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Your Roll No.....

Sr. No. of Question Paper : 1311

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Unique Paper Code : 6202461101

Name of the Paper : Basics of Financial Accounting

Name of the Course : **B.Voc. Banking, Financial Services and Insurance**

Semester : I

Duration : 3 Hours

Maximum Marks : 90

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt **all** questions.
3. **All** questions carry equal marks.
4. Show your working clearly.



1. (a) Distinguish between the following :

(i) Capital Expenditure and Revenue Expenditure

(ii) Trial Balance and Balance Sheet

(iii) Outstanding Income and Accrued Income

(iv) Cash Discount and Trade Discount

(4×2=8)

P.T.O.

- (b) State whether the following statements are *True* or *False*.
- (i) Balance Sheet is not an account but only a statement.
 - (ii) Charity is a direct expense and should be debited in Trading Account.
 - (iii) Unexpired costs are not recorded in the balance sheet.
 - (iv) A high-level Proprietary Ratio indicates safety to creditors.
 - (v) Capital Expenditure is money spent on purchase of fixed assets for immediate resale.
 - (vi) The excess of Credit total over the debit total is called the credit balance.
 - (vii) Debit balance of an account represents either an expense or an asset.
 - (viii) Trial Balance can be prepared only at the end of an accounting period. It cannot be prepared at any date.
 - (ix) Discount account should be balanced in the cash book.
 - (x) Accrued interest on investment is revenue expenditure. (10×1=10)
2. (a) What do you understand by convergence of IFRS? Is there any need for such convergence? (10)
- (b) Explain the procedure of issuing of Accounting Standards in India. (8)

OR

What is meant by Accounting Standards? State briefly the merits and the benefits of issuing Accounting Standards. (18)

3. (a) The bank statement of Mr. Vijay Kumar showed a balance of Rs. 7,510. The following further information is available :

- (i) A cheque of Rs. 456 was paid into bank but the cashier debited the bank column with Rs. 654 by mistake.
- (ii) Mr Vijay received a cheque of Rs. 1,800 and a cash of Rs. 200 from one of his customers. However, the entire amount of Rs. 2,000 was entered in bank column of receipt side of cash book.
- (iii) Credit balance of cash book Rs. 1,200 was brought forward as debit balance of Rs. 1,200.
- (iv) A cheque of Rs. 400 paid to Mr. Shrikant has been entered by error in cash column in cash book.
- (v) Bankers have received Rs. 600 as dividend on the Vijay's shares and received an insurance claim of Rs. 100 but no entry has been made in the cash book.
- (vi) Bankers have also given wrong debit of Rs. 250.

On the basis of above information prepare bank reconciliation statement and find out the balance as per cash book. (12)

- (b) Distinguish between cash book with two columns and Triple Column Cash Book, how bank transactions are entered in Triple Column Cash Book. (6)

OR

- (a) From the following particulars, prepare a Bank Reconciliation Statement as on 31st March 2019.

Bank balance as per Pass Book, overdraft Rs. 3,000

- (i) A cheque of Rs. 2,000 was credited in the Pass book on 28-03-2019, later dishonoured and was debited in the Pass Book on 1-04-2019 only. There was no entry of this dishonoured cheque in the cash book within the date.
- (ii) The bank collected Rs. 1,000 by way on interest and credited the amount but the same was not recorded in the cash book with in 31st March 2019.
- (iii) A cheque of Rs. 25,000 was lodged in the Bank on 31st March 2019 but the same was credited in the Pass Book only on 7th April 2019.
- (iv) Cheques which were drawn 20th March 2019 for Rs. 8,000, a cheque of Rs. 2,000 was presented for payment on 7th April 2019.
- (v) On scrutiny it was further found that the Banker has given a wrong credit for Rs. 500 and a wrong debit for Rs. 200 in the Pass Book which have not been recorded in the cash book within 31st March 2019. (8)
- (b) Do the entries in the pass book always agree with the entries in the bank columns of the cash book? If not, why not? What procedure will you adopt under such circumstances to reconcile your entries? (10)

4. Following is the Trial Balance of M/s Sheoran & Sons as on 31st March, 2011. Prepare Trading, Profit and Loss Account for the Year ended 31st March, 2011 and a Balance Sheet.

Particulars	Dr. Amount	Cr. Amount
Capital		2,00,000
Drawings	36,000	--
Buildings	30,000	--
Furniture and Fittings	15,000	--
Motor Van	50,000	--
Loan from Hari @12% interest (1 st April 2010)	--	30,000
Interest paid on above	1,800	--
Sales	--	2,00,000
Purchase	1,50,000	--
Opening Stock	50,000	--
Establishment Expenses	30,000	--
Wages	4,000	--
Insurance	2,000	--
Commission Received	--	9,000
Sundry Debtors	56,200	--
Bank Balance	40,000	--
Sundry Creditors	--	20,000
Interest	--	6,000
Total	4,65,000	4,65,000

Adjustments :

- (i) The value of stock on 31st March 2011 was Rs. 64,000.
- (ii) Outstanding Wages Rs. 1,000
- (iii) Prepaid Insurance Rs. 600
- (iv) Commission received in advance Rs. 2,600
- (v) Allow interest on Capital @ 10%
- (vi) Depreciate Building @ 5%, Furniture & Fittings @ 10%, Motor Van @ 10%.
- (vii) Accrued Interest Rs. 1,000

(18)

OR

P.T.O.

The Following balances were extracted from the books of M/S Amar Nath & Sons as at 31st March 2021

Dr. Balances	Amount	Cr. Balances	Amount
Cash	10,000	Creditors	15,000
Debtors	16,000	Bank overdraft	10,500
Stock 1-4-2020	45,200	Capital	50,000
Furniture	10,000	Sales	2,02,000
Drawings	1,150	Provision for Bad Debts	1,800
Motor-Car	6,000	Bills Payable	3,000
Purchases	1,45,600	Outstanding wages	4,370
Wages	15,000	Returns	860
Returns	700	Unearned Rent	1,000
Salaries	3,200		
Stationery & Printing	930		
Bad Debts	600		
Bills Receivable	4,000		
Rent	3,600		
Loan at 13% to Suresh on 1 st July, 2020	10,000		
Investment (Short-term)	15,800		
Prepaid Insurance	750		
Total	2,88,530	Total	2,88,530

Adjustment :-

- (i) Depreciation on furniture is to be charged @ 10%
- (ii) Goods of the value of Rs. 1600 were destroyed by fire and insurance company admitted a claim of Rs. 1,200.
- (iii) Sundry Debtors include an item of Rs. 400 for goods withdrawn for personal use, and an item of Rs. 600 dues from a customer who has become insolvent.
- (iv) Bills Receivable includes a dishonoured bill for Rs. 520.
- (v) Provision for Doubtful Debtors is to be maintained at 5% on Debtors
- (vi) Creditors include a balance of Rs. 8,000 to be credit of Mr. Arun in respect of which it has been decided and settled with the party to pay only Rs. 2,000.

(vii) Outstanding salaries Rs. 800

(viii) Stock on 31st March, 2021 was Rs. 24,000.

From the above information prepare Trading Account, Profit and Loss Account and Balance Sheet.

5. (a) Total Current Liabilities of a company is Rs. 3,00,000, Liquid ratio is 4:1, stock is Rs. 3,00,000. Find the Current Assets and Current Ratio. Also comment on the results of the ratio. (6)
- (b) What do you mean by Earning management? How to detect these practices? (6)
- (c) From the following information, prepare a Comparative Income Statement showing Increases, decreases and percentages : (6)

Particulars	2021 (Rs)	2022 (Rs)
Sales	2,00,000	3,20,000
Cost of Goods Sold	1,60,000	2,00,000
Administrative Expenses	10,000	10,000
Selling Expenses	16,000	24,000
Other Income	14,000	20,000
Income Tax	20,000	32,000

OR

- (a) Net Profit Ratio of a company is 20%. Its cash sales are Rs. 3,00,000 and its credit sales are 80% of total sales. The indirect expenses are Rs. 80,000. Calculate Gross Profit Ratio. (6)
- (b) Explain briefly the contents of an annual general report. (6)

P.T.O.

- (c) Prepare a common size balance sheet from the following information of A Ltd. and B Ltd. as on 31st March, 2022. (6)

Liabilities	A Ltd.	B Ltd.	Assets	A Ltd.	B Ltd.
Share Capital	5, 00,000	7, 50,000	Fixed Assets	6,00,000	10,50,000
Reserve & Surplus	2,00,000	1, 50,000	Current Assets	3,00,000	1,50,000
Current Liabilities	2,00,000	3,00,000			