

Reg. No. :

Name :

**Third Semester B.Com. LL.B. (Five Year Integrated) Degree Examination,
October 2023**

Paper II – FINANCIAL ACCOUNTING

(2020 Admission Onwards)

Time : 3 Hours

Max. Marks : 80

- I. Explain any **five** of the following. Each question carries **2** marks. Answer should not exceed **50** words each.
1. What do you mean by Voyage in Progress?
 2. What do you understand by the Principle 'Revenue Realisation'?
 3. Define Hire Purchase.
 4. Which securities are considered variable income-bearing securities?
 5. What is Annuity Method in depreciation accounting?
 6. What is meant by salvage value?

(5 × 2 = 10 Marks)

- II. Explain any **four** of the following. Each question carries **4** marks. Answer should not exceed **120** words each.
1. What is a Container and what are its types?
 2. Calculate the amount of depreciation under fixed instalment method, if the purchase price is Rs. 2,56,000, installation charges is Rs. 14,000. The estimated useful life of the asset is 5 years and the salvage value pertains to Rs. 2,800. Also, prepare asset account for 3 years.
 3. Revenue, Expenses and Gross Profit Balances of M/s ABC Traders for the year ended on 31st March 2011 were as follows:
Gross Profit ₹4,20,000, Salaries ₹1,10,000, Discount (Cr.), ₹18,000, Discount (Dr.) ₹19,000, Bad Debts ₹17,000, Depreciation ₹65,000, Legal Charges ₹25,000, Consultancy Fees ₹32,000, Audit Fees ₹1,000, Electricity Charges ₹17,000, Telephone, Postage and Telegrams ₹12,000, Stationery ₹27,000. Interest paid on Loans ₹70,000.
Prepare Profit and Loss Account of M/s ABC Traders for the year ended on 31st March, 2011.

P.T.O.

4. Write a note on : (a) Ex-interest (b) Cum-interest.
5. On 1st April, 2001 a manufacturing company buys on Hire purchase system a machinery for ₹90,000, payable by three equal annual instalments combining principal and interest the rate of interest was 5% per annum. Calculate the amount of cash price and interest. Assume that the present value of an annuity of one rupee for three years at 5% interest is 2.723.

(4 × 4 = 16 Marks)

III. Explain any four of the following. Each question carries 6 marks.

1. State the difference between Hire purchase and Instalment System.
2. Reliance Ltd. purchased a second hand machine for ₹56,000 on October 01, 2011 and spent ₹28,000 on its overhaul and installation before putting it to operation. It is expected that the machine can be sold for ₹6,000 at the end of its useful life of 15 years. Moreover an estimated cost of ₹1,000 is expected to be incurred to recover the salvage value of ₹6,000. Prepare machine account and Provision for depreciation account for the first three years charging depreciation by fixed instalment method. Accounts are closed on March 31st every year.
3. On 30th June, 2011 accidental fire destroyed a major part of the stocks in the godown of Jay Associates. Stocks costing ₹ 30,000 could be salvaged but not their stores ledgers. A fire insurance policy was in force under which the sum insured was ₹ 3,50,000. From available records, the following information was retrieved:
 - (a) Total of sales invoices during the period April-June amounted to ₹ 30,20,000. An analysis showed that goods of the value of ₹ 3,00,000 had been returned by the customers before the date of the fire.
 - (b) Opening stock on 1.4.2011 was ₹ 2,20,000 including stocks of the value of ₹ 20,000 being lower of cost and net value subsequently realised.
 - (c) Purchases between 1.4.2011 and 30.6.2011 were ₹ 21,00,000.
 - (d) Normal gross profit rate was 33 1/3% on sales.
 - (e) A sum of ₹ 30,000 was incurred by way of fire-fighting expenses on the day of the fire.

Prepare a statement showing the insurance claim recoverable.

4. What are the advantages and disadvantages of insurance claims?
5. The S.S. Ody undertook a voyage from Chennai to Kolkata starting on 1st January 2002 and reaching on 31st March, 2002 and reaching on 31st March 2002. The cargo consisted of 900 ton of food grains and 100 tons of engineering goods. The freight charges were ₹150 per ton for food grains and 100 per ton for engineering goods. In addition, primage was 10%. Brokerage was payable at 5%. The expenses were:

	Chennai (₹)	Kolkata (₹)
Diesel	20,000	—
Port Charges	9,000	2,000
Harbour Charges	3,000	1,000
Loading Charges	2,000	—
Other expenses were: (₹)		
Stores	2,000	
Postage	1,000	
Salaries	10,000	

The ship was insured for ₹10,00,000 @ 1% for voyage policy of Hull. The freight was insured @ ½%. Depreciation is charged on the written down value of the ship @ 5% pa. The value of ship as on 1st January 2002 was ₹8,00,000. Prepare Voyage Account.

(4 × 6 = 24 Marks)

IV. Explain any three of the following. Each question carries 10 marks.

1. Explain the methods of preparing Container accounts.
2. The following were the balances extracted from the books of Yogita as on March 31, 2017:

Cash in hand ₹ 540 sales ₹ 98,780 Cash at bank ₹ 2,630 Return outwards ₹ 500
Purchases ₹ 40,675 Capital ₹ 62,000 Return inwards ₹ 680 Sundry creditors
₹ 6,300 Wages ₹ 8,480 Rent ₹ 9,000 Fuel and Power ₹ 4,730 Carriage on sales
₹ 3,200 Carriage on purchases ₹ 2,040 Opening stock ₹ 5,760 Building ₹ 32,000
Freehold land ₹ 10,000 Machinery ₹ 20,000 Salaries ₹15,000 Patents ₹ 7,500
General expenses ₹ 3,000 Insurance ₹ 600 Drawings ₹ 5,245 Sundry debtors
₹ 14,500.

Taking into account the following adjustments prepare trading and profit and loss account and balance sheet as on March 31, 2017

- (a) Stock in hand on March 31, 2017, was ₹6,800.
 - (b) Machinery is to be depreciated at the rate of 10% and patents @ 20%.
 - (c) Salaries for the month of March, 2017 amounting to ₹1,500 were outstanding.
 - (d) Insurance includes a premium of 170 on a policy expiring on September 30, 2017
 - (e) Further bad debts are 725. Create a provision @ 5% on debtors.
 - (f) Rent receivable 1,000.
3. X Transport Ltd. purchased from Delhi Motors 3 Tempos costing ₹50,000 each on the hire purchase system on 1-1-2021. Payment was to be made 30,000 down and the remainder in 3 equal annual instalments payable on 31-12-2021, 31-12-2022 and 31-12-2023 together with interest @ 9%. X Transport Ltd. writes off depreciation at the rate of 20% on the diminishing balance. It paid the instalment due at the end of the first year i.e. 31-12-2021 but could not pay the next on 31-12-2022. Delhi Motors agreed to leave one Tempo with the purchaser on 1-1-2023 adjusting the value of the other 2 Tempos against the amount due on 31-12-2022. The Tempos were valued on the basis of 30% depreciation annually. Show the necessary accounts in the books of X Transport Ltd. for the years 2021, 2022 and 2023.
4. On 1st January 1994, X Ltd. held as investment ₹ 50,000, 6% Government Stock costing ₹ 47,000 On 31st March, a purchase of ₹ 2,00,000 of same Government Stock was made at ₹ 95-cum-interest. On 1st July, the company sold ₹ 1,00,000 stock ₹ 96. On 1st October, a further ₹ 70,000 of the investment was sold at ₹ 98 cum-interest. The market price of the stock on 31.12.94 was ₹ 99 (ex-interest).

Half yearly interest is payable on 30th June and 31st December every year. Prepare the Investment Ledger of the company ignoring income tax and brokerage.

(3 × 10 = 30 Marks)