,864 is required every year. Investments are made to the nearest rupee.

On 31-12-1992, the investments were sold for Rs. 30,500.
on 1-1-93, the same lease was renewed for a further period of 3 years by payment of Rs. 60,000.

Show the Journal entries and give the lease a/c, sinking fund a/c and sinking fund investments a/c.

Calculations are to be made to the nearest rupee

28. What is Account current? Why it is prepared? Who renders it.
29. What is Average due date and what are its practical uses of such date.
30. Form the following particulars, make out an account current to be rendered by Mani to Asha as on 30.06.93. Charging interest at 20% P.a.
1993

Jan 1	Balance due to Mani by Asha	1,600
Jan 11	Bought goods of Asha	4,400
Jan 20	Received bill accepted by Asha at two months for	2,000
Feb 25	Cash Received from Asha	2,400
Mar 12	Bought goods of Asha	11,000
Mar 13	Mani accepted Asha's draft at 1 month for	4,000
April 25	Cash paid to Asha	4,000
April 30	Goods sold to Asha, due end of money	5,000
May 21	Bought goods from Asha	2,000
June 10	Sold goods to Asha due 20 th June	4,000
June 25	Bought goods form Asha	6,000

For goods sold, Nair draws the following.

31. Bills on Roy who accepts the same asper terms.

Amount of the bills	Date of drawing	Date of Acceptance	Tenure
8,000	06.01.98	09.01.98	3 months after date
9,000	15.02.98	18.02.98	60 days
8,000	21.02.98	21.02.98	2 Months
15,000	14.03.98	17.03.98	3 days after sight.

On 18th March ,1998, it is agreed that the above bills will be withdrawn, and the acceptor will pay the whole amount in the lump sum be a cheque, 15 days ahead of Average. Due date and for this a rebate of Rs.1000 will be allowed. Calculate the average due date, the amount and the due date of the cheque.

32. On 1.7.1998 a fire took place in the Godown of Ram Kumar which destroyed all stocks.

Sales in 1996	2,00,000	Sales in 1997	3,00,000
Gross profit in 1996	60,000	Gross profit in 1997	60,000
Stock on 1-1-98	2,70,000	Purchase from 1-1-98	
		To 30.06.98	4,00,000
Sales from 1.1.98 to			
30.06.98	7,20,000		

Additional Information:

1. Stock as on 31-12-97 has been undervalued by 10%.
2. A stock taking conducted in March 1998 had revealed that stock costing Rs. 80,000 were lying in damaged condition. 50% of the cost and the balance were expected to be sold at 40% of the cost.

33. A Fire occurred in the Godown of Ganesh Flour Ltd, on 01-01-1999. The company had a Loss of profit policy for Rs. 2,40,000. sales from 01.05.1998 to 30.04.1999 were Rs. 20,00,000, the sales from 01.05.1998

to 31-08-1998 being Rs. 60,000. During the indemnity period, which lasted four months, sales amounted to only Rs. 80,000.

The company made up its accounts to 31 st December, the profit & Loss account for 1998 is given below.

Profit & Loss A/c

Particulars Amount (Rs)		Particulars Amount (Rs)	
To Opening stock	2,00,000		
To purchases	12,00,000	By Sales	19,00,000
To Manufacturing Expenses	1,34,000	By Closing Stock	1,00,000
Variable selling Expenses	1,81,000		
To Fixed expenses	1,45,000		
To Net profit	1,40,000		
	-----		-----
-	20,00,000		20,00,000
	-----		-----

Comparing the sales of the first four months of 1999 with these of the 1998, it was found that sales were 20% higher in 1999. The Loss of profits and the claim to be made.

34. Distinguish between trail Balance and Balance Sheet?

35. What are the differences between capital expenditure and Revenue expenditure?

36. Give a proforma of Final Accounts.

37. The following are the balances in the Ledge of R. Ram for the year ended 31-03-1996.

Opening Stock:	
Raw materials	20,000
Work – in- progress	3,000
Finished goods	10,800
Purchase of Raw materials	50,000
Sales	2,40,000
Fuel and coal	1,000
Wages	32,000
Factory expenses	40,000
Office expenses	30,000
Depreciation on plant & Machinery	3,000
Closing Stock:	
Raw materials	20,000
Work – in progress	4,000
Finished goods	8,000

Prepare manufacturing and Trading account for the year ended 31st March 1996.

38. On 31st December 2011 the following Trail Balance extracted from the books Manickam.

	Dr (Rs)	Cr (RS)
Capital	-	50,000
Plant & Machinery	80,000	-
Sales	-	1,77,000
Purchases	60,000	-
Returns	1,000	750

Opening stock	30,000	-
Discount	350	800
Bank Charges	75	-
Debtors	45,000	-
Creditors	-	25,000
Salaries	6,800	-
Wages	10,000	-
Carriage Inward	750	-
Carriage outward	1,200	-
Bad debts provision	-	525
Rent, Rates, & taxes		
Advertisement	10,000	-
Cash in hand	2,000	-
Cash at Bank	900	-
	6,000	-
	<u>2,54,075</u>	<u>2,54,075</u>

You are asked to prepare the trading and profit and Loss A/c for the year ended 31st December 2011 and the Balance sheet as on that date. The following adjustments are required.

- (i) Closing stock Rs. 35,000
- (ii) Depreciation of plant & Machinery at 6%
- (iii) Bad debts provision to be adjusted to Rs 500.
- (iv) Interest on capital to be allowed at 5% PG.
- (v) 2% of the profits is to be carried to reserve fund.

39. Briefly explain different adjustments for preparation of final accounts.

40. What are the differences between Trading account and profit & Loss account.

41. Define single entry system? Explain its salient features.

42. Explain the limitations of Single entry system in detail.

43. What is statement of Affairs? How does it differ from Balance Sheet?

44. Mr. Mohan, a retail merchant commenced business with a capital Rs. 12,000 on 1-1-94. subsequently on 1-5-94 he invested further capital of Rs. 5,000. During the year, he has with drawn of Rs.2000 for his personal use.

On 31-12-94 his assets and liabilities were us under,

Rs.

Cash at bank	3,000
Debtors	4,000
Stock	16,000
Furniture	2,000
creditors	5,000

Calculate the profit (or) Loss make during the year 1994.

45. Mr. Ganesh keeps his books of accounts under single entry system.

His financial position on 31-12.91 was as follows:

	1990 (RS)	1991 (Rs)
Cash	9,860	800
Stock in trade	38,520	57,020
Plant & Machinery	54,420	61,000
Bills Receivable	---	16,480
Sundry Debtors	24,840	43,940
Sundry Creditors	72,040	80,000
Furniture	4,960	5,220
Drawings	---	5,000

During the year he introduced additional capital of Rs. 20,000.

From the above particulars prepare a statement of profit (or) Loss of Mr. Ganesh for the year ended 31.12.91.