

**DA-130**

December-2013

**5 Years MBA Integrated (KS) FY MBA  
FUNDAMENTALS OF FINANCIAL ACCOUNTING****Time : 3 Hours]****[Max. Marks : 100**

1. Answer any **two** from a, b, and c. **20**
- (a) What do you understand by the Balance Sheet ? Explain the content of a Balance Sheet in detail as per latest format.
- (b) Give meaning of accounting concepts. Explain Going Concern concept and Cost concept in detail with example.
- (c) Explain following terminology of Financial Accounting :
- |                  |              |               |
|------------------|--------------|---------------|
| (1) Capital      | (2) Revenue  | (3) Liability |
| (4) Depreciation | (5) Reserves |               |
2. (a) On 1<sup>st</sup> January 2013, Akash consigned 1000 radios costing ₹ 200 each at an invoice price of ₹ 250 each to Dharti. Akash incurred following expenses : **14**
- |           |       |
|-----------|-------|
| ₹         |       |
| Insurance | 3,000 |
| Freight   | 2,000 |
- Dharti is entitled to get 10% commission on total sales and 5% Del Credere Commission on credit sales. Akash wrote a bill on Dharti for ₹ 60,000 and that bill was discounted for ₹ 59,000. Dharti sent following information :
- (1) 600 Radios were sold each for ₹ 350.
- (2) 200 Radios were sold on credit each at ₹ 400 to Dhara.
- (3) 80 Radios were sold to Amar (on recommendation of Akash) each at ₹ 350.
- (4) 20 radios (in transit) were totally damaged and insurance company accepted a claim for 70% amount.
- (5) Dharti paid following expenses :
- |                  |       |
|------------------|-------|
| ₹                |       |
| Wages            | 4,000 |
| Clearing charges | 2,000 |
| Selling expenses | 1,800 |
- (6) Dharti sent bank draft for the payment due.
- (7) Dhara and Amar became insolvent and only 80 paise could be recovered from them.
- From the above information, you are required to prepare
- (i) Consignment Account      (ii) Consignee Account
- (b) Distinguish between consignment and joint venture. Explain advantages of joint venture. **6**
3. (a) On 1<sup>st</sup> January 2009, Ajay obtained a coal mine from Vijay for a period of 10 years on the following conditions : **12**
- (1) Royalty is payable at the rate of ₹ 2 per ton.
- (2) Minimum rent for the first year is ₹ 10,000 p.a. and thereafter for the next two years it is to be increased by ₹ 1,000 p.a.
- (3) In the event of strike or accident, the minimum rent of that year is to be reduced to 75% provided royalty amount is being less than the minimum rent.

- (4) Each year short working could be recovered within subsequent two years.  
 (5) The details of royalty was as follows :

| Year | Royalty (₹) |
|------|-------------|
| 2010 | 5,000       |
| 2011 | 17,000      |
| 2012 | 15,000      |
| 2013 | 8,000       |

- (6) In the year of 2011 and 2013 there was a strike and production remained closed for two months.

Pass necessary entries in the books of Ajay with necessary accounts for the first three year of the contract.

- (b) Give meaning of Lease and explain various types of lease. 8

**OR**

What do you mean by Good Repossessed ? How are they treated in the books of hire vendor ?

4. The Mumbai Head Office has a branch at Delhi which supplied goods at cost but with instruction to sell the goods at a profit of 25% on cost. All expenses of the branch are paid by the Head Office except sundry expenses.

From the following details write up the branch account in the books of Head office and Trading and Profit and Loss Account of the branch. 20

| Particulars       | 1 <sup>st</sup> April 2012<br>(Rs.) | 31 <sup>st</sup> March 2013<br>(Rs.) |
|-------------------|-------------------------------------|--------------------------------------|
| Debtors           | 6,000                               | 9,800                                |
| Stock             | 24,000                              | --                                   |
| Prepaid insurance | 225                                 | 300                                  |
| Unpaid Salary     | 250                                 | 175                                  |
| Petty Cash        | 48                                  | 63                                   |

|  |              | ₹      |
|--|--------------|--------|
| Amount sent by H.O. to the branch for the petty expenses |              | 390    |
| Goods sent by H.O. to the branch                         |              | 69,380 |
| Goods returned by the branch to H.O.                     |              | 1,380  |
| Furniture sent by the H.O. to the branch (on 1-10-2012)  |              | 2,000  |
| Returns from customers                                   |              | 2,300  |
| Bad debt   |              | 680    |
| Discount to customers                                    |              | 520    |
| Amount received by H.O. from branch:                     |              |        |
| Cash sales   | 16,000       |        |
| Collection from debtors                                  | 69,000       | 85,000 |
| Expenses paid by the H.O.                                |              |        |
| Rent   | 775          |        |
| Salaries   | 1,200        |        |
| Advertisement  | 650          |        |
| Insurance  | 675          |        |
| Wages  | <u>2,150</u> | 5450   |
| Calculate 10% depreciation on furniture.                 |              |        |

**OR**

- (a) Vidhi Investment Corporation had on hand 1-1-2012, 9% Central Government Securities of face value of ₹ 1,00,000 at a cost price of ₹ 1,10,000. Interest is paid on these securities on 31<sup>st</sup> March and 30<sup>th</sup> September every year. Brokerage is to be paid @ 1% on face value on transactions of purchase and sale. Following transactions took place during the year 2012.

| Date       | Face Value (₹) | Rate (%) | Remarks               |
|------------|----------------|----------|-----------------------|
| 1-3-2012   | 1,00,000       | 98       | Purchase Ex-interest  |
| 31-5-2012  | 80,000         | 102      | Sales Ex-interest     |
| 1-6-2012   | 60,000         | 98       | Sales Cum-interest    |
| 30-11-2012 | 20,000         | 99       | Purchase Cum-interest |

Stock is to be valued as per FIFO method.

From the above transactions, prepare 9% Central Government Securities Account for the year ended on 31<sup>st</sup> December, 2012.

14

- (b) What do you mean by (i) Independent Branch (ii) Foreign Branch ?

6

5. (a) Fire occurred in godown of Mr. Shrenik Shah on 1<sup>st</sup> April, 2013. Stock except ₹ 10,800 destroyed by fire. He provides following information. He follows calendar year as accounting year.

15

| Particulars/Year            | 2010     | 2011     | 2012     | Up to 15-4-2013 |
|-----------------------------|----------|----------|----------|-----------------|
| Opening Stock               | 1,65,000 | 1,32,000 | 99,000   | 33,000          |
| Purchases                   | 3,25,200 | 3,36,000 | 3,87,000 | 1,68,000        |
| Depreciation                | 18,000   | 19,000   | 18,000   | 17,000          |
| Commission received         | 15,000   | 18,000   | 12,000   | 17,000          |
| Sales                       | 4,80,000 | 4,50,000 | 5,40,000 | 1,80,000        |
| Wages                       | 72,000   | 30,000   | 39,000   | 15,000          |
| Profit on sale of furniture | —        | —        | 8,000    | —               |

**Additional information :**

- (1) It is a policy to value stock at 10% more than cost.
- (2) Expenses to mitigate fire amounted ₹ 1,500
- (3) In addition, some of the goods salvaged was in damaged condition and its value was determined ₹ 3,000.
- (4) Stock was insured for ₹ 50,220.

From the above information, you are required to calculate loss by fire and prepare a statement of claim put up against insurance company.

- (b) Describe the advantages and limitations of self-balancing ledgers.

5

OR

5. (a) Prepare sales ledger adjustment account and purchase ledger adjustment account in the general ledger as on 31-3-2013.

10

|   | ₹      |
|---|--------|
| Debtors (1-4-2012) Debit                            | 34,500 |
| Debtors (1-4-2012) Credit                           | 400    |
| Creditors (1-4-2012) Credit                         | 54,600 |
| Creditors (1-4-2012) Debit                          | 200    |
| Credit purchases                                    | 50,500 |
| Credit sales  | 55,000 |
| Purchase return from credit purchases               | 1,500  |
| Cash paid to creditors                              | 25,500 |
| Bills receivable received from debtors              | 18,500 |
| Bills receivable dishonored                         | 500    |
| Bills payable accepted from creditors               | 15,000 |
| Discount allowed to debtors                         | 400    |
| Discount allowed to debtors but later on disallowed | 200    |
| Cash received from debtors                          | 17,000 |
| Discount received from creditors                    | 2,000  |
| Bad debts written off                               | 400    |
| Bad debts previously written off now recovered      | 250    |

A credit balance of ₹ 24,000 in the creditors ledger is transferred to the debtors ledger on account of settlement of accounts.

- (b) What is the effect of existence of 'average clause' in an insurance policy on the amount of insurance claim in case of loss ? What is its advantage to the insurance company ? Also give the meaning of 'Consequential Loss' or 'Loss of Profit' policy.

10