



INDIAN MARITIME UNIVERSITY
SCHOOL OF MARITIME MANAGEMENT

June 2013 Examinations
FIRST SEMESTER

FINANCIAL ACCOUNTING

Old Subject Code: T 1103

**QP Code: T0811103/
T0821103**

Date: 10.06.2013
Time: 3 Hrs

Max. Marks: 75

Note:- Answer All Questions

PART – A

(10 x 1 = 10)

1. The system of recording transactions base on dual aspect concept is called:
a) Double entry system b) Double accounting system c) Single entry system
d) None of these.
2. Income is measured and financial position is assessed on the basis of:
a) Matching concept b) Consistency convention c) Money measurement concept
d) Time period concept.
3. Purchase of equipment for cash:
a) Increases total assets b) Keeps total assets unchanged c) Decreases total assets
d) Increases stock
4. Personal accounts are related to :
a) Assets and liabilities b) Expenses, losses and incomes c) Customers and creditors
d) None of these
5. The annual instalment to Depreciation Fund for replacement of a fixed asset is :
a) Charges against profits b) An appropriation of profits c) Neither a charge nor an
appropriation of profits d) Decrease the value of asset

6. Depreciation is the process of:
- Allocation of cost of the asset to the period of its life
 - Valuation of assets
 - maintenance on an asset in a state of efficiency
 - None of these
7. When shares are forfeited, capital accounting debited by?
- Nominal value of shares
 - Paid up amount of shares
 - Called up amount of shares
 - Forfeited amount of shares
8. Which one of the following is not correctly matched?
- Secured debentures – Mortgage deed
 - Rights share - Issued to new
 - Convertible – debentures
 - Redeemable – Preference shares
9. Goodwill is a:
- Liquid asset
 - Fictitious asset
 - Current asset
 - Intangible asset
10. Intangible assets usually fall in the category of –
- Current assets
 - Fixed assets
 - Semi fixed assets
 - Liquid assets
- Note: Answer any Five Questions**

PART- B

(5 x 5 = 25)

11. Explain the advantages of Accounting.

12. Prepare Journal entries for the following transactions:

2012 August

1. Bought goods for cash	5,000
2. Sold goods for cash	14,000
3. Bought goods from Mahalakshmi	9,000
5. Sold goods to Revathi	10,000
15. Received from Revathi	5,500
20. Paid to Mahalakshmi	7,000
28. Bought furniture for cash	3,000

13. Write the differences between Capital expenditure and Revenue expenditure.

14. From the following particulars, prepare Machinery Accounts for 3 years under

Straight Line Method

Price of the Machine : Rs. 36,000

Freight charges : Rs. 2,500

Installation charges : Rs. 1,500

Life of the machine : 5 years.

15. From the following information calculate value of goodwill:

- i) Average capital employed in the business: Rs. 6, 00,000
- ii) Net trading profits of the firm for the past three years were: Rs. 1,07,600, Rs. 90,700, and Rs. 1,12,500.
- iii) Rate of interest expected from capital having to the risk involved 12%.
- iv) Fair remuneration to the partners for their service: Rs. 12,000 p.a.
- v) Sundry assets of the firm Rs. 7, 54,762; Current Liabilities Rs. 31,329.

16. A Company forfeits 100 shares of Rs. 10 each issued at Rs. 11 per share. The premium was payable on allotment. The shareholder failed to pay the allotment money of Rs. 3 per share and first & final call of Rs. 5 per share. "Pass necessary journal entries"

17. The Life Assurance Fund of Insurance Company on 31.3.2011 showed a balance of Rs. 87, 76,500. It was later found that the following were not taken into account:

i) Dividend from Investments	Rs. 4,80,000
ii) Income Tax on above	Rs. 48,000
iii) Bonus in reduction of premium	Rs. 8, 77,500
iv) Claims covered under re-insurance	Rs. 4, 23,000
v) Claims intimated but not acceptable by Company	Rs. 7, 62,000

Ascertain correct Balance of the Fund.

Note: Question No. 18 Compulsory (Choose any Three out of Five Questions)

PART – C

(4 x 10 = 40)

18. Prepare Trading, profit & Loss A/c and Balance Sheet from the following Trail 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's & Fixtures	10,000		
Cash in hand	2,060		
	4,02,600		4,02,600

Adjustments:

- i) Stock on hand on 31.12.2010 Rs. 90,000
- ii) Provide depreciation on Premises at 2.5%; Plant & Machinery at 7.5% and Furniture & Fixtures at 10%.
- iii) Write off Rs. 800 as further bad debts.
- iv) Provide for doubtful debts at 5% on sundry debtors.
- v) Outstanding rent was Rs. 500 and outstanding wages Rs. 400
- vi) Prepaid insurance Rs. 300 and Prepaid salaries Rs. 700

19. Explain various Accounting Concepts.

20. On 1st July 2008 a company purchased a machine for Rs. 3,90,000 and spent Rs. 10,000 on its installation. It decided to provide depreciation @ 15% p.a. using WDV method. On 30th November 2012 the machine was dismantled at a cost of Rs.5,000 and then sold for Rs. 1,00,000. On 1st December 2012 the company acquired and put into operation a new machine at a total cost of Rs. 7,60,000. Depreciation was provided on the new machine on the same basis as had been used in the case of earlier machine. The company closes its books of account every year on 31st march.

Prepare Depreciation Account and Machinery Account for the accounting year ended 31st march 2013.

21. A limited company issued a prospectus inviting applications for 2,000 shares of Rs. 10 each at a premium of Rs. 2 per share payable as follows:

On Application Rs. 2 per share

On Allotment Rs. 5 per share (including premium 2 per share)

On First Call Rs. 3 per share

On Second and Final call Rs. 2 per share.

Applications were received for 3,000 shares and allotment made pro-rata to the application of 2,400 shares, the remaining application being refused. Money over-paid on applications was employed on account of sums due on allotment.

Ramesh to whom 40 shares were allotted failed to pay allotment money and on his subsequent failure to pay the first call, his shares were forfeited.

Mohan, the holder of 60 shares, failed to pay the two calls and so his shares were also forfeited.

All these shares were sold to Krishna as fully paid up for Rs.9 per share.

22. The Alfa manufacturing Company Limited was registered with a nominal capital of Rs. 6,00,000 in Equity Shares of Rs. 10 each. The following is the list of balances extracted from its books on 31st December, 2012.

Particulars	Rs.	Particulars	Rs.
Wages	84,865	Salaries	14,500
Calls – in – arrears	7,500	Director's Fees	5,725
Premises	3,00,000	Bad Debts	2,110
Plant & Machinery	3,30,000	Debenture interest paid	9,000
Interim Dividend paid on 1 st August, 2012	37,500	Subscribed and fully called – up capital	4,00,000
Stock on 1 st January, 2012	75,000	6% Debentures	3,00,000
Fixtures	7,200	Profit & Loss Account(cr. Balance)	14,500
Sundry Debtors	87,000	Bills Payable	38,000
Goodwill	25,000	Sundry Creditors	50,000
Cash in hand	750	Sales	4,15,000
Cash at Bank	39,900	General Reserve	25,000
Purchases	1,85,000	Bad Debts Reserve 1 st January, 2012	3,500
Preliminary Expenses	5,000		
General Expenses	16,835		
Freight & Carriage	13,115		

Prepare Trading and Profit and Loss Account and Balance Sheet in proper form after making the following adjustments:

Depreciate Plant and Machinery by 10%. Write off Rs.500 from Preliminary Expenses. Provide half years Debenture interest due. Leave Bad and Doubtful Debts Reserve at 5% on Sundry Debtors. Stock on 31st December, 2012 was Rs. 95,000.

23. The following is the balance sheet of A Company Ltd. as on December 31, 2012.

Liabilities	Rs.	Assets	Rs.
3,000 Equity Share Capital of Rs. 100 each	3,00,000	Cash in hand	2,000
1,500 8% Preference Share Capital of Rs. 100 each	1,50,000	Cash at Bank	20,000
General Reserve	40,000	Sundry Debtors	80,000
Profit and Loss Account	10,000	Stock-in-trade	1,40,000
Bank Loan	50,000	Land and Building	2,05,000
Sundry Creditors	15,000	Furniture	30,000
		Goodwill	70,000
		Discount on shares	18,000
	5,65,000		5,65,000

The value of assets is assessed as follows:

1. Furniture to be depreciated at 10%
2. Value of stock-in-trade, Land and Building and Goodwill is estimated at Rs. 1,20,000, Rs. 2,50,000, Rs. 80,000 respectively.
3. Debtors are expected to realise 80% of book value.

Find out the value of equity shares.
