

QUESTION BANK

SUBJECT NAME: FINANCIAL ACCOUNTING – I

SUBJECT CODE: CM101Q

Subject Handled : Dr.L.Santhanaraj

Dr.P.James mary

Mr.P.Vaithiyathan

Mr.P.Benjamin Rozario

SECTION – A (10X2=20)

1. Define Accounting.
2. List out the objectives of Accounting.
3. What is 'Book-keeping'?
4. What is double entry system?
5. State the golden rules of accounting.
6. What are personal Accounts?
7. What are nominal accounts?
8. What are Real Accounts?
9. What is 'Accrual basis' of accounting?
10. List out the Accounting Concepts.
11. List out the Accounting Conventions.
12. Explain the term: Convention of Conservatism.
13. What are subsidiary books?
14. What is cash book?
15. What is petty cash book?
16. Give the meaning of 'Trial Balance'.
17. Explain the term: Journal.
18. What is ledger?
19. Write a short note on: Net profit.
20. Write a short note on: Gross profit.
21. What are final Accounts?
22. What you understand by Balance sheet?
23. What are the uses of financial statements?
24. What is single entry system?
25. What is a statement of affairs? Why is it prepared?
26. What is conversion method?
27. What is Imprest system in relation to petty cash book?
28. What do you mean by closing entries?
29. Write the meaning of 'Outstanding Expenses'.
30. Explain the meaning of 'Non – Trading Organization'.
31. What is a 'Receipts and Payments Account'?
32. What is an 'Income and Expenditure Account'?
33. What is entrance fees/?
34. What is legacy?
35. Write a note on: Subscription.
36. What is endowment fund?
37. Write a note on: Government grant.
38. What is consignment?
39. What you understand by 'Proforma Invoice'?
40. What is Account Sale?
41. What do you mean by over ridding Commission?
42. What do you mean by De Credre Commission?
43. What are recurring expenses of Consignment?

44. What are non-recurring expenses of Consignment?
45. What do you mean by normal loss?
46. What do you mean by abnormal loss?
47. What is 'Joint Venture'?
48. What is a 'Joint Bank'?
49. Who is Co-venturer?
50. How Joint Venture differs from partnership?

SECTION – B (5X5=25)

1. Discuss the advantages of Accounting.
2. Enumerate the differences between Book keeping and Accounting.
3. What are the various kinds of Cash books?
4. Distinguish between single entry and double entry system.
5. Distinguish between 'Receipts and Payments Account' and 'Income and Expenditure Account'.
6. Journalise the following transactions:
 - 1994 Jan 1 Mr. Kumar commenced business with cash Rs. 50,000,
Building Rs. 1,00,000, Bank balance of Rs. 1,00,000
 - 3 Purchased goods for cash Rs. 7,000.
 - 4 Purchased goods for Rs. 7,500 from Dhanam & Co
 - 5 Sold goods to Swamy & Co Rs. 9,500
 - 6 Sold goods to Nithya & Co. Rs. 6,500
 - 7 Sold goods to Rs. 2,000.
 - 8 Obtained a loan from Indian Bank Rs. 20,000.
 - 9 Purchased furniture Rs. 2,000.
 - 10 Purchased Land by issuing a cheque Rs. 25,000.
7. Mr. kamal provides you the following figures relating to the year 1998: Opening stock.Rs.25000, Purchase – Rs.2,50,000 freight and cartage – Rs 10,000. Closing stock – Rs.15000,operating expenses Rs.40,000 and other incomes – Rs.20,000 sales – Rs.4,00,000. Calculate gross profit and Net profit of Mr. Kamal.
8. Enter the following transactions in the Journal of Mrs. Selvi of Madurai.

2012 May		Rs.
1	Commenced a business with Cash	2, 00,000
2	Cash deposited into Bank	80,000
5	Purchased goods for Cash	40,000
8	Cash sales	80,000
13	Purchased furniture for cash	1, 00,000
17	Sold goods to Banu	40,000
19	Withdrew cash for Personal use	60,000
25	Paid cash for Postage	4,000
31	Paid to Rent	20,000

9. The following is the trial balance of Mr. Ranjit on 30th June, 2014:

Particulars	Rs	Rs
Capital	-	15,000
Purchases	20,000	-
Sales	-	30,000

Wages	1,200	-
Furniture	800	-
Salaries	900	-
Travelling expenses	700	-
Commission	300	-
Cash in hand	1,000	-
Cash at Bank	3,400	-
Buildings	16,000	-
Debtors and Creditors	4,500	4,000
Bills payable and Bills receivable	600	800
Telephone	100	-
Returns	500	200
	50,000	50,000

On 30th June, 2014 stock was valued at Rs.7,500. Prepare trading and profit and loss account for the year ended on 30th June, 2014.

10. Enter the following transactions in the sales day book. At the end of the month, total the day book and indicate the amount to be posted to General Ledger. The firm carries on furniture business.

2000

- May 1 Sold office furniture to Sukumar, list price Rs. 9,600 allowing him 20% trade discount. Invoice No. 9152.
- 8 Sold 8 filling cabinets to Mohan at list price of Rs. 1,000 each.
- 18 Sold 12 typewriters to Ambal Commerce College at Rs. 1,800 each. Trade discount of 15% was allowed. Invoice No. 9267
- 28 Sold Office furniture to Sandhya Industries Ltd., list price Rs. 12,000, Trade discount of 20% was allowed. Invoice No. 9276
11. 'X' commenced business on 1st January, 1989 with a capital of Rs. 20,000. Soon thereafter, he bought furniture for Rs. 4,000. On 30th June, 1989 he borrowed Rs. 10,000 from his brother at 12% per annum (interest not yet paid) and introduced a further capital of his own amounting Rs. 3,000. He withdrew @ Rs. 600 p.m. at the end of the each month for household expenses. On 31st December, 1989 his position was as follows:
Cash in hand Rs. 400. Cash at bank Rs. 5,200; Sundry Debtors Rs. 9,600;
Stock Rs. 10,000; Bills Receivable Rs. 3,200; Sundry creditors Rs. 1,000
and owing for rent Rs. 300.
Furniture and fixtures are to be depreciated by 10%. Ascertain the profit or loss made by 'X' during 1989.

12. From the following facts you are required to calculate total purchases:

		Rs.
Bills payable on 1 st January	5,000	
Creditors 1 st January		6,000
Bills payable 31 st December	7,000	
Creditors 31 st December	4,000	
Cash paid to creditors during the year	30,200	
Bills payable discharged during the year	8,900	
Returns outwards	1,200	
Cash purchases	25,800	

13. Prepare Trail balance from the following ledger balance for the year ending 31.12.2013:

	Rs		Rs
Capital	50,000	Plant & Machinery	80,000
Sales	1,77,000	Purchase Return	60,000
Return outwards	750	Inwards	1,000
Stock (1.1.2013)	30,000	Discount (Dr)	350
Discount (creditors)	800	Bank charges	75
Debtors	45,000	Creditors	25,000
Salaries	6,800	Carriage inwards	750
Wages	10,000	Carriage outwards	1,200
Bad debts provisions	525	Rent and tax	10,000
Advertisement	2,000	Cash in hand	900
		Cash at bank	6,000

14. Prepare Trial Balance from the following:

	Rs.		Rs.
Capital	18,000	Rent outstanding	2,000
Plant & Machinery	24,000	Opening stock	4,000
Purchases	16,000	Sales returns	8,000
Sales	24,000	Investments	28,000
Creditors	16,000	Debtors	24,000
Bank loan	44,000		

15. Prepare trading and Profit and Loss account from the following information:

	Rs		Rs
Opening stock	4,800	Rent - Factory	600
Purchase	19,000	Rent- office	800
Wages	3,800	Sales return	1,000
Closing stock	5,000	Purchase return	500
Sales	40,000	General expenses	1,000
Carriage on purchase	1,000	Discount to customer	500
Carriage on sales	500	Interest from bank	300

16. Prepare a profit and loss account from the following extracted from the Trial balance of Mr. Babu Rao for the year ending 31.12.2010.

Particulars	Rs.	Particulars	Rs
Salary	4,000	Discount allowed	400
Insurance	2,000	Bad debts	1,200
Advertisement	1,400	Telephone charges	1,100

Office rent	1,000	₹ Trade expenses	900
Salesmen's salary	3,200	Gross profit	22,000
Printing & Stationery	1,200	Rent received	1,000
Carriage inwards	800		

17. Rs. 50,000 was spent for expenses in 1999. On 31-12-1998, prepaid expenses were Rs.1,600 and outstanding expenses were Rs. 1,200.

On 31-12-1999, prepaid expenses and outstanding expenses respectively were Rs. 4,000 and Rs. 2,000. Pass the necessary journal entries and open accounts. How much amount of expenses will be transferred to Income and Expenditure A/c?

18. P&B undertook jointly to construct a building for Z Ltd. for a contract price of Rs. 1,60,000. The price was to be paid Rs. 80,000 in cash and the balance in shares of Z Ltd. A banking account was opened jointly, P contributing Rs. 45,000 and B Rs. 40,000. They agreed to share profit or loss in proportion of 3/5 : 2/5. The joint venture transactions were as under. Materials purchased Rs. 74,000, Wages paid Rs. 46,000, Establishment expenses paid Rs. 6,000.

The contract was completed and the price was received. The shares were sold for Rs. 70,000. B took over the unused materials at Rs. 2,000. Show the necessary accounts.

19. From the following particulars prepare a Receipts and Payments Account:

		Rs.
Cash in hand		100
Cash at bank		500
Subscription received		3,300
Donation received	260	
Investment purchased		1,000
Rent paid	400	
General Expenses	210	
Postage and Stationery	70	
Sundry Expenses	30	
Cash balance at close		20

20. Calculate what amount will be posted to income and expenditure account for stationery from the following data:

Stock of stationery on 1-1-1999		300
Advanced paid for stationery on 31-12-1998		20
Amount paid for stationery in 1999	1,080	
Stock of Stationery on 31-12-1999		50
Creditors for stationery on 31-12-1999	130	
Advance paid for stationery on 31-12-1999		30
Creditors for stationery on 1-1-1999		200

SECTION – C (3X10=30)

1. Define 'Accounting'. Enumerate and explain the objectives, advantages and Limitations of Accounting.
2. Explain the Accounting Concepts and Conventions
3. Briefly write a note on 'Subsidiary Books'.
4. State the limitations of Accounting?
5. Discuss the utility of accounting information.
6. Explain the advantages and disadvantages of single entry and double entry system.
7. Distinguish between single entry and double entry system.
8. Distinguish between 'Receipts and Payments Account' and 'Income and Expenditure Account'.

9. Distinguish between sale and consignment.
10. Distinguish between Joint Venture and Partnership.
11. Journalise the following transactions
 - a. Purchased from Brown 20,T.VS @ Rs.12,000 per piece and trade discount allowed @ 12%
 - b. Sold old furniture to S on credit for Rs.800.
 - c. Cash withdrawn from bank for personal use Rs.8,000.
 - d. Paid wages by cheque Rs.4,000
 - e. A cashier has stolen Rs.1,500 and he is absconding.
12. From the Trial balance given below, prepare final Accounts for the year ending 31.3.1996

	Rs		Rs
Plant and Machinery	60,000		
Stock (1.4.1995)	55,000	Discount Received	1200
Purchases	1,92,500	Sales	2,93,500
Wages	12,500	Bills payable	18,500
Carriage inwards	4,000	Sundry Creditors	93,250
Insurance	3,500	Capital	1,93,500
Bills Receivable	22,500		
Sundry Debtors	1,50,000		
Commission	4,000		
Interest	3,500		
Trade Expenses	3,450		
Furniture	6,000		
Cash in hand	42,250		
Rent and Rates	12,750		
Office expenses	8,000		
Buildings	20,000		
	5,99,950		5,99,950

13. From the Trial balance of Mr.George for the year ending 31st March, 2014, prepare Trading and Profit and Loss account and Balance sheet as on 31st march 2014.

Particulars	Rs	Rs
Opening stock	25,000	-
Capital	-	2,25,000
Debtors and Creditors	30,000	17,500
Purchases and Sales	2,00,000	3,50,000
Returns	7,500	5,000
Carriage	4,000	-
Wages	12,500	-
Commission	-	6,500
Machinery	40,000	-
Furniture	10,000	-

Bad debts	4,000	-
Provision for Doubtful debts	-	5,000
B/R and B/P	15,000	3,500
Land and Buildings	2,00,000	-
Taxes and Insurances	8,500	-
Discount allowed	6,000	-
Bank	25,000	-
Drawings	25,000	-
	6,12,500	6,12,500

Value of closings stock is Rs.20,000.

14. From the following Trial Balance, extracted from the books of Kamalnath, prepare Trading and Profit & Loss Account and Balance Sheet for the year ended on 31-12-1996.

<i>Debit Balances</i>	<i>Rs.</i>	<i>Credit Balances</i>	<i>Rs.</i>
Cash at bank	2,610	Creditors	4,700
Debtors	11,070	Discounts	150
Salaries	4,950	Creditors for expenses	400
Carriage Inwards	1,450	Return outwards	2,520
Carriage outwards	1,590	Sales	80,410
Bad debts	1,310	Capital	40,000
Office Expenses	5,100		
Purchases	67,350		
Return Inwards	1,590		
Furniture & Fixtures	1,500		
Stock	14,360		
Insurance	3,300		
Depreciation On Property	1,200		
Freehold property	10,800		
	1,28,180		1,28,180

Adjustments:

Make a provision for doubtful debts at 5%

Calculate discount on creditors @ 2%

Office expenses include stationery purchased Rs. 800

Carriage Inwards includes carriage paid on purchase of Furniture Rs. 50

Outstanding salaries Rs. 150

Prepaid Insurance Rs. 300

Stock on hand Rs. 10,700 (Including stationery stock Rs. 200)

15. The following balances of Mr. Ramesh are given. You are required to prepare trading and profit and loss account for the year ending 30th June, 2014 and a balance sheet as on that date.

Particulars		Particulars	
Cash in hand	15,540	Sales	1,08,780
Purchases	40,675	Returns out	500
Wages	10,480	Capital	81,000

Carriage in	2,040	Sundry creditors	6,300
Stock on 1-7-2013	5,760		
Machinery	20,000		
Goodwill	7,500		
Salaries	15,000		
Insurance	3,600		
Sundry debtors	14,500		
Drawings	5,245		
Cash at bank	2,360		
Returns in	680		
Fuel	4,730		
Carriage out	3,200		
Buildings	45,000		
Total	1,96,580		1,96,580

Additional information:

- Depreciate Machinery at 10%
- Salaries outstanding ₹ 3,000
- Create a reserve for bad and doubtful debts at 5% on sundry debtors
- Closing stock is valued at ₹ 10,000
- Insurance prepaid ₹ 400.

16. The following are the balances of Mr. Rohan as on 30th June, 2014:

<i>Debit Balances</i>	₹	<i>Debit Balances</i>	₹
Cash in hand	540	Patents	7,500
Cash at Bank	2,630	Salaries	15,000
Purchases	40,675	General expenses	3,000
Returns Inward	680	Insurance	3,000
Wages	8,480	Drawings	5,245
Fuel and Power	4,730	Sundry Debtors	14,500
Carriage on sales	3,200	<i>Credit Balances</i>	
Carriage on Purchases	2,040	Sales	98,780
Opening Stock	5,760	Returns Outwards	500
Buildings	22,000	Capital	62,000
Freehold land	10,000	Sundry Creditors	6,300
Machinery	20,000	Rent	9,000
Investments	10,000		

Taking in to account the following adjustments prepare the Trading, Profit and Loss account and Balance sheet as on 30th June, 2014:

- Stock on hand on 30th June, 2014 is ₹ 6,800.
- Machinery is to be depreciated at the rate of 10% and Patents at the rate of 20%.

- (d) Salaries for the month of June,2014 amounting to ₹ 1,500 were unpaid.
 (e) Insurance includes a premium of ₹ 170 on a policy expiring on 31st December 2014.
 (f) Bad debts are ₹ 725.
 (g) Rent received in advance ₹ 1,000.
 (h) Interest on Investments of ₹ 2,000 is accrued.

17. Prepare the trading, profit and loss a/c and balance sheet from the following sheet of trial balance of Mr.M Madan.

Debit balances	Rs.	Credit balances	Rs.
Sundry Debtors	92,000	Madan's Capital	70,000
Plant & Machinery	20,000	Purchase Returns	2,600
Interest	430	Sales	2,50,000
Rent, Rates, Taxes, & Insurance	5,600	Sundry Creditors	60,000
Conveyance charges	1,320	Bank Overdraft	20,000
Wages	7,000		
Sales Returns	5,400		
Purchases	1,50,000		
Opening Stock	60,000		
Madan's Drawings	22,000		
Trade Expenses	1,350		
Salaries	11,200		
Advertising	840		
Discount	600		
Bad debts	800		
Business premises	12,000		
Furniture & Fixtures	10,000		
Cash in hand	2,060		
	Total	4,02,600	Total
			4,02,600

Adjustments:

- (a) Stock on hand on 31-12-96 Rs. 90,000.
 (b) Provide depreciation on premises at 2.5%, Plant & Machinery at 7.5% and furniture & fixtures at 10%.
 (c) Write off Rs. 800 as further bad debts.
 (d) Provide for doubtful debts at 5% on sundry debtors.
 (e) Outstanding rent was Rs. 500 and outstanding wages Rs. 400.
 (f) Prepaid insurance Rs. 300 and prepaid salaries Rs. 700.
13. From the Trial Balance given below, Prepare Final Accounts for the year ending 31.03.2013.

Debit	Rs.	Credit	Rs.
Opening Stock	6,200	Bank Loan	6,000
Repairs	1,800	Return Outwards	840
Buildings	34,000	Creditors	9,840

Furniture	2000	Sales	82,920
Office Expenses	1,000	Capital	24,000
Salaries	4,400	Interest	260
Sundry debtors	12,000	Dividend	220
Bad debts	240		
Purchases	42,400		
Returns inwards	2,040		
Rent	1,200		
Cash in hand	2,600		
Carriage on sales	1,600		
Postage	560		
Stationery	520		
Wages	10,400		
Freight on purchases	1,120		
	1,24,080		1,24,080

Closing stock on 31.03.2013 Rs. 5,960

14. The following particulars relate to Santhosh club for the year ended 31-12-1992.
Receipts and Payments Account for the year ended 31-12-92.

		Rs.		Rs.
To Balance b/d		6,000	By Salaries paid	12,450
To Subscriptions received			By Stationery	2,400
1991	240		By Rent and Taxes	3,600
1992	12,660		By Telephone charges	600
1993	480	13,380	By Investments	7,600
To Profits from Canteen		9,000	By Advertisement	1,050
To Miscellaneous receipts		450	By postage	1,000
To Sale of old newspapers		1,120	By Sundry Expenses	3,500
To Dividend Received		4,850	By Balance c/d	2,700
		34,800		34,800

You are required to prepare Income and Expenditure Account and Balance sheet after making the following adjustments:

- There are 450 members each paying Annual subscription of Rs. 50; Rs. 270 being the arrears for 1991 at the beginning of this year.
- Stock of stationery on 31-12-91 Rs. 300 and on 31-12-92 Rs. 540.
- Cost of Building Rs. 60,000; Depreciate @ 5%.

15. Arun, Ashok and Gopal entered into a Joint venture agreement. According to the terms of agreement, Arun is to supervise the overall working of venture and a separate set of books is kept for record keeping. Arun is entitled to charge 5% commission on sales, Ashok and Gopal contribute Rs. 6,400 each. Goods are purchased from Swarup for Rs. 14,400 and from Arun's own stock for Rs. 4,800. An expenditure of Rs. 1,460 is incurred on account of Joint venture.

All the goods are sold away for Rs. 24,400. The accounts of venturers are settled and accounts closed.

Journalize the above transactions, and prepare the Joint venture Accounts in the Joint venture Books.

16. The following is the Income & Expenditure A/c of Delhi youth club for the year ended 31-3-1988.

Income & Expenditure A/c for the year ended 31-3-88

Expenditure	Rs.	Income	Rs.
To Salaries	19,500	By Subscription	68,000
To Rent	4,500	By Donation	5,000
To Printing	750		
To Insurance	500		
To Audit fees	750		
To Games & Sports	3,500		
To subscriptions written off	350		
To Miscellaneous Expenses	14,500		
To Loss on Sale of Furniture	2,500		
To Depreciation:	6,000		
Sports Equipment			
Furniture	3,100		
To Excess of Income over Expenditure	17,050		
	73,000		73,000

Additional Information:

	31-3-87 Rs.	31-3-88 Rs.
Subscriptions in arrear	2,600	3,700
Advance subscriptions	1,000	1,500
Outstanding expenses:		
Rent	500	800
Salaries	1,200	350
Audit fees	500	750
Sports Equipment less depreciation	25,000	24,000
Furniture less depreciation	30,000	27,900
Prepaid insurance	-	150

Book value of furniture sold is Rs. 7,000. Entrance fees Capitalized Rs. 4,000. On 1-4-87 there was no cash in hand but Bank overdraft for Rs. 15,000. On 31-3-88, cash in hand amounted to Rs. 850 and the rest was bank balance. Prepare the Receipts and Payments A/c of the club for the year ended

31-3-88.

17. From the following Trail Balance of Mr. Xavier as on 31.03.1993, prepare Trading A/c, Profit & Loss A/c for the year ended 31.03.1983 and a Balance Sheet as on that date after making necessary adjustments:

Trial Balance

Debit	Rs.	Credit	Rs.
Xavier's Drawings	12,000	Xavier's Capital	60,000
Furniture & fixtures	4,000	Returns Outward	2,000
Plant & Machinery	30,000	Sales	1,30,000
Opening Stock	20,000	Creditors	12,000
Purchases	80,000	Loan at 6% P.A. taken from P. Abdul on 1.1.93	10,000
Salaries & Wages	22,400	Discount	600
Debtors	20,400		
Returns Inwards	5,000		
Postage & Telegrams	1,500		
Rent, Rates, Taxes	3,600		
Bad debts written off	400		
Trade Expenses	200		
Interest on loan from P. Abdul	150		
Insurance	800		
Travelling Expenses	500		
Sundry Expenses	300		
Cash in Hand	3,050		
Cash at Bank	10,300		
	2,14,600		2,14,600

Adjustments:

- i) Closing stock: Cost Price Rs. 21,000.
Market price Rs. 25,000.
 - ii) Of the debtors, Rs. 400 are bad and should be written off. Create a reserve for discount on debtors 2.5%.
 - iii) Salaries Rs. 800 for March 1993 were not paid.
 - iv) Interest on Capital is to be calculated at 6% P.A. and on drawing Rs. 330.
 - v) Prepaid insurance amounted to Rs. 100.
 - vi) Depreciate furniture & fixtures by 5% and Plant and Machinery by 10%.
 - vii) Make a reserve for discount on creditors @ 2%.
18. Enter the following transactions, in a three column cash book.

	Rs.
1999 Jan 1 Cash in hand	410
Balance at bank	8,920
2 Cash sales	4,500
3 Paid into bank	4,000
5 Purchased Stationary	100
8 Paid Mahesh by cheque	280
Discount received	20
12 Gave a cheque for cash purchases	1,500

15	Drew for personal use	500
18	Received from Suresh, a cheque for Rs. 1970 in full settlement of account for Rs. 2000 and deposited it in bank.	
20	Drew from bank	1,000
21	Paid wages	800
25	Bank returned cheques of Suresh dishonoured.	
31	Bank charges as per pass book	10

19. From the following details, prepare trading and profit & loss account and balance sheet:

	As on 1.1.95 Rs.	As on 31.12.95 Rs.
Creditors	37,500	43,750
Furniture	2,500	2,500
Cash	6,250	10,000
Debtors	62,500	87,500
Stock	25,000	12,500

Other details:

Drawings Rs. 10,000; Bad debts Rs. 1,250; Discount received Rs. 3,750; discount allowed Rs. 2,500; Sundry expenses Rs. 7,500; Payment to creditors Rs. 1,12,500; collection from debtors Rs. 1,33,750; Sales returns Rs. 3,750; Purchase returns Rs. 1,250; Charge 5% depreciation on furniture.