



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – ACCOUNTING AND FINANCE

FIRST SEMESTER – NOVEMBER 2023

UAF 1501 – FINANCIAL ACCOUNTING

Date: 30-10-2023

Dept. No.

Max. : 100 Marks

Time: 01:00 PM - 04:00 PM

SECTION A - K1 (CO1)

Answer ALL the Questions

(10 x 1 = 10)

1. Answer the following

- a) Cash book
- b) Rectification of errors
- c) Salvage
- d) Conversion method
- e) list any two advantages of single entry system

2. MCQ

- a) What is the primary purpose of financial accounting?
 - a) To manage and control an organization's internal operations.
 - b) To provide information for decision-making within the organization.
 - c) To report financial information to external stakeholders.
 - d) To track daily financial transactions.
- b) Which financial statement provides a snapshot of a company's financial position at a specific point in time?
 - a) Income Statement
 - b) Statement of Cash Flows
 - c) Balance Sheet
 - d) Statement of Retained Earnings
- c) What is the purpose of the Income Statement?
 - a) To show the financial position of a company at a specific point in time.
 - b) To report the revenues, expenses, and net income or loss over a specific period.
 - c) To provide details of a company's cash inflows and outflows.
 - d) To list all the company's assets and liabilities.
- d) Which of the following statements is true regarding the single-entry system?
 - a) It provides a complete and accurate picture of a company's financial position
 - b) It is suitable for small businesses with relatively simple financial transactions
 - c) It is mandated by law for all publicly traded companies
 - d) It requires the preparation of a trial balance
- e) What is the purpose of fire insurance in business?
 - a) To provide coverage for employees' medical expenses
 - b) To protect against the financial loss caused by damage or loss due to fires
 - c) To insure against theft of company assets
 - d) To cover legal expenses in case of lawsuits

SECTION A - K2 (CO1)

Answer ALL the Questions

(10 x 1 =

10)

3. True or False

- a) The primary purpose of financial accounting is to provide information for internal management

	decision-making.
b)	The balance sheet represents a company's financial position at a specific point in time.
c)	Depreciation is a process of allocating the cost of a long-term asset over its useful life.
d)	The accounting equation is Assets = Liabilities + Owner's Equity.
e)	The double-entry accounting system records each transaction in two or more accounts.
4.	Fill in the blanks
a)	The income statement shows the company's _____ and _____ for a specific period.
b)	Depreciation is the systematic allocation of the cost of _____ assets over their useful life.
c)	A BRS is used to reconcile the balance of the _____ account in the company's books with the bank statement.
d)	Fire insurance provides coverage against financial loss due to _____ or _____ caused by fire.
e)	The single entry system is commonly used by small businesses and _____.

SECTION B - K3 (CO2)

Answer any TWO of the following in 100 words each.

(2 x 10 = 20)

5.	Using the provided information, apply the principles of accounting to prepare a balance sheet. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Particulars</th><th>Rs.</th></tr> </thead> <tbody> <tr><td>Capital</td><td>4,00,000</td></tr> <tr><td>Furniture</td><td>1,00,000</td></tr> <tr><td>Bank balance</td><td>50,000</td></tr> <tr><td>Cash in hand</td><td>75,000</td></tr> <tr><td>Profit</td><td>25,000</td></tr> <tr><td>Bills Receivables</td><td>50,000</td></tr> <tr><td>Bills Payables</td><td>40,000</td></tr> <tr><td>Sundry debtors</td><td>30,000</td></tr> <tr><td>Sundry creditors</td><td>50,000</td></tr> <tr><td>Good will</td><td>60,000</td></tr> <tr><td>Building</td><td>1,50,000</td></tr> </tbody> </table>	Particulars	Rs.	Capital	4,00,000	Furniture	1,00,000	Bank balance	50,000	Cash in hand	75,000	Profit	25,000	Bills Receivables	50,000	Bills Payables	40,000	Sundry debtors	30,000	Sundry creditors	50,000	Good will	60,000	Building	1,50,000
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6.	A Fire occurred on 15th March 2015 in the premises of a company. From the following, find out the amount of claim to be lodged in case of the loss of stock which was insured. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Particulars</th><th>Rs.</th></tr> </thead> <tbody> <tr><td>Stock (1/1/2015)</td><td>2,00,000</td></tr> <tr><td>Purchases from 1/1/2015 to 15/3/2015</td><td>6,00,000</td></tr> <tr><td>Wages</td><td>1,50,000</td></tr> <tr><td>Manufacturing expenses</td><td>50,000</td></tr> <tr><td>Sales from 1/1/2015 to 15/3/2015)</td><td>10,00,000</td></tr> </tbody> </table> The gross profit ratio is 20%. The stock salvaged was Rs. 20,000	Particulars	Rs.	Stock (1/1/2015)	2,00,000	Purchases from 1/1/2015 to 15/3/2015	6,00,000	Wages	1,50,000	Manufacturing expenses	50,000	Sales from 1/1/2015 to 15/3/2015)	10,00,000												
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7.	Explain the key differences between the single entry system and the double entry system in accounting.																								
8.	Describe the step-by-step process of calculating the claim amount for stock loss to be filed with an insurance company.																								

SECTION C – K4 (CO3)

Answer any TWO of the following in 100 words each.

(2 x 10 = 20)

9.	A machine was bought on 1/4/2005 for Rs. 17,000 and Rs. 3,000 spent on its overhauling. Depreciation was provided at 10% under diminishing balance method on every December. On
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30/6/2007, it was sold for Rs. 18,000. Show the machine account and depreciation.

10. Analyze Ajay's financial position based on the single-entry method for the periods ending on March 31, 2017, and March 31, 2018. Examine the changes in assets and liabilities, and assess the financial performance over the year. Identify any trends or anomalies and interpret their implications for Ajay's financial status.

Particulars	01-03-2017	31-03-2018
	Rs.	Rs.
Cash in hand	250	300
Cash at bank	2,750	2,200
Stock in trade	21,000	18,000
Sundry debtors	7,500	12,000
Fixtures and fitting	1,750	1,575
Machinery	15,000	25,000
Sundry creditors	18,000	23,000

During the year, Ajay introduced Rs. 5,000 as further capital in the business and withdraw Rs.600 p.m. From the above, prepare a statement showing the profit or loss made by him for the year ended 31.3.2018

11. Apply the given particulars of Asha & Co. to prepare a bank reconciliation statement as of December 31, 2014, demonstrating an understanding of the reconciliation process and its purpose in reconciling differences between the company's records and the bank statement

Particulars	Rs.
Overdraft as per passbook	20,000
Interest on overdraft	2,000
Insurance premium paid by the bank	200
Cheque issued but not presented for payment	6,500
Cheque deposited but not yet cleared	6,000
Wrongly debited by the bank	500

12. Compare the straight-line depreciation method with the declining balance method for depreciating assets. Analyse the advantages and disadvantages of each method and provide a recommendation for which method might be more appropriate in specific scenarios.

SECTION D – K5 (CO4)

Answer any ONE of the following in 250 words

(1 x 20 = 20)

13. Analyse the given particulars and prepare the following accounts: (a) Total Debtors Account, (b) Total Creditors Account, (c) Bills Receivable Account, and (d) Bills Payable Account, based on the information provided. Explain the principles and procedures involved in each account preparation.

On 1.1.2016	Rs.
Total Debtors	40,000
Total Creditors	15,000
Total Bills receivable	16,000
Total Bills payable	6,000
Transactions during the year:	Rs.
Cash received from debtors	30,000
Discount allowed to debtors	6,000
Bad debts written off	3,000
Return inwards	5,000
Cash sales	16,000
Cash purchases	7,000
Cash received against B/R	10,000

Cash paid to suppliers (Including a payment of Rs. 1000 for purchasing machine)	10,000
Cash paid against B/P	3,000
Discount received from Suppliers	600
Return outwards	1,500
Bills payable dishonoured	600
On 31.12.2016	Rs.
Total debtors	70,000
Total Creditors	15,000
Total Bills receivable	16,000
Total Bills payable	8,000

14. Critically evaluate the distinctions between basic accounting principles, postulates, concepts, and conventions. Provide specific examples to illustrate these differences and explain how they collectively shape the field of accounting.

SECTION E – K6 (CO5)

Answer any ONE of the following in 250 words

(1 x 20 = 20)

15. Synthesize and interpret the ledger balances provided from Arun's books. Develop a comprehensive analysis of the financial situation by combining these ledger balances and consider potential implications and recommendations

Particulars	Rs.	Particulars	Rs.
Arun's Capital	50,000	Sales	3,01,000
Bank overdraft	8,400	Return inwards	5,000
Furniture	5,200	Discount (Cr.)	800
Business premises	40,000	Taxed and Insurance	4,000
Creditors	26,600	General Expenses	8,000
Opening stock	44000	Salaries	18,000
Debtors	36000	Commission allowed	4,400
Rent	2000	Carriage on purchases	3,600
Purchases	220000	Provision for doubtful debts	1,000
		Bad debts written off	1,600

Adjustments:

- Stock on hand on 31.12.2015 was estimated Rs. 40,120
 - Write off depreciation on business premises Rs. 600 and furniture Rs. 520
 - Make a provision of 5% on debtors for bad and doubtful debts.
 - Allow interest on capital at 5% and carry forward Rs. 1,400 for unexpired insurance.
- Prepare final accounts for the year ended 31.12.2015

16. Evaluate the lease agreement terms for Raghu Mine Company, which grants a mine on lease for a 30-year period starting from January 1, 2012. Analyse the financial and operational implications of the lease, considering the company's financial statements, and provide recommendations or potential actions based on your assessment.
- To pay a minimum rent of Rs. 24,000 per year.
 - Each year excess of minimum rent over the actual royalties, i.e., short workings can be recovered during the subsequent two years.
 - Royalty was calculated at 50 paise per ton.

Production during the four years from 2012 to 2015 was as follows:

Year	2012	2013	2014	2015
Production (in tons)	28,000	36,000	60,000	64,000

	Prepare Minimum Rent Account, landlord Account and Short working account in the books of Raghu Mine Company.
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