

BB-201 Financial Accounting

Time allowed: 3 hours

Max. Marks: 60

Important instructions: Section A is compulsory and all the 10 questions have to be attempted. Each question carries 2 marks. The candidate should answer each question in 2-5 lines. From section B, attempt any four questions. Each question carries 10 marks.

Section A - Answer the following:

1. Explain Business Entity concept.
2. What are Nominal Accounts? Give two examples.
3. What are Fixed Assets? Give two examples.
4. What is a Journal? Give its format.
5. How is gross profit calculated?
6. What is accrued income?
7. Differentiate between expenditure and expenses.
8. What are compensating errors?
9. What is narration?
10. What are adjustments in relation to final accounts?

Section B

1. Explain Double Entry System of bookkeeping. What are its objectives? Discuss its advantages.
2. What is depreciation? What are the objectives of charging depreciation? Discuss various methods of charging depreciation.
3. Differentiate between a Trial Balance and a Balance Sheet. Discuss the applications of Trial Balance.
4. In early August 2011, XYZ Company received a bank statement which showed a balance of Rs 55,262 as at 31st July'2011. However, its own record showed a balance of Rs 55,597 on the same date.

The following differences are identified:

- (i) Deposits amounted to Rs 1,300 was not in the bank statement;
- (ii) Two cheques were sent to suppliers, but yet to be accounted for by the bank. The details were as follows:

└ Cheque no: 6661 dated July 20 Rs 380

L Cheque no: 6662 dated July 27 Rs 670

(iii) The bank imposed a service charge of Rs 55

(iv) A cheque no 6666 issued on July 24 for water bill amounting to Rs 3,350 was wrongly entered in the cash payment journal as Rs 3,530. The amount was correctly shown as Rs 3,350 in the bank statement.

(v) A cheque amounting to Rs 210 was received from customer ABC on July 15 and deposited a day after. However, due to insufficient fund in Mr.ABC's account, the bank informed the Company A that the dishonoured cheque had been debited to Company XYZ

Prepare the Bank Reconciliation Statement for Company XYZ.

5. The following errors were detected from the books of a trader:

- i. Return inwards book was overcast by Rs 200
- ii. Rs 1000/- received in respect of book debt posted as cash sales.
- iii. Rs 1150/- paid for salary posted as Rs 950/- to salary account.
- iv. An item of Rs 400/- for goods sold to Ashok debited to Anil's Account.
- v. Rs 150/- paid on account of the tuition fees for the proprietor's son had been debited to General Expenses Account.

Pass rectifying journal entries.

6. From the following Trial Balance extracted from the books of a proprietor, prepare Trading, profit and Loss Account for the year ended on 31st March 2011 and the Balance Sheet as on that date.

Particulars	Dr. balances	Particulars	Cr. balances
Drawings	7,000	Capital	1,05,000
Goodwill	10,000	Sundry Creditors	14,500
Plant & Machinery	40,000	Sales	1,60,000
Office Furniture	5,000	Returns outwards	2,500
Sundry Debtors	40,500	Bills payable	8,900
Purchases	85,000		
Return Inwards	1,500		
Rent	3,750		
Postage & Telegram	500		
Advertising	9,000		
Cash	11,500		
Opening Stock	16,000		

Wages	14,000		
Telephone	500		
Salaries	12,250		
Printing & Stationery	740		
Commission	5,000		
Travelling	2,000		
Carriage	5,800		
Motor Vans	20,860		
Total	2,90,900	Total	2,90,900

Adjustments:

- i. Write off Rs 250 from office furniture, 10% from Plant & Machinery and 20% from Motor Vans.
- ii. Create a reserve of 5% on sundry debtors.
- iii. Stock-in-trade amounted to Rs 12,500 at the end of the year.
- iv. Rent is payable Rs 300.
- v. Write off $\frac{1}{5}$ th of the advertising expenses.
- vi. The proprietor is entitled to interest on capital at 5% p.a. and a total salary of Rs 1,800.

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