

K.J. Somaiya Institute of Management Studies & Research

COURSE: PG-IB – 1ST TRIMESTER END TERM EXAMINATION

SUBJECT: FINANCIAL ACCOUNTING

Date of Exam: 19th September 2016

Time: 3 Hours

Marks: 50 Marks

- Note:
1. All questions are compulsory.
 2. Marks to the right indicate full marks.

Q. 1. From the following Trial Balance you are required to prepare the Final accounts of M/s. Paul and Sons, a proprietary concern for the year ended 31st March 2016.

(15)

| PARTICULARS | AMOUNT | AMOUNT |
|-----------------------------------|--------------|--------------|
| Land | 15,300 | |
| Sales | | 41,460 |
| Purchases | 21,200 | |
| Salaries | 2,200 | |
| Rent | 600 | |
| Return Outwards | | 420 |
| Postage | 300 | |
| Stationery | 240 | |
| Wages | 5,200 | |
| Interest | | 240 |
| Freight and Carriage on Purchases | 560 | |
| Miscellaneous Expenses | 500 | |
| Accounts Payable | | 4,920 |
| Carriage on Sales | 800 | |
| Repairs | 900 | |
| Bad debts | 120 | |
| Opening Inventory | 3,100 | |
| Buildings | 1,700 | |
| Furniture | 1,000 | |
| Accounts receivable | 6,000 | |
| Loan | | 3,000 |
| Capital | | 12,000 |
| Cash In hand | 1,300 | |
| Return Inward | 1,020 | |
| TOTAL | 62040 | 62040 |

Adjustments:

1. A provision @ 5% for doubtful debts has to be made.
2. The value of inventory on 31st March 2016 was estimated at Rs.2,980.
3. Depreciation on Building was to be charged at 10% p.a.
4. Salaries for the month of March 2016 amounting to Rs.200 are still to be paid.
5. Miscellaneous expenses include insurance premium of Rs.60 pertaining to April 2016.

Q.2 From the following transactions, find out which accounts are affected, why as well as the impact on Asset, Liability, Expenditure and Income, by presenting the same in a tabular form as follows.

(10)

| Transaction No. | Debit Account | Credit Account | Reason | Impact on Asset | Impact on Liabilities | Impact on Expenditure | Impact on Income |
|-----------------|---------------|----------------|--------|-----------------|-----------------------|-----------------------|------------------|
|-----------------|---------------|----------------|--------|-----------------|-----------------------|-----------------------|------------------|

1. Started business with Cash Rs.20000, Furniture of Rs.50000 and Building Rs.530000.
2. Opened a bank account with SBI and deposited Rs.150000.
3. Purchased Machinery for Rs.200000 and Computers for Rs.150000. The Machinery was purchased from Delhi Machines and Computers from Durga Computer Mart.
4. Purchased goods of Rs.150000 at 10% trade discount from Ganga stores.
5. Sold Goods to Jeevan worth Rs. 100000
6. Goods worth Rs.500 distributed as free samples.
7. Jeevan Returned goods worth Rs.25000 as they were defective, which in turn were returned to Ganga Stores with a debit note for Rs.15000
8. Goods of Rs.5000 sold to Suresh of which Rs.3500 received immediately.
9. Jeevan settled his account by paying by cheque Rs.73500 in full settlement
10. Paid Salary Rs.10000 by cheque and miscellaneous expenses of Rs.4500 by cash.

Q.3. Read the following and give answer the questions below.

(10)

Mr. Chand, 20 years old opened a 3 star hotel along with Mr. Ravi- his Father's friend on 15th June 2015.

The Hotel was a seven storied hotel consisting of 10 rooms per floor and 4 Banquet halls. The Seven floors were divided as follows

| | |
|------------------|-------------------------|
| Floor no. 1 to 4 | All 10 Deluxe rooms |
| Floor no. 5 to 7 | All 10 Executive Suites |

The total cost of the Hotel was Rs. 10 Crores which included within it, the Hotel's Land and Building worth Rs.3 Crores, Furniture and Fixtures Rs. 2 Crores, Air conditioners Rs.70 Lakhs, Office Equipments Rs.30 Lakhs, Kitchen Equipments Rs.1 Crores, Banquet hall's equipments Rs.1 Crores and Vehicles Rs. 2 Crores.

The entire cost of 10 Crores was contributed as follows:

Rs.3 Crores as contribution by Mr. Chand and Mr. Ravi in the equal proportion and this was deposited in Bank account with ICICI bank.

Balance as Loan From Kotak Bank Limited at an Interest rate of 15% per annum, which was mainly used towards Land and Building, Vehicles and Furniture & Fixture.

During the first year of its operation the hotel was not occupied to its full capacity. The details of the

rooms and banquet hall occupation and charges were as follows.

Of all the deluxe rooms only 80% were occupied during the year and the Hotel charged Rs.2500 per day per deluxe room

Of all the Executive Suites only 60% were occupied during the year and the hotel charged Rs.4000 per day per Executive Suites

Of the 4 Banquet halls only 2 halls were occupied throughout the year and the hotel had the policy of charging Rs.30000 per day (all inclusive).

In order to run the hotel they had hired people at various levels from the first day as follows:

1. Top Managerial Level at Rs. 100000 Per month ; Number of employees - 5
2. Middle Level Employees at Rs. 50000 Per month ; Number of employees – 10
3. Lower level employees at Rs. 25000 Per month; Number of employees - 15

All other operational expenses amounted to Rs. 40000 per month. The Hotel was regular in all its payments and there were no outstanding. The hotel had the policy of zero day credit.

1. Identify the financial transactions that have taken place in the financial year starting from 1st April 2015 to 31st March 2016 and record them in the books of the business.
2. Find out the net positive or negative impact of the above financial transactions on the business in Rupee terms.
3. Find out the financial position of the Hotel as on 31st March 2016 in Rupee terms
4. Present all your answer in appropriate tabular formats as used for Businesses.
5. You can assume one year = 360days.

Q.4. From are the details regarding the receipts and issue of material X in respect of a firm.(10)

| RECEIPTS | |
|--------------------------|---|
| 1 st January | Balance 50 Units @ Rs.4 per Unit |
| 5 th January | Purchase order no.10 – 40 Units @ Rs.3 per unit |
| 8 th January | Purchase order no.12 – 30 Units @ Rs.4 per unit |
| 15 th January | Purchase order no.11 – 20 units @ Rs.5 per unit |
| 26 th January | Purchase order no.13 – 40 units @ Rs.3 per unit |
| ISSUES | |
| 10 th January | Issued 70 units |
| 12 th January | Issued 10 units |
| 20 th January | Issued 20 units |
| 31 st January | Issued 15 units |

From the above you are required to calculate the value of inventory following FIFO method.

Q.5 Anya Realtors purchased Land and Building from Meher Builders for a book value of Rs.100000. The two companies agreed to settle the purchase consideration by issue of Equity shares of Rs.10 each. Which accounts and to what extent (in rupee value) will be affected by these transactions in the books of Anya Realtors assuming that **(05)**

1. The Shares were issued at Par

2. The Shares were issued at 25% premium