

Seat No. : _____

DA-125

December-2018

F.Y.M.B.A Integrated, Sem.-I

Fundamentals of Financial Accounting

Time : 2:30 Hours]

[Max. Marks : 70

Note : Show necessary calculation as the part of your answer.

1. Attempt any **two** : (7 marks each) **14**

- (A) What is accounting ? Explain Accounting process in detail.
- (B) Explain advantages and limitations of Balance sheet and Statement of Profit and Loss.
- (C) Explain which accounting concept is suggested by the following statements :
 - (i) The provision is made for doubtful debt on the debtors.
 - (ii) Capital is shown as a liability in the balance sheet.
 - (iii) Fixed assets are always shown at its written down value.
 - (iv) Stock is valued at cost or market price whichever is lower.
 - (v) Goodwill is gradually written off from books of accounts.
 - (vi) Accounting transactions should be recorded on the basis of its vouchers.
 - (vii) Pre-paid expenses should be carried forward.

2. Hiren and Kishan entered into a joint venture on 1-7-2017 to purchase and sale goods, agreeing to share profit or losses in the ratio of 3 : 2. They also decided to pay Hiren a commission at 10% on all sales and to pay Kishan a salary of ₹ 5,000 per month.

Hiren purchased goods of ₹ 1,25,000 at 20% trade discount and Kishan supplied goods of ₹ 5,00,000 from his own stock. Kishan drew a bill of ₹ 2,00,000 for three months, which Hiren accepted and returned. Kishan discounted the bill in the bank and received ₹ 1,96,000. **14**

Other information :

- 1. Kishan sold 20% of the total goods at 25% profit on sales.
 - 2. Hiren sold 75% of remaining goods at 25% profit on cost.
 - 3. Hiren paid ₹ 7,500 as selling expenses.
 - 4. Unsold goods were taken up by Kishan after adding average profit to the cost.
- Assuming that the co-venturers settled their accounts on 31-12-17, prepare necessary accounts in the books of Kishan.

OR

2. On 1-1-18, Rohit Oil Co. of Chennai, consigned 1,000 barrels of oil, cost ₹ 8,000 per barrel to M/S Vandana Oil. The consignor paid ₹ 50,000 as freight and insurance. **14**
25 barrels were destroyed in transit for which, the insurance company admitted claim at ₹ 1,50,000

Vandana Oil accepted a bill for ₹ 5,00,000 for 3 months. He informed that :

- (1) Clearing charges ₹ 1,12,500; Godown Rent ₹ 1,00,000; Salaries of salesmen ₹ 3,00,000; Advertisement expenses ₹ 2,00,000 were paid by him.
- (2) 750 barrels were sold at ₹ 12,000 per barrel.
- (3) 25 barrels were damaged due to leakage which is considered as normal loss.

The consignee is entitled for 5% Commission on sale. Vandana Oil sent the draft of amount due.

Prepare necessary accounts in the books of Rohit Oil Co.

3. Zankhna Ltd. acquired a machine on Hire- purchase on 1st April, 2016. The terms of contract was as follows : **14**

- (1) The cash price of the machine was ₹ 50,000
- (2) ₹ 20,000 were to be paid on signing of the contract.
- (3) The balance was to be paid in annual instalments of ₹ 10,000 plus interest.
- (4) Interest chargeable on outstanding balance was 6% per annum.
- (5) Depreciation at the rate of 10% p.a. is to be written off on the straight line method.

You are required to show the relevant accounts from 1st April, 2016 to 31st March, 2018 in the books of Zankhna Ltd.

OR

3. (A) Mr. N wrote a book and got it published with NTM printers on the terms that royalties will be paid at ₹ 50 per copy sold, subject to a Minimum Rent of ₹ 15,000 per year, with a right to recoup the short working over the first three years of the royalty agreement. The details are as under : **10**

Year	No. copies printed	No. of copies of closing stock
2014	200	10
2015	300	20
2016	400	40
2017	500	50

Pass necessary entries in the books of NTM printers from year 2014 to year 2017.

- (B) Explain Operating Lease and Financial Lease. **4**

4. (A) Saiyed Traders of Gandhinagar has a branch at Baroda. HO sends goods to branch at cost price with the instruction to sell the goods at a profit of 25% on cost price. The branch sells goods for cash as well as on credit. All the expenses of branch are paid by the HO, except petty expenses. Head office sends petty cash to branch for petty expenses. All cash collections by the branch are to be remitted to the Head Office.

The following information of Baroda branch is available for the year ended 31st March, 2018 :

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- (1) Balances as on 1-4-2017 :

Stock	?
Debtors	1,00,000
Furniture	75,000
Petty cash	5,000

- (2) Transactions during the year 2017-18 :

Goods sent to branch by HO	27,50,000
Goods returned by branch to HO	1,25,000
Cash sales by branch	10,00,000
Goods returned by debtors to branch	1,25,000
Branch expenses	
Rent and taxes	50,000
Office expenses	75,000
Salary	<u>1,50,000</u>
Cash received from debtors	18,75,000
Bad debts	75,000
Petty cash sent to branch by Head Office	20,000
Furniture sent to branch by Head Office	1,50,000
(1-10-2017)	
Total sales	32,50,000

- (3) Balances as on 31-3-2018

Petty cash	2,500
Stock	3,75,000

- (4) Furniture to be depreciated at 10% p.a. as per written down value method.
(5) The branch has sold the goods as directed by the HO.
From the above particulars, prepare Baroda Branch Account.

- (B) Explain in brief the concept of cum-interest transaction and Ex-interest transaction with examples.

4

5. Write a note on following :
- | | |
|--------------------------------|---|
| (A) Consequential loss policy | 5 |
| (B) Average Clause | 5 |
| (C) Memorandum Trading Account | 4 |

OR

Sandip Ltd. have three ledgers in use viz. Debtors Ledger, Creditors Ledger and Normal Ledger which are all kept on the system of self-balancing. From the following particulars, prepare the adjustments account that would appear in each of these ledgers. **14**

01-04-17	Balance of Sundry Debtors	20,000
	Balance of Sundry Creditors	15,000
31-03-18	Credit purchases	5,000
	Credit sales	10,000
	Cash sales	20,000
	Paid to creditors	9,000
	Discount allowed by them	500
	Cash received from debtors	8,000
	Allowed them discount	1,000
	Bills payable accepted	2,000
	Bills receivable received	5,000
	Sales returns	800
	Purchase returns	1000
	Allowance to debtors	300
	Allowance to creditors	200
	Provision for doubtful debts	300
	Bad debts	500
	Bills receivable dishonoured	400