

FINANCIAL ACCOUNTING - 2006

Note: Sections A, Band C carry 1, 3 and 7 marks for each question respectively.

Section-A

Note: Attempt any five questions. Choose the correct answer:

1. Income and expenditure account shows:
 - (a) Cash and Bank balance
 - (b) Surplus or deficiency
 - (c) Assets and liabilities
 - (d) Capital fund
2. Preliminary expenses is a:
 - (a) Revenue expenditure
 - (b) Capital expenditure
 - (c) Deferred revenue expenditure
 - (d) Capital loss
3. The amount of opening stock can be ascertained by preparing:
 - (i) Memorandum trading account
 - (ii) Total creditors account
 - (iii) Opening statement of affairs
4. The buyer charges depreciation on :
 - (i) Hire purchase price of the asset
 - (ii) Cash price of the asset
 - (iii) Lower of the two
5. Branch account is credited with the amount of cash as well as credit sales under debtors system. (True/False)

Section-B

Note: Attempt any three questions.

6. What is the method for calculating profit in the single entry system?
7. Explain the differences between bills of exchange and promissory note.
8. On 1st January, Ram sold goods to Shyam worth Rs.1,000. On the same date Ram draws a bill for 3 months on Shyam. On 1st March Ram discounts the accepted bill of Shyam with the Bank @ 6% p.a. discount. Pass necessary journal entries in the books of Ram and Shyam.
9. Following incomplete information is available from records maintained by Mr. X:

	1 Jan., 2006 (Rs.)	31 Dec., 2006 (Rs.)
Cash	1,000	1,500
Bank	8,000	10,000
Debtors	10,000	12,000
Stock	7,000	6,000
Investments	20,000	20,000
Creditors	11,000	10,000
Bank Loan	12,000	12,000

During the year 2006, Mr. X introduced in the Business, the amount of Rs. 10,500 as additional capital. Drawings during the year was Rs. 15,000. Prepare a statement of profit or loss during the year 2006.

10. Calculate Interest and Cash Price Instalments from the following details:

Cash Price Rs. 10,000

Rate of Interest 10%

Down Payment 20%

Annual Instalments:

1st year = Rs. 3,800,

2nd year = Rs. 2,500,

3rd year = Rs. 3,300.

Section-C

Note: Attempt any three questions.

11. Why the distinction between capital and revenue is of great importance in accounting? Give certain examples illustrating how a certain expenditure can be regarded as a capital

expenditure as well as a revenue expenditure under different circumstances?

12. Differentiate between a bill of exchange and a promissory note. Give a specimen with at least five entries of the following:

(i) A bills receivable book.

(ii) A bills payable book.

You are also required to make the posting of these entries in the ledger.

13. What do you mean by single entry system? Explain how the profit can be determined under single entry system.

14. What are the methods of pricing of material issues? When do you advocate pricing the issues at the highest purchase price?

15. The following transactions took place in respect of a material item:

Date	Receipt Qty.	Rate (Rs.)	Issue Qty.
03-7-04	200	2.00	-
07-7-04	300	2.40	-
10-7-04	-	-	250
16-7-04	250	2.60	-
25-7-04	-	-	200

Prepare stores ledger account from the following methods :

(i) Simple average method

(ii) Weighted average method