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ST. JOSEPH'S COLLEGE (AUTONOMOUS), BANGALORE-27
BCom IFA - I SEMESTER
SEMESTER EXAMINATION: OCTOBER 2019
BCIFA 1119 – FINANCIAL ACCOUNTING

Time- 2 1/2 hrs

Max Marks-70

This paper contains 7 printed pages and four parts

SECTION A

Answer any FIVE of the following questions. Each question carries two marks. (5x2=10)

1. A business had an opening inventory of \$180,000 and a closing inventory of \$220,000 in its financial statements for the year ended 31 December 20X5.

Which of the following accounting entries are required to account for opening and closing inventory when preparing the financial statements of the business?

Options		Debit (\$)	Credit (\$)
a	Inventory account	180,000	
	Statement of P/L		180,000
	Statement of P/L	220,000	
	Inventory account		220,000
b	Statement of P/L	180,000	
	Inventory account		180,000
	Inventory account	220,000	
	Statement of P/L		220,000
c	Inventory account	40,000	
	Purchases account		40,000
d	Purchases account	40,000	
	Inventory account		40,000

2. The accounting concept which dictates that non-current assets should be valued at cost less accumulated depreciation, rather than at their enforced saleable value, is:
- Understandability
 - Relevance
 - Comparability
 - Going concern

3. Which of the following statements defines the business entity concept?
 - a. The business will continue to operate for the foreseeable future.
 - b. A business is always a separate legal entity, distinct from those who own or manage that business.
 - c. A business is never a separate legal entity from those who own or manage that business.
 - d. Financial transactions are recorded and presented from the perspective of the business, rather than from the perspective of the owners or managers of that business.

4. Which one of the following statements best describes the purpose of a goods dispatched note (delivery note)?
 - a. It is issued by a customer returning faulty goods to their supplier.
 - b. It is issued by a customer to their supplier and specifies the quantity and type of goods they require to be despatched.
 - c. It is issued by a supplier to their customer and specifies the quantity and type of goods delivered to that customer.
 - d. It is issued by a supplier to their customer and specifies what goods will be provided to them at a specified future date.

5. Identify whether or not each of the following items should be capitalised as intangible assets from the following list.

	Capitalized	Not capitalized
Employment costs of staff conducting research activities		
Cost of constructing a working model of a new product		
Materials and consumables costs associated with conducting scientific experiments		
Licence purchased to permit production and sale of a product for ten years		

6. Extracts from the financial statements of Deuce Co showed balances as follows:

	2019	2018
\$1 Share Capital	300,000	120,000
Share Premium	260,000	100,000

A bonus issue of 1 share for every 12 held at the 20X8 year-end occurred during the year and loan notes of \$300,000 were issued at par. Interest of \$12,000 was paid during the year.

What is the net cash inflow from financing activities?

- a. \$4,80,000
- b. \$6,05,000
- c. \$6,17,000
- d. \$6,40,000

SECTION B

Answer any **THREE** of the following questions. Each question carries **FIVE** marks.

(3x5=15)

7. Sasha has prepared a draft statement of profit or loss for her business as follows:

	\$	\$
Sales		2,56800
Cost of sales		
Opening inventory	13,400	
Purchases	145,000	
Closing inventory	<u>(14,200)</u>	<u>(144,200)</u>
Gross Profit		112,600
Expenses		<u>(76,000)</u>
Net Profit		36,600

Sasha has not yet recorded the following items:

- Carriage in of \$2,300
- Discounts received of \$3,900
- Carriage out of \$1,950

After these amounts are recorded, what are the revised values for gross and net profit of Sasha's business?

Options	Gross Profit (\$)	Net Profit (\$)
a	108,350	36,250

b	108,350	28,450
c	110,300	28,450
d	110,300	36,250

8. Lord has extracted the following balances from his accounting records:

	\$
Property, plant and equipment	209,000
Inventory	4,600
Payables	6,300
Receivables	,5,900
Bank Overdraft	790
Loan	50,000
Capital	100,000
Drawings	23,000
Sales	330,000
Purchases	168,200
Sales returns	7,000
Discounts received	?
Sundry expenses	73,890

He has forgotten to extract the balance on the discounts received account. What was the balance on the discounts received account?

9. The figures below have been prepared for inclusion in the statement of cash flows of Bamboo.

	\$
Tax and dividends paid	87,566
Increase in payables	13,899
Decrease in inventory	8,900
Redemption of loans	300,000
Increase in receivables	6,555
Reduction in cash and cash equivalents	\$3,211
Depreciation charge	\$10,600
Payments to acquire non-current assets	\$47,999
Proceeds from sale of non-current assets	\$13,100

What is the cash generated from operations?

- a. \$331,688
- b. \$338,110
- c. \$425,676
- d. \$419,254

10. Yusuf enters into the following transactions in his first month of trading:

- i. Buys goods for cash \$380
- ii. Pays \$20 in sundry expenses
- iii. Makes \$1,000 in sales
- iv. Receives a bank loan \$5,000
- v. Pays \$2,600 for fixtures and fittings.

What is the total entry to the credit side of the cash T-account?

- a. \$6,000
- b. \$6,380
- c. \$3,000
- d. \$2,620

SECTION C

Answer any TWO of the following questions. Each question carries FIFTEEN marks.

(2x15=30)

11. The financial statements of Barnstorm for the year ended 31 July 2014, with comparatives, are presented below.

Statement of profit or loss and other comprehensive income – year ended 31 July 2014.

	2014 \$000	2013 \$000
Revenue	1,391,820	1,159,850
Cost of sales	<u>(1,050,825)</u>	<u>(753,450)</u>
Gross Profit	340,995	406,400
Operating expenses	(161,450)	(170,950)
Finance costs	<u>(10,000)</u>	<u>(14,000)</u>
Profit before tax	169,545	221,450
Tax	<u>(50,800)</u>	<u>(66,300)</u>
Profit for the year	118,745	155,150
Other comprehensive income:		
Revaluation surplus on land and buildings	10,000	

Total comprehensive income for the year	128,745	155,150
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Statement of financial position at 31 July 2014

	2014 \$000	2013 \$000
<u>Non-current assets</u>		
Property, plant and equipment	559,590	341,400
<u>Current assets</u>		
Inventory	109,400	88,760
Receivables	419,455	206,550
Bank	-	95,400
	1,088,445	732,110

Calculate the following for the year ended 31st July 2013 & 2014

- a. Return on capital employed
 - b. Gross profit margin
 - c. Asset turnover
 - d. Current ratio
 - e. Debt-equity ratio
12. (i) Explain the following concepts:
- a. Comparability
 - b. Consistency
 - c. Verifiability
 - d. Timeliness
 - e. Understandability
- (ii) Classify the following items into current and non-current assets and liabilities:
- a. Land and Buildings
 - b. Receivables
 - c. Loan repayable in two years' time
 - d. Payables
 - e. Delivery van
13. (i) Sharmin's bank statement at 31 October 20X8 shows a balance of \$13,400. She subsequently discovers that the bank has dishonoured a customer's cheque for \$300 and has charged bank charges of \$50, neither of which is recorded in the cash book. There are

unpresented cheques totalling \$1,400 and an automatic receipt from a customer of \$195 has been recorded as a credit in Sharmin's cash book. Sharmin's cash balance, prior to correcting the errors and omissions, was:

- a. \$11,455
- b. \$11,96
- c. \$12,000
- d. \$12,155

(ii) Use accounting equation to show the position of the business at the end each day (Ignore inventory).

Day 1 Jason commenced business introducing \$1,000 cash

Day 2 Bought a motor car for \$400 cash

Day 3 Obtained \$1,000 loan

Day 4 Purchased goods for \$300 cash

Day 5 Sold all of the goods purchased on day 4 for \$400 on credit

SECTION D

Answer the following questions. The question carries FIFTEEN marks.

(1x15=15)

14. Bindi Bobbin runs a business altering and repairing clothes. When she started business on 1 January 2012, she bought a Soopastitch II sewing machine for \$2,500. She depreciates sewing machines using the straight line method at a rate of 20% pa, and she charges a full year of depreciation in the year of acquisition and none in the year of disposal. The business has now grown such that she needs a faster machine, and she will upgrade to the Soopastitch V during December 2015. The Soopastitch salesman has offered her a part exchange deal as follows:

Part exchange allowance for Soopastitch II \$750

Balance to be paid in cash for Soopastitch V \$4,850

Show the ledger entries for the year ended 31 December 2015 to reflect this transaction.

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