

Jagan Institute of Management Studies
End-Term Examination, September-October, 2017
Trimester I – PGDM 2017-19

Financial Accounting
ET_PG_FA_2509

Time: 3 Hrs.

M. Marks: 70

INSTRUCTIONS: Attempt any FIVE questions including Q1 & Q7 which are compulsory.

Q 1 Attempt any **FIVE** of the following:

- a) Explain the term ‘investors’ as user of accounting information. What type of information they generate from the financial statements?
- b) Explain Money measurement concept. What is its significance for accounting in case of a multinational company?
- c) Distinguish between capital and revenue nature transactions. Why is it important to recognize the difference between the two?
- d) As per consistency principle, accounting policies once chosen cannot be changed. Do you agree?
- e) Explain the terms ‘Fictitious Assets’ and ‘Contingent Liabilities’ with examples.
- f) On May 1st 2016, Kotak bank sold some securities to Yes Bank for ₹ 10 crores with the agreement to buy them back at ₹10.1 crores after a month. The transaction was duly executed. How the transactions should be recorded in the books of Kotak Bank? Also give the underlying principle.
- g) Write a note on AS-1 relating to disclosure of accounting policies.
- h) Write a note on IFRS.

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- Q 2**
- a) Oil India Ltd., an Indian company set up an office in Pakistan for executing a specific contract. Due to some reasons, Pakistan put a ban on the company to operate in the country. How will it impact the valuation of assets of the Pakistan operations of the company?
 - b) Agreement of trial balance is not the conclusive evidence of accuracy of books of accounts. In the light of this statement explain the errors which do not affect the agreement of trial balance.
 - c) Give three transactions which are recorded in ‘Journal Proper’
 - d) What is a contra entry? How the accounting for contra entry is different from other business transactions?

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- Q 3**
- a) From the following particulars prepare a bank reconciliation statement in the books of Sandy and compute the balance as per cash book as on

30th June, 2017.

- i) Debit balance as per pass book on 30th June, 2017 ₹18,000.
 - ii) Out of total cheques amounting to ₹45,000 drawn by Sandy, cheques aggregating ₹15,000 were encashed in June 2017, cheques aggregating ₹ 3,000 were encashed in July, 2017 and the rest have not been presented at all.
 - iii) Bank has charged ₹85 as its commission for collecting outstation cheque and has debited Rs.835 for interest.
 - iv) Amount wrongly credited by bank ₹3,200.
 - v) A cheque of ₹12,300 paid in to the bank was returned dishonored but no intimation was received from the bank till June 2017.
- b) Journalise the following:
- i) On 1st January 2017, the following were the balances of Mr. Rugby who deals in the furniture business
Cash at bank ₹21,000, Rex (Cr.) ₹12,000; Zed (Dr.) ₹24,000; Stock ₹22,000; B/P ₹9,000; o/s salary ₹5,000.
 - ii) Purchased machinery for office from Jack in cash ₹20,000. Paid installation charges ₹1,200.
 - iii) Sold furniture to Kamyra traders of the list price of ₹20,000 and allowed him 5% trade discount and 2% cash discount. Kamyra traders settled 60% of the purchase amount immediately.
 - iv) Table worth ₹500 was given as charity.
 - v) Received cash from Rita against bad debts written off last year, ₹3000.

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Q 4 Give necessary journal entries to rectify the following errors and prepare the suspense account

- a) ₹ 5,000 paid for erecting the machinery is debited to wages account.
- b) Goods worth ₹20,000 were destroyed by fire which was not insured. This has not been recorded in the books.
- c) ₹420 received from Mr. Frank against the amount written off as bad last year has been credited to his personal account.
- d) An item of ₹ 150 relating to prepaid rent account was omitted to be brought forward.
- e) ₹500 paid to Mehta Brothers against our acceptance were debited to Malhotra Brother's account.
- f) Bill received from Mr. Biyani for repairs to Laptop ₹ 300 and new Laptop supplied for ₹ 31,000 was entered in the invoice book as ₹30,300.
- g) Goods worth ₹1000 were sent on sale or return basis to a customer and entered in the sales book. At the close of the year, the customer still has the option to return the goods. The sale price was 25% above cost.

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- Q 5 a)** Which method of inventory valuation – FIFO or LIFO, is used during the period of rising price and why?
- b)** From the following data for the month of March, 2017, calculate the value of closing inventory according to LIFO method under periodic inventory system and (b) Prepare the Stores Ledger using FIFO method under perpetual inventory system.

<i>Date</i>	<i>Particulars</i>	<i>Units</i>	<i>Rate</i>
1-Mar	Opening Stock	400 units	7.50
5-Mar	Purchases	600 units	8.00
15-Mar	Purchases	500 units	9.00
25-Mar	Purchases	400 units	8.50
30-Mar	Purchases	300 units	9.50
3-Mar	Sold	300 units	-
10-Mar	Sold	500 units	-
17-Mar	Sold	400 units	-
26-Mar	Sold	500 units	-
31-Mar	Sold	200 units	-

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- Q 6 a)** A Ltd. purchased a second hand machine on 1.4.2012 for ₹4,80,000 and spent ₹20,000 on its installation. On 1.7.2013, it purchased another machine for ₹3,50,000.

On 1.7.2014, it sold the first machine for ₹3,50,000 and on the same date purchased a new machine for ₹250,000 payable as ₹50,000 down and four annual installments of ₹50,000 each along with interest of ₹20,000, 15,000, 10,000 and 5,000 respectively.

On 1.10.2015, the second machine was also sold for ₹90,000.

Depreciation was provided on the machinery @ 10% p.a. on the original cost of the machine.

Show the machinery account, provision for depreciation account and machinery disposal account for the four years ending on 31.03.2016.

- b)** What are the rules regarding revaluation of assets under AS-10 ('Property, Plant and Equipment').

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- Q 7** The trial balance of a firm for the year ended 31.3.2017 is given below: Prepare the financial statements after considering the following additional information:

- i) Closing Stock at market value as on 31.3.2017 was ₹160,000 (cost being ₹145,000).
- ii) Depreciate building by 10%. As one fourth of the building was used for residential purposes of the proprietor, treat one fourth of depreciation and repairs as drawings.
- iii) Annual insurance premium was paid on 1.7.2016 and included Rs.5,000 life insurance premium.

- iv) Loss of stock by fire on 20.6.2016 amounted to ₹ 5,000 and 80% claim was admitted by the insurance company.
- v) Sales include goods worth ₹15,000 sent to S.M.& Co. on approval basis and remaining unsold on 31.3.2017. The cost of the goods was ₹10,000.
- vi) Debtors include (1) ₹10,000 due from M & Co.(creditor include ₹18,000 due to the same party) (2) ₹5,000 on account of sales of furniture and (3) bad debts Rs.2,000.
- vii) Make a provision for bad and doubtful debts @ 10%.
- viii) Salaries owing on 31.03.2017 - ₹ 400.

Building Repairs	6,600	Capital	130,000
Bad Debts	2,000	Creditors	43,000
Office Expenses	4,000	Res. for doubtful debts	3,000
Insurance Premium	5,500	12% Loan (1-5-2016)	50,000
Cash at bank	4,200	Sales	235,800
Cash	1,400		
Opening Stock	62,000		
Debtors	86,000		
Furniture	58,200		
Building	60,000		
Purchases	147,400		
Interest on Loan	2,700		
Salaries	18,600		
Sales Tax	2,000		
Carriage inward	1,200		
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