



FIRST YEAR EXAMINATIONS IN BACHILOR OF COMMERCE (EXTERNAL) –
2011/2012

HELD IN APRIL / MAY 2013

B.COM 16(I) – FINANCIAL ACCOUNTING - I

Calculator is allowed .

Answer all the questions.

Time: 02 Hours

(1)

i. What is accounting? What are the characteristics of good Accounting Information?

Explain them.

(5 marks)

ii. "Accounting concepts and policies are basics of Accounting". Briefly explain this statement.

(4 marks)

iii. Differentiate the following statements.

- a) Accrual concepts and matching concepts.
- b) Direct method and indirect method in cash flow statement.
- c) Cum Div/Int and Ex Div/Int in investment accounts.
- d) Sum of digit method and actuarial method.
- e) Actual profit and apparent profit stated in the contract account.
- f) Descriptive method and published method.
- g) Work certified and work not certified in the contract account.

(7 x 3 = 21 marks)

(Total 30 marks)

(2) The following are the comparative balance sheets for two years and the income statement for the year ended 31.03.2012 of Eastern Company Ltd.

Income statement for the year ended 31.03.2012

Sales	925,000	
Interest income	7,000	
Gain on sale of plant and machinery	<u>6,000</u>	
	938,000	
Cost and goods sold	669,000	
Depreciation expenses	98,000	
Selling and administrative expenses	70,000	
Interest expenses	22,000	
Loss on sale of investment	<u>9,000</u>	
	868,000	
Profit before tax and extraordinary item	70,000	
Tax	<u>(30,000)</u>	
Profit before extraordinary item	40,000	
Extraordinary item:		
Insurance proceeds for natural disaster loss claim	<u>3,000</u>	
	<u>43,000</u>	

Balance sheet as at 31. 03. 2011 and 31.03.2012

Shareholders Fund:	<u>2011</u>	<u>2012</u>
Equity share capital	200,000	350,000
Profit and loss A/C	<u>53,000</u>	<u>71,000</u>
	<u>253,000</u>	<u>421,000</u>

Loan Fund:

Secured laods	137,000	60,000
Unsecured loans	119,000	167,000
	256,000	227,000
Current liabilities:		
Bills payable	73,000	81,000
Creditors	126,000	98,000
Income tax payable	<u>20,000</u>	<u>35,000</u>
	<u>231,000</u>	<u>214,000</u>
Total sources and funds	<u>722,000</u>	<u>862,000</u>
Fixed assets:		
Plant and machinery cost	818,000	973,000
Less: Accumulated depreciation	<u>(505,000)</u>	<u>(552,000)</u>
	<u>313,000</u>	<u>421,000</u>
Investments	142,000	117,000
Current Assets:		
Inventories	118,000	176,000
Debtors(less provisions for doubtful debts	93,000	125,000
Rs.9000 and Rs. 7000		
Prepaid expenses	5,000	3,000
Cash and cash equivalents	<u>51,000</u>	<u>20,000</u>
	<u>267,000</u>	<u>324,000</u>
Total application of funds	<u>722,000</u>	<u>862,000</u>

Additional information on transaction during the period:

1. Purchased machinery costing Rs. 173,000
2. Sold machinery with cost of Rs. 67,000 and accumulated depreciation of Rs. 51,000 for Rs. 22,000.

3. Purchased investments for Rs. 26,000
4. Sold investments costing Rs. 51,000 for Rs. 42,000
5. Purchased machinery for Rs. 49,000 on unsecured credit.
6. Issued at par shares for Rs. 100,000.
7. Converted secured debentures of Rs. 50,000 to equity shares of Rs.10 at par.
8. Paid dividend of Rs. 25,000
9. Repaid unsecured loan of Rs.1000
10. Redeemed secured debentures of Rs. 27,000 at par
11. Wrote off Rs. 10,000 of debtors when a customer insolvent and provided Rs. 12,000 for doubtful debts, including in selling and administrative expenses.
12. Received Rs. 3000 for an insurance claim for loss suffered in an earthquake.

You are required to:

Prepare a cash flow statement using indirect method.

(30 marks)

(3) Ali Ltd sells its goods in containers. The containers are invoiced to customers at Rs. 125 each and a credit Rs. 110 each given on the return of containers in good condition. During the year following transactions have been made:

4000 containers were purchased for Rs. 360,000

Containers issued to customers	–	15,000
Containers returned by customers	–	14,000
Containers damaged during the year	-	100
Containers scrapped during the year	-	200

At the end of the year 600 containers with customers returnable.

Containers repairing expenses and other expenses Rs. 6000 and Rs. 8000 respectively.

Containers are valued at Rs.80 each for stock valuation purposes.

Scrapped containers were sold Rs. 50 each.

Prepare:

- i. Container stock A/C
- ii. Container suspense A/C
- iii. Container trading A/C
- iv. Container customer A/C

(20 marks)

(4)

The following information relates to a building contract for Rs. 1,000,000 for which 80% of the value of work in progress as certified architect is being paid by the contractee. The building construction is three years.

	1 st Year Rs.	2 nd Year Rs.	3 rd Year Rs.
Material issued	120,000	145,000	84,600
Direct wages	110,000	155,000	110,000
Direct expenses	5,000	17,000	6,000
Indirect expenses	2,000	2,600	5,000
Work certified	235,000	750,000	1,000,000
Uncertified work	2,800	8,000	-
Plant issued	14,000	Nil	-
Material at site	2,000	5,000	8,000

The value of the plant at the end of 1st, 2nd and 3rd years was Rs. 11,200, Rs. 7,000, Rs. 3,000 respectively. Prepare contract account for these three years taking into account such profit as you think proper on incomplete contract.

(20 marks)