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Register Number:

DATE:04-03-2022

**ST. JOSEPH’S COLLEGE (AUTONOMOUS), BANGALORE-27**

**BCom IFA – I SEMESTER**

SEMESTER EXAMINATION: OCTOBER 2021

(Examination conducted in February-March 2022)

**BC IFA 1121: Financial Accounting**

Time- 3hrs Max Marks-100

**This paper contains 6 printed pages and four parts**

**Section A**

**I.** Answer ***any five*** of the following (**2 x 5 = 10 marks)**

1. What is meant by Timeliness?
2. What is purchase order?
3. Give the meaning of business entity concept?
4. What is meant by statement of profit or loss?
5. What is disposal of non-current asset?
6. Are the following statements about sales tax **true or false**?
7. Sales tax is a form of indirect taxation
8. If input tax exceeds output tax the difference is payable to the tax authorities
9. Sales tax is included in the reported sales and purchases of a sales tax registered business
10. Sales tax cannot be recovered on some purchases **(0.5 marks each)**

**Section B**

**II.** Answer ***any six*** of the following (**5 x 6 = 30 marks)**

1. Classify the following items into current assets, non-current assets, current liabilities and non-current liabilities:

|  |  |
| --- | --- |
| 1. Premises 2. Debtors 3. Bank Overdraft 4. Payables 5. Loan payable in one year | 1. Delivery Car 2. Creditors 3. Debenture 4. Cash 5. Stock |

1. Snehal uses the imprest method of accounting for petty cash. She counted the petty cash and there was $66∙00 in hand at the end of the month. There were also the following petty cash vouchers:

Sundry purchases $22.00

Loan to sales manager $10.00

Purchase of staff drinks $19.00

Sundry sales receipts $47.00

**Compute Snehal’s imprest amount?**

1. An organisation’s inventory at 1 July was 15 units at a cost of $3.00 each. The following movements occur:

3 July 20X4 - 5 units sold at $3.30 each

8 July 20X4 - 10 units bought at $3.50 each

12 July 20X4 - 8 units sold at $4.00 each

Compute the value of closing inventory at 31 July, if the FIFO method of inventory

valuation is used.

1. Lawrence has extracted the following balances from his accounting records:

|  |  |
| --- | --- |
| **Particular** | **Amount in $** |
| 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 | **?** |
| Sundry expenses | 73,890 |

He has forgotten to extract the balance on the discount account. When this is included, the totals of the trial balance will agree. What is the balance on the discount account?

1. Nightingale Co has prepared financial statements for the year ended 30 September 20X8. The financial statements were approved by the directors on 12 January 20X9 and issued to the shareholders on 20 February 20X9. In this scenario, classify the following into **Adjusting** and **Non-Adjusting** events after the reporting period. **(Justify your answer).**
2. A flood on 3 October 20X8 that destroyed a relatively small quantity of inventory which had cost $1,700.
3. A credit customer with a balance outstanding at 30 September 20X8 was declared insolvent on 20 December 20X8.
4. Inventory valued at a cost of $800 at 30 September 20X8 was sold for $650 on 11 November 20X8.
5. A dividend on equity shares of 4 cents per share was declared on 1 December 20X8.

All of the capital of a competitor Ninoy Co. was acquired on 18th October 20X8.

1. Explain the various users of financial Statement.
2. Briefly explain the elements of the financial statement.
3. The following details were provided by Caddyshack, an entity, which had a profit before tax of $434,850 for the year ended 31 December 20X6.
4. Depreciation of $37,400 was charged to the statement of profit or loss; this included an amount of $7,600 which was the loss on disposal of a non-current asset.
5. Finance costs of $35,000 were charged to the statement of profit or loss.
6. The following extract of the statement of financial position at 31 December 20X5 and 20X6 was provided:

|  |  |  |
| --- | --- | --- |
|  | 31 Dec 20X6 | 31 Dec 20X5 |
|  | $000 | $000 |
| Inventory | 145 | 167 |
| Trade receivables | 202 | 203 |
| Prepayments | 27 | 16 |
| Trade payables | 196 | 212 |
| Interest payable | 6 | 28 |

What was the cash generated from operations?

**Section C**

**III.** Answer ***any three*** of the following (**15 x 3 = 45 marks)**

1. Mr. Kiran has the following transactions (in $) in the month of July 2020. Record them into the journal.

|  |  |  |
| --- | --- | --- |
| July 1st | : | Kiran started business with a capital of 75,000 |
| 1st | : | Purchased goods from Manu on credit 25,000 |
| 2nd | : | Sold goods to Sonu 20,000 |
| 3rd | : | Purchased goods from Meenu 15,000 |
| 4th | : | Sold goods to Tanu for cash 16,000 |
| 5th | : | Goods retuned to Manu 2,000 |
| 6th | : | Bought furniture for 15,000 |
| 7th | : | Bought goods from Zenu 12,000 |
| 8th | : | Cash paid to Manu 10,000 |
| 9th | : | Sold goods to Jane 13,500 |
| 10th | : | Goods returned from Sonu 3,000 |
| 11th | : | Cash received from Jane 5,500 |
| 12th | : | Goods taken by Kiran for domestic use 3,000 |
| 13th | : | Returned Goods to Zenu 1,000 |
| 14th | : | Cash received from Sonu 12,000 |
| 27th | : | Cash paid for the purchase of bicycle for Kiran's son 1,500 |

1. a) Mr KL runs a business providing equipment for bakeries. ( 10 marks)

He always makes a note of sales and purchases on credit and associated returns, but he is not sure how the transactions should be recorded for the purposes of his accounts. Write up the following credit transactions arising in the first two weeks of August 20X6 into the relevant day books.

1 August Mrs Bakewell purchases cake tins at a cost of $500.

1 August Mr KL purchases equipment at a cost of $2,000 from wholesalers TinPot Ltd.

2 August Mr KL returns goods costing $150 to another supplier, I Cook.

3 August Jack Flap buys equipment which cost $1,200.

3 August Mrs Bakewell returns $100 of the goods supplied to her.

4 August Victoria Sand­Witch buys a new oven for $4,000.

5 August Mr KL purchases baking trays for $500 from regular supplier TinTin Ltd.

8 August Mr KL purchases ovens costing $10,000 from Hot Stuff Ltd.

8 August Mr KL returns equipment costing $300 to TinPot Ltd.

9 August Pavel Ova purchases goods costing $2,200.

11 August Mrs Bakewell buys some oven­proof dishes costing $600.

b) The following is the cash payments book of a small print business. (5 marks)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date | Detail | Bank | Discount | Payables | Rent |
|  |  | $ | $ | $ | $ |
| 18.7.X6 | Mr A | 1,400 | 100 | 1,400 |  |
| 18.7.X6 | Office | 3,000 |  |  | 3,000 |
| 18.7.X6 | Mr B | 210 |  | 210 |  |
| 18.7.X6 | Mr C | 1,600 | 80 | 1,600 |  |
| 18.7.X6 | Shop | 400 |  |  | 400 |
| **TOTAL** |  | **6,610** | **180** | **3,210** | **3,400** |

What are the accounting entries arising from the totals in the cash book at the end of the day, assuming that control accounts are kept?

|  |  |  |
| --- | --- | --- |
| 1. Prepare a statement of profit or loss and other comprehensive income for the year ended 31 December 20X5 and a statement of financial position as at that date for Centric Co. The trial balance for the same as at 31 December 20X5 was as follows: | | |
|  | Dr (Rs.) | Cr ($) |
| Ordinary share capital | - | 100,000 |
| Sales and purchases | 266,800 | 365,200 |
| Inventory at 1 January 20X5 | 23,340 | - |
| Returns | 1,200 | 1,600 |
| Wages | 46,260 | - |
| Rent | 13,000 | - |
| Motor expenses | 3,720 | - |
| Insurance | 760 | - |
| Irrecoverable debts | 984 | - |
| Allowance for receivables 1 Jan 20X5 | - | 588 |
| Sundry income | - | 1,622 |
| Light and heat | 3,074 | - |
| Bank overdraft interest | 74 | - |
| Motor vehicles at cost | 24,000 | - |
| - accumulated depreciation 1 Jan 20X5 | - | 12,240 |
| Fixtures and fittings at cost | 28,000 |  |
| - accumulated depreciation 1 Jan 20X5 | - | 16,800 |
| Land | 100,000 | - |
| Receivables and payables | 17,330 | 23,004 |
| Bank | 3,312 | - |
| Buildings at cost | 100,000 | - |
| - aggregate depreciation: 1 Jan 20X5 | - | 6,000 |
| Retained earnings at 1 Jan 20X5 | - | 104,800 |
| **Total** | **631,854** | **631,854** |
|  |  |  |

You are given the following additional information:

1. Inventory at 31 December 20X5 was $25,680.
2. Rent was prepaid by $1,000 and light and heat owed was $460 at 31 December 20X5.
3. Land is to be revalued to $250,000 at 31 December 20X5.
4. Following a final review of the receivables at 31 December 20X5, Centric Co. decided to write off another debt of $130. The entity also adjusted the allowance for receivables to $516 at 31 December 20X5.
5. Centric Co estimated that the income tax charge on profit for the year was $7,300.
6. Depreciation is to be provided as follows:
7. Building – 2% annually, straight-line
8. Fixtures & fittings – straight line method, assuming a useful economic life of five years with no residual value
9. Motor vehicles – 30% annually on a reducing balance basis.

**Note:** A full year’s depreciation is charged in the year of acquisition and none in the year of disposal.

1. Explain the various important accounting concepts.

**Section D**

**III. Answer the following (15marks)**

1. **a) What is purpose to prepare BRS?**
2. **A bank reconciliation statement for Dallas at 30 June 2015 is being prepared. The following information is available:**

(i) Bank charges of $2,340 have not been entered in the cash book.

(ii) The bank statement shows a balance of $200 Dr.

(iii) Unpresented cheques amount to $1,250.

(iv) A direct debit of $250 has not been recorded in the ledger accounts.

(v) A bank error has resulted in a cheque for $97 being debited to Dallas’ account instead of Dynasty’s account.

(vi) Cheques received but not yet banked amounted to $890.

What should the final cash book balance be when all the above items have been properly accounted for? (Show the workings)

**c) A trial balance shows a total of debits of $347,800 and a total of credits of $362,350.**

(i) A credit sale of $3,670 was incorrectly entered in the sales day book as $3,760.

(ii) A non‐current asset with a carrying amount of $7,890 was disposed of for $9,000. The only accounting entry was to debit cash.

(iii) The allowance for receivables was increased from $8,900 to $10,200. The allowance account was debited in error.

**Justify your answer** after adjusting for the errors above, what is the balance on the suspense account? **(4+5+6)**