



Name :

Roll No. :

Invigilator's Signature :

CS/BSM (NEW)/SEM-3/BSM-303/2009-10
2009
FINANCIAL ACCOUNTING

Time Allotted : 3 Hours

Full Marks : 70

The figures in the margin indicate full marks.

*Candidates are required to give their answers in their own words
as far as practicable.*

GROUP – A
(Multiple Choice Type Questions)

1. Choose the correct alternatives for any *ten* of the
following : 10 × 1 = 10

i) Capital is shown under liabilities because of the

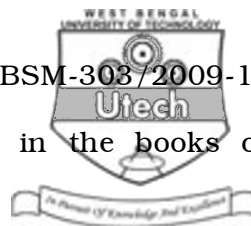
- a) conservation concept
- b) entity concept
- c) accrual concept
- d) matching concept.

ii) Which of the following is *not* a fixed asset ?

- | | |
|-----------------|-------------------|
| a) building | b) plant |
| c) bank balance | d) none of these. |



- iii) In which of the following methods does the cost of the assets spread over in equal proportion during its useful economic life ?
- a) straight line method
 - b) written down value method
 - c) machine hour rate method
 - d) sum-of-the-years' digit method.
- iv) Total revenues – Total cost =
- a) profit
 - b) loss
 - c) both of these
 - d) net cost.
- v) Wear and tear of an asset due to its use decreases its value and is called
- a) dividend
 - b) interest
 - c) bad debt
 - d) depreciation
- vi) Purchase of building is the example of
- a) revenue expenditure
 - b) capital expenditure
 - c) income
 - d) expenses.
- vii) Complete the accounting equation :
- Assets = Liabilities +
- a) Expenses
 - b) Losses
 - c) Capital
 - d) Gains.



- viii) Business transactions are recorded in the books of accounts for the first time in the
- a) Ledger
 - b) Journal
 - c) Trial Balance
 - d) Balance Sheet.
- ix) Which of the following is known as deferred revenue expenditure ?
- a) outstanding salary
 - b) prepaid advertisement
 - c) closing stock
 - d) purchase of goods.
- x) Balance Sheet is prepared
- a) to check the accuracy of books
 - b) to know the financial position
 - c) to know the net profit or loss
 - d) to find out the value of assets.
- xi) GAAP stands for
- a) Generally Accepted Audit Procedure
 - b) Generally Assured Actual Principles
 - c) Generally Accepted Accounting Principles
 - d) Generally Assured Audit Principles.
- xii) Profit and Loss a/c. is a
- a) Fiction a/c.
 - b) Nominal a/c.
 - c) Real a/c.
 - d) Personal a/c.

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GROUP – B
(Short Answer Type Questions)

Answer any *three* of the following.

3 × 5 = 15

2. Distinguish between income and expenditure
3. Distinguish between journal and ledger.
4. Discuss the importance and limitation of financial statement.
5. Pass the necessary journal entries to rectify the following errors on the books of a trader who deals in sarees.
 - a) A credit sale Rs. 170 to Ram was recorded as Rs. 710
 - b) A credit sale of Rs. 170 to Kishan was recorded as a sale to Krishna
 - c) A credit sale of old furniture of Sohan Rs. 170 was entered in the sale book for Rs. 710.
6. Classify the following transaction as capital and revenue receipts :
 - a) Interest on investment
 - b) Premium received on the issue of debentures
 - c) Sale of old furniture
 - d) Amount received from the government as 'Grant-in-Aid' for the construction of a library building.
 - e) Interest received on bank deposits.



GROUP – C
(Long Answer Type Questions)

Answer any *three* of the following.

3 × 15 = 45

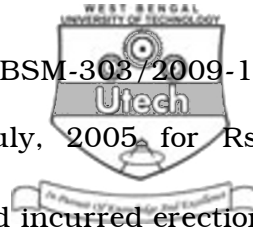
7. a) What is a Trial Balance ?
- b) Explain its importance.
- c) What are the errors that cannot be disclosed by a Trial Balance ?
- 5 + 5 + 5
8. What decision can be taken from a Cash Flow Statement of a company ? What are the differences between a Cash Account and the Cash Flow Statement ?
- 7 + 8
9. a) What are the different methods of depreciation ?
- b) Distinguish between depreciation and amortization.
- c) Is depreciation a source of fund ?
- 15

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10. From the following information prepare Profit & Loss Account for the year ending on March 31, 2009. 15

Particulars	Rs.	Particulars	Rs.
Gross profit	62,000	Salaries & Wages	20,000
Discount received	1,000	Discount allowed	2,000
Interest on loan paid	2,500	Interest received	3,000
Commission received	2,000	Commission to salesman	1,500
Rent, Rates & Taxes paid	4,000	Rent received	1,000
Fire insurance premium	3,600	Carriage outward	1,000
Freight outward	500	Repairs & Maintenance	600
Printing & Stationary	600	Travelling expenses	1,600
Entertainment expenses	1,200	Water & Electricity	1,200
Postage & Telegram	500	Advertising & Publicity	4,000
Sales promotion expenses	400	Telephone expenses	1,000
Bad Debts	1,000	Packing expenses	500
Audit fees	2,000	Bank charges	400
Depreciation on furniture :		Legal charges	1,000
- Sales office	1,000	Misc. Exps.	1,000
- Admn. Office	2,000	Loss on sale of fixed assets	500
Miscellaneous	2,000	Loss by theft	5,000
Incomes :		Dividend received on shares	300
Profit on sale of fixed asset	8,500	Incomes from investment	200
Loss by fire	1,000		
Loss by Embezzlement	1,000		



11. Mr. Basu bought machinery on 1st July, 2005, for Rs. 4,42,000. He paid freight of Rs. 24,000 and incurred erection charges of Rs. 14,000. On April, 2006 he bought another machine of Rs. 1,60,000. On 1st July, 2007 he sold one-third portion of the machinery purchased on 1st July, 2005 at Rs. 77,600. On the same day he purchased a new machine of Rs. 1,00,000 on credit from Machinery Supply Corporation.

Basu charges depreciation on machinery @ 20% p.a. on original cost. Show the machinery account and depreciation account in the book of Mr. Basu for the years 2005, 2006 and 2007 assuming that he closes his books of accounts on 31st December, each year.

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