

DKM COLLEGE FOR WOMEN (AUTONOMOUS) VELLORE.

DEPT OF COMMERCE – FINANCIAL ACCOUNTING – I

15 CCo1A – Sem – I

I-B.COM

Unit -IIntroduction

Basic accounting concepts and conventions. – Groups interested in Accounting information – Rectification of errors – Bank Reconciliation statement.

Unit -II Depreciation

Depreciation, Reserves and provisions – objectives of providing

Depreciation – causes of depreciation - Methods of providing depreciation – straight line method – diminishing balance method.

Unit -III Insuranceclaim and Average due date

Computation of claim to be lodged for loss stock – Gross profit ratio – Average clause – Average due date.

Unit – IV Preparation of Final A/c 's

Final Accounts -Trading A/c – Profit and Loss A/C – Balance Sheet – Various adjustments, classification of Assets and Liabilities.

Unit – V Single Entry system of Accounting

Definitions – Salient features - limitations -difference between single entry system and double entry system – and double entry system – ascertainment of profit – Statement of affairs method – conversion method – differences between statement affairs and Balance sheet.

UNIT –I INTRODUCTION SECTION- A 2 Marks

1. Define Accounting.
2. State the rules of accounting.
3. Give a list of different accounting concepts.
4. What is business entity concept?
5. What is cost concept?
6. What is accounting concept?
7. What is going concern concept?
8. What do you mean by convention of full disclosure?
9. What are accounting conventions?
10. What do you mean by rectification of errors?
11. What are the errors disclosed by Trial Balance?
12. Explain the errors, which are not disclosed by Trial Balance?
13. What is “Error of principle”?
14. What is meant by error of omission?
15. Explain the term errors of commission.
16. What is Bank reconciliation statement?

SECTION – B 5 Marks

1. List out any three reasons for difference between pass book and cash book.
2. Bring down the causes the difference between balances shown by the cash book a pass book.
3. Explain different types of errors. In detail.
4. Explain the different types of accounts an accounting rules.
5. What are the basic accounting concepts? Explain them in detail.
6. Who are the groups interested in accounting information?
7. Rectify the following errors:
 - (i) Goods worth ₹ 4,500 were purchased from Ravi and his account was debited with 5,400.

- (ii) Goods worth ₹ 760 were sold to Rajesh and his account is debited with 600
- (iii) The total of the discount column on the credit side of the cash book was shortly ₹ 500.
- (iv) An amount of ₹ 5,000 with drawn by the proprietor for his personal use was debited trade expenses account.
- (v) ₹ 180 received on account of interest was credited to dividend account.
- (vi) ₹ 1,700 paid for purchases of machinery charged to office expenses account.

8. The following errors were found in the books of Mr. Y. Rectify them.

- (i) Salary of ₹ 20,000 paid to Ram has been debited to his personal account.
- (ii) ₹ 7,000 paid for a typewriter was charged to office expenses account.
- (iii) ₹ 16,000 paid for furniture purchased has been charged to purchases account.
- (iv) Repairs made were debited to building account for ₹ 1,000
- (v) An amount of ₹ 10,000 with drawn by the proprietor for his personal use has been debited to trade expenses account.
- (vi) ₹ 4,000 received from Shakthi & co has been wrongly entered as from Shalini & co.

9. Prepare a bank reconciliation statement.

- (i) Balance as per cash book 12,500.
- (ii) Cheques issued but not presented for payment ₹ 900.
- (iii) Cheques deposited in bank but not collected ₹ 1,200.
- (iv) Bank paid insurance premium ₹ 500.
- (v) Direct deposit by a customer ₹ 500.

(vi) Interest on investment collected by Bank ₹ 200.

(vii) Bank charges ₹ 100.

10. Prepare a bank reconciliation statement.

(i) Balance as per cash book 2,000.

(ii) Balance as per pass book (our draft) ₹ 3,200

(iii) Cheques worth ₹ 10,000 deposited in the bank by 31st December, but cheques worth ₹ 4,000 only credited before that date.

(iv) Cheques worth ₹ 5,000 issued up to 31st December but cheques worth ₹ 2,500 were presented and paid in January next year.

(v) The pass book should a payment of ₹ 2,000 as rent.

(vi) There was a credit in the pass book for ₹ 6,00 for interest on investments collected.

(vii) There was a debit in the pass book for bank charges ₹ 70.

11. Prepare a bank reconciliation statement as 31.12.2000 as per pass book.

a) Cheques deposited into bank before 31.12.2000 but not yet collected ₹ 1,085.

b) Cheque issued but not presented for payment ₹ 1,500.

c) Dividend ₹ 800 collected by bank is not recorded in the cash book.

d) Insurance premium ₹ 300 paid by the bank has not been recorded in the cash book.

e) On 31.12.00 the cash book showed a bank our draft of ₹ 3,000.

12. On 31st march ,2007, cash book of a firm showed a bank balance of ₹ 3,000. From the following information, prepare a bank reconciliation statement showing the balance as per pass book.

- a) Cheques have been issued for ₹ 2,500 out of which cheques worth ₹ 2,000 only were presented for payment.
- b) Cheques worth ₹ 700 were deposited on 23th March but has not been credited by the bank. One cheque for ₹ 250 was entered in the cash book on 30th March but was banked on 3rd April, 2007.
- c) A cheque from Mohan for ₹ 200 was paid in on 25th March but was dishonoured and the advice was received on 2nd April 2007.
- d) Pass book showed bank charges of ₹ 10 debited by the bank. It also showed ₹ 400 collected by the bank as interest.
- e) One of the debtors deposited a sum of ₹ 250 in the account of the firm on 20th March. Intimation in this respect from the book on 2nd April 2007.

Sec – C 10 Marks

1. What are the basic accounting concepts? Explain them in detail.
2. Briefly explain the various accounting convention.

UNIT – II DEPRECIATION SECTION -A 2 MARKS

1. What is depreciation?
2. Give any two characteristics of depreciation.
3. Mention any two methods of providing depreciation.
4. What is a reserve?
5. What is the need for charging depreciation?
6. What do you understand by diminishing balance method.
7. Explain about 'straight line method' of depreciation.
8. What is a reserve?
9. What is a provision?

SECTION – B 5 MARKS

1. B brothers purchased a machinery on January 2011 for ₹ 50,000. The scrap value in 10 years is expended to be ₹ 10,000. If depreciation is calculated by straight line method on every December, prepare the march account for the first 3 years. Calculate the rate of depreciation also.

SECTION – C

10 MARKS

2. A company whose accounting year is the calends year, purchased on 1st Apr,2004, machinery costing ₹ 30,000. It purchased further machinery on 1st oct,2004, costing ₹ 20,000 and on 1st July ,2005 costing ₹ 10,000. On 1st January ,2006, one third of the machinery installed on 1stApril 2004. became obsolete and was sold for ₹ 3,000. Machinery is depreciated on fixed instalment method @ 10% p.a. Show the machinery account.
3. A& Co purchased a machine on 1.1.95 for 9,250 and immediately spent ₹ 750 on its ericolin. On 1.1.96 it purchased another machine for ₹ 2,500 and 1.7.97, it sold off the first machine purchased in 1995 for ₹ 7,000 and on the same date it purchases another machine for ₹ 500. Depreciation was provided on the machinery on WDV basis @ 10% P.a. Give machinery A/C for your years commencing from Jan 1, 95. Under.

SECTION- B 5 MARKS

4. X bought a machine for ₹ 25,000 on which he spent ₹ 5,000 for carriage and freight ₹ 1,000 for brokerage of the middlemen, 3,500 for installation charges and ₹ 500 for an iron pad. The machine is depreciated @ 10% every year on diminishing balance method for 3 years. The machine was sold to Y for 30,500 and ₹ 500 was paid as commission to the broker through whom the sale was affected. Prepare machinery A/C for 3 years.

UNIT – III INSURANCE CLAIM AND AVERAGE DUE DATE.

SECTION -A 2 MARKS.

1. What is meant by Average due date.
2. What are the two methods of claims?
3. What do you understand by fire?
4. Explain salvage value?
5. What is an average clause?

SECTION -B 5 MARKS.

1. A Fire occurred in the premises of a merchant on 18th Sep, 2004 and stock was destroyed. Stock saved from fire was ₹ 8,200. The books disclosed that on 1st Apr, 2004 the stock was valued at ₹ 66,850. The purchases to the date of fire amounted to ₹ 1,85,000 and the sales to ₹ 2,82,500. Goods costing ₹ 500 were taken for personal use and goods sold for ₹ 2,500 was returned to the merchant. Gross profit on cost was 25% Find out the claim.
2. A Fire occurred in the go down of X company Ltd, on 20th March 2002. All stocks were destroyed except to the extent of ₹ 13,000. From the following information, ascertain the claim in respect of Gross by fire.

Stock on 1.1.2001-□ 1,46,000. Purchased during 2001-□ 1,40,000 stock on 31.12.01. □ 24,000. Sales during 2002 up to date of fire □ 1,60,000. Stock was always valued @80% of the cost.

3. Mr. B has accepted the following bills due on different day on different dales. He wants to accept one bill on average due date and requests you to find out that date.

Due date	Amount
4 th May	1,000
23 rd May	275
8 th June	600
13 th June	900
13 th July	700
15 th Aug	400

Calculate Average Due Date.

4. The following amounts are due to Edakuga by spuria. Spuria wants to pay off on 18.3.97. Interest rate 8% P. a is taken into consideration.

Due dates	□
10.1.97	1,000
26.1.97 (Republic Day)	2,000
23.3.97	6,000
18.8.97 (Sunday)	8,000

Determine the amount and average due date.

5. S drew upon W several bills of exchange due for payment on different dates as under.

Date of the bill	Amount ₹	Tenure of the bill
1.6.88	1,200	3 MThs
19.6.88	1,600	2 MThs
10.7.88	2,000	3 MThs
27.7.88	1,500	3 MThs
7.8.88	1,800	1 MThs
15.8.88	2,400	2 MThs

Find out Average Due Date on which payment may be in on single amount.

Sec – C 10 Marks

1. A fire occurred in the ware house of R& co on 8th oct,2015.

□

Stock on 1.1.2014	40,000
Purchased during 2014	1,00,000
Sales during 2014	2,00,000

Stock on 31.12.2014

Purchases during 2015 up to	30,000
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Date of fire 1,50,000

Sales during 2015 up to date of

Fire 2,00,000

The stock was always valued @ 80% of cost. The stock saved from the fire was worth ₹ 20,000. The amount of policy was ₹ 70,000 and there was an average clause in the policy. You are required to prepare a statement showing the amount to be claimed from the insurance company.

UNIT- IV FINAL ACCOUNTS SECTION – A 2 Marks

1. What is trading account?
2. What is gross profit?
3. What is profit and loss account?
4. What is a balance sheet?
5. What do you understand by final accounts?
6. What is fixed assets?
7. What are the basic objectives of preparing final accounts?
8. What do you mean by liquid assets?

SECTION – A 5 Marks.

1. Distinguish between the trading account and profit & loss account.
2. What are final accounts? Why they are prepared?
3. Distinguish between profit and loss account and Balance sheet.
4. From the following information ascertain gross profit and net profit

	□
stock @ opening	2,400
Stock @ opening	20,860
Return out wards	185
Carriage inwards	524
Wages owing	96
Indirect expenses	200

Purchases	15,205
Closing stock	3,840
Return inwards	860
Manufacturing wages	2,800
Loss due to fire	1,000

5. The following figures appear in the books of

	□
Jan1. Bad and Doubtful debts provision	1,200
Discount allowed provision	560
Dec 31 Discount allowed during the year	930
Bad debts written off	470
Bad debts recovered	25
Debtors	1,060

Write off further debts □ 240, create a discount allowed provision of 2% create a bad and doubtful provision of 10% prepare provision for doubtful debts account, bad debt account and provision for discount account.

SECTION –C 10 Marks.

1. From the following particulars prepare trading and profit & loss A/c and the Balance sheet for the year ended 31.12.12.

Particulars	Dr □	Particulars	Cr □
Insurance	3,600	Gen expenses	4,020

Cash @ bank	9,300	Sales	4,38,000
Machinery	36,000	Sales Return	
Wages	35,400	Salaries	3,900
Opening stock	17,100	Purchases	12,630
Fuel & power	9,645	Motor car exp	2,17,500
Drawings	12,000	Rent	
S. Debtors	78,000	Carriage inward	9,162
S. Creditors	33,000	Carriage outward	
Cash in hand	3,588	Capital	5,400
Furniture	5,250		3,060
Motor car	33,000		2,445
			30,000

Adjustments:

- Stock as on 31.12.12 □ 52,500
- Write of debts □ 3,000 and make provision

For doubtful debts @ 5% on sundry debtors.

- Commission earned but not yet received □ 5,400
- Depreciate machinery & Furniture by 10% & motor car by 20%

2. From the following list of balances prepare the trading and profit & Loss A/c and a balance sheet as on 31.12.79.

Particulars	₹
D's capital	60,000
Land & Building	36,000
Printing & stationary	600
Rent & rates	600
Insurance	600
Sales	62,000
Fuel & power	1,700
Debtors	21,000
Sales returns	1,500
Commission received	1,000
Bills Receivable	1,000
Cash	2,000
Drawing	2,000
Salaries	4,000
Wages	4,000
Purchases	40,000
Stock (opening)	10,000
Carriage	400
Loan (credit)	5,000
Creditors	10,000
Machinery	10,000
Purchase returns	1,200
Furniture	2,000
Discount (Dr)	200

a) Closing stock ₹ 12,000. b) provide 2% interesting capital. C) prepaid insurance ₹ 1 5 0. d) commission receivable ₹ 200. f) write off bad

debts ₹ 1,000 and create 5% reserve for bad & debts ₹ 1,000 and create 5% reserve for bad & doubtful debts and 2.5% discount on debtors. g) depreciate 10% on machinery and 5% on furniture.

UNIT V SINGLE ENTRY SYSTEM OF ACCOUNTING: -

SECTION-A 2 Marks

1. What is single entry system of book keeping?
2. What are the two methods of calculating profit under single entry system.
3. What is meant by statement of affairs method?
4. Mention any two limitations of single entry system.

SECTION -B 5 Marks

1. Distinguish between single entry and double entry system of book-keeping.
2. What are the features of single entry system?
3. Give the difference between statement of affairs and Balance sheet.
4. On 1stApr 2012, R started a textile shop, acquired for ₹ 12,00,000 and paid ₹ 2,00,000 for interior fittings. She put ₹ 4,00,000 into bank A/c. In addition to the shop and fitting she had, stock ₹ 6,00,000, Motor Car (purchased on 30/09/12) ₹ 5,50,000, cash @ Bank ₹ 2,50,000. Depreciation is charged @ 2% p. a on shop, 5% p. a on fittings and 20% on car. On 31.03.13, ₹ 1,40,000 was payable to creditors and ₹ 1,00,000 to a friend for money borrowed for business. She had withdrawn ₹ 2,000 per month from the business. Find the profit.

5. B, a trader, does not keep proper books of account however he furnishes the following particulars

Particulars	31 st Mar 2015	31 st March 2016
Cash @ Bank	4,500	3,000
Cash in hand	300	4,000
	40,000	45,000
Debtors	12,000	20,000
Office Equipment	5,000	5,000
Creditors	30,000	20,000
Furniture	4,000	4,000

During the year, B introduced ₹ 6,000 as further capital and withdrew ₹ 4,000 as drawing write off depreciation on furniture @ 10% and office equipment @ 5% prepare a statement showing the profit or loss made by B.

6. From the following data, ascertain sales made during the year by preparing memorandum Trading Account.

Particulars	₹
Opening stock	50,000
Closing stock	30,000
Purchases	3,00,000
Gross profit ratio	20%
Wages	5,000

7. Find out purchases and sales from the following Information:

Particulars	₹
Opening balance of debtors	30,000
Opening balance of creditors	10,000
Collection from debtors	1,60,000
Discount received	2,500
B ad debts	1,000
Payment to creditors	14,000
Discount allowed	1,500
return inwards	2,000
return outwards	3,000
cash purchases	6,000
cash sales	10,000
closing balance of debtors	35,000
closing balance of creditors	15,000

8. Ascertain the credit sales by preparing total debtors account from the following

Particulars	₹
Debtors as @ 31.3.02	28,000

Debtors as @ 31.3.01	24,000
Sales returns	1,000
Cash received from debtors	74,000
Bills receivable	26,000
Discount allowed	1,000
Bad debts	1,000
Cheque received from debtors	10,000
Bills receivable dishonoured	4,000
Cheques dishonoured	6,000

9. Find out the total purchases.

Particulars	□
Total creditors	37,000
Total bills payable (1.1.08)	22,000
Total creditors (31.12.08)	39,560
Total bills payable (31.12.08)	18,000
Cash paid for bills payable	80,000
Discount received	1,370
Cash paid to creditors	39,950
Cash purchases	32,540

10. Find out the total purchases.

Particulars	□
Cash purchases	29,500
Bills payable (opening)	7,500
Bills Payable (closing)	2,500
Creditors (opening)	20,000
Creditors (closing)	18,000
Cash paid	25,000
Bills payable paid	10,500
Purchase returns	1,500
Allowances	800
Bills payable dishonoured	300

SECTION – C

10 Marks

1. Mr. x keeps his books on single entry system. From the following prepare final accounts as on 31/12/18.

Cash book analysis shows the following: -

Particulars	□
Interests charged	100
Salaries	8,500
Payment to creditors	15,000
Cash in hand (31/12/18)	75
Cash sales	15,000
Personal with drawing	2,000
Expenses	7,900
Balance @ bank (31/12/18)	2,425
Received from debtors	25,000

Further details

Particulars	31/12/07	31/12/08
Stock	9,000	10,220
Creditors	8,000	5,500
Debtors	22,000	30,000
Furniture	1,000	1,000
Premises	15,000	15,000

Provide 5% interest on x's capital balance as on 1.1.08.

Provide ₹ 1,500 for doubtful debts 5% depreciation on all fixed assets. Calculate 5% incentive to staff on net profit after deducting all expenses and commission.

2. R Keeps his books under single entry system. From the following information prepare trading and profit & L A/c and Balance sheet as on 31.12.91.

Cash in hand on 1.1.91 was ₹ 4,250.

Assets & liabilities	31.12.90	31.12.91
Debtors	16,300	21,250
Stock	8,330	11,250
Furniture	850	850
Creditors	5,100	3,780

Other transactions: -

Particulars	₹	Particulars	₹
Cash from debtors	52,680	Cash sales	1,275
Cash paid to creditors	37,400	Cash purchases	4,250
Salaries	10,200	Discount received	595
Rent & taxes	1,275	Discount received	255
Other Expenses	1,530	Returns inward	850
Drawings	2,550	Returns outward	680
	1,700		

Additional capital		Bad debts	170
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Capital Adjustments:

Write off depreciation @ 5 % on furniture. Create a reserve of 1 % on debtors for doubtful deb