

St. Claret College

Roll No:
Date:

Autonomous, Bengaluru

UG END SEMESTER EXAMINATION-DECEMBER 2024

B.COM TTM I SEMESTER

BCT 1124: FINANCIAL ACCOUNTING

12

TIME: 3 hours.

MAX. MARKS: 80

This paper contains FIVE printed pages and FOUR parts

Instructions:

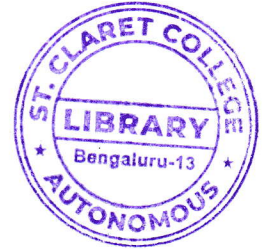
1. Verify and ensure that the question paper is completely printed.
2. Any discrepancies or questions about the exam paper must be reported to the COE within 1 hour after the examination.
3. Students must check the course title and course code before answering the questions.

PART-A

Answer TEN questions. Each answer carries ONE mark.

[10 x 1 = 10]

1. Which of the following is NOT an objective of accounting?
 - a. Recording financial transactions
 - b. Providing information to users
 - c. Ensuring profitability
 - d. Helping in decision-making
2. The concept of 'going concern' implies that:
 - a. The business will continue for the foreseeable future
 - b. Assets should be recorded at market value
 - c. Revenues and expenses should be recognized when earned
 - d. The business will not continue in the future
3. Which of the following is NOT a feature of a single-entry system?
 - a. Incomplete records
 - b. Uses both sides of the account
 - c. Does not follow the dual aspect concept
 - d. Suitable for small businesses
4. Consignment differs from a sale because:
 - a. Ownership is transferred immediately
 - b. Consignor retains ownership until goods are sold
 - c. Revenue is recognized when goods are sent
 - d. Risk and reward are transferred immediately
5. What is the term used when the lessee pays less than the minimum rent?
 - a. Overheads
 - b. Short workings
 - c. Recoupment
 - d. Depreciation
6. Which of the following does NOT affect the calculation of a fire insurance claim?
 - a. Average clause



- b. Under-valuation of stock
 - c. Loss of profit
 - d. Depreciation on fixed assets
7. Which of the following is NOT a type of royalty?
- a. Mining royalty
 - b. Publishing royalty
 - c. Legal royalty
 - d. Patent royalty
8. Which of the following is not accounting concept?
- a. Cost
 - b. Materiality
 - c. Dual Aspect
 - d. Accounting period
9. Which of the following is an example of an accounting convention?
- a. Matching
 - b. Consistency
 - c. Going
 - d. Accrual
10. Royalty is generally calculated based on:
- a. Output
 - b. Number of items produced or sold
 - c. Total sales value
 - d. All of the above

PART-B

Answer any THREE questions. Each answer carries EIGHT marks.

[3 x 8=24]

11. Veekshith has patent of Coffee drawing machine. He gave the right of production and sale of this machines to Morning Coffee Ltd. for 12 years on the following terms:

Royalty will be at Rs.5 on each machine sold and minimum rent is Rs.2,00,000 per year A and short working can be recouped in the following two years of the year of deficit.

Prepare an analysis table.

Accounts are closed on 31st December every year. Sales of machines are as follows:

Year	2020	2021	2022	2023
No. of Machines sold	32,000	36,000	44,000	72,000

12. On 15th September 2023 the premises and stock of a firm was destroyed by fire but the accounting records were saved from which the following particulars are available:

Stock on 31-03-2023	81,900
Purchases from 1-04-2023 to 15-9-2023	1,62,000
Sales from 1-04-2023 to 15-9-2023	2,31,200
Rate of Gross Profit (on sales)	20%

Stock salvaged was Rs. 5,300. Show the amount of claim.

13. Journalise the following transactions of Arun limited

- a. Started business with cash ₹ 10,00,000
- b. Purchased furniture and machinery ₹ 50,000
- c. Raw material purchased ₹ 75,000
- d. Sold goods to Kiran on credit ₹ 20,000 and to Pritam on cash ₹ 10,000

e. Paid electricity and printing expenses ₹ 5000.

14. Explain the concept of "Sale of Goods on Approval or Return" in detail.

15. Form the following particulars you are required to calculate Credit Purchases.

Toral Creditors as on 1-4-2023	26,910
B/P on 1-4-2023	5,000
Payment to creditors	89,340
Discount received from creditors	1,290
Purchase returns	1,610
Cash paid against B/P	14000
Bills Payable accepted	19,200

PART-C

Answer any THREE questions. Each answer carries TWELVE marks.

[3 x 12 = 36]

16. Ms. Jyothi has patent of Water purifier. She gave the right to make and sell water purifiers to MP Industries for 15 years.

Sales of Water purifiers are as follows:

2020-21 16,000

2021-22 18,000

2022-23 22,000

2023-24 36,000

Royalty terms are as follows:

Royalty will be at ₹5 on each purifier sold and Dead Rent is ₹ 1,00,000 per year. Accounts are closed on 31 march every year.

Prepare Royalty Account, Short working Account and Ms. Jyothi's Account (landlord). If the amount of royalty is less than minimum rent, the deficit which is known as shotworkings can be recouped in the following two years of the year of deficit.

17. Prepare accounting equation form the below transaction;

- Commenced business with cash ₹ 1,20,000.
- Purchased assets for cash ₹ 25,000.
- Sold goods of ₹ 10,000 for ₹ 12,000.
- Sold goods of ₹ 5000 for ₹ 4000.
- Goods destroyed by fire ₹ 1000.
- Withdraw cash for personal use ₹ 5000.
- Rent outstanding ₹ 5000.
- Insurance paid in advance ₹ 400.
- Interest on loan allowed ₹ 6000.
- Depreciation on furniture ₹ 2500.

18. Fire occurred in the premises of bad luck. Traders on 1-7-2019 and a considerable part of stock was destroyed. Stock salvaged was ₹56,000. Fire insurance policy for ₹ 3,42,000 was taken to cover the loss of stock by fire. You are required to ascertain the insurance claim which the company should claim from the insurance company for the loss of stock by the fire from the following particulars.

- Purchase for the year 2018-19 ₹ 18,76,000.

- Sales for the year 2018-19 ₹ 23,20,000.
- Purchase from 1st April 2019 to the date of fire ₹ 3,64,000.
- sales from 1st April 2019 to the date of fire ₹ 4,80,000.
- Stock on 1st April 2018 ₹ 2,88,000.
- Stock on 31st March 2019 ₹ 4,84,000.
- Wages paid during 2018-19 ₹ 2,00,000.
- Wages paid during 1st April 2019 to the date of fire ₹ 36,000.

Fire also broke out on 31st March 2019 and destroyed stock of estimated cost of Rs 1,00,000. There was the practice in the concern to value. Stock at cost is less 10% but all of a sudden this practice first changed and stock on 31st March 2019 was valued at cost plus 10%.

19. On January 1st 2021 Karnataka Sports, Bengaluru consigned 180 cases of sports goods costing ₹360 to Gemini Sports, Mumbai. They paid ₹ 360 for insurance and ₹ 1800 for freight. Gemini sports and entitled to a commission of 10% on gross sales.

Gemini sports receive the consignment on January 15th 2021 and sent a 60 days bill for ₹10,000 to Karnataka sports. The bill was discounted for ₹9900.

On opening the cases the consignee found 10 cases of wrong description and returned them, by paying return freight of Rs 400.

Gemini sports sold 120 cases at ₹600 for cash and 20 cases at ₹700 each on credit. Gemini sports spent ₹720 on clearing charges and ₹600 on carriage outwards. They incurred bad debts amounting to ₹400. The accounts were settled on 30th June, and the balance remitted by cheque.

Show the necessary Ledger accounts in the books of consigner.

20. Mr. Jayaraj keeps his books by single entry system. From the following data prepare Trading and Profit and Loss Account for the year ended 31-03-2023.

Cash book analysis shows the following;

Particulars	₹
Interest charges	200
Personal withdrawals	4,000
Staff salaries	17,000
Business expenses	15,800
Payment creditors	30,000
Balance at bank on 31-03-2023	4,850
Cash on hand on 31-03-2023	150
Receipts form debtors	50,000
Cash sales	30,000

Further details are available;

Assets & Liabilities	1-4-2022	31-3-2023
Stock	18,000	20,440
Creditors	16,000	11,000
Debtors	44,000	60,000
Furniture	2,000	2,000

Premises	30,000	30,000
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Provide 5% interest on Jyaraj's Capital as on 1-4-2022.

Provide ₹ 1,500 for doubtful debts and 5% depreciation on all fixed assets.

PART-D

Analyze the following situation and answer the sub-questions

[10 Marks]

Fire at GreenLeaf Electronics

GreenLeaf Electronics is a mid-sized electronics retailer that stores a large inventory of electronic goods, such as laptops, mobile phones, and home appliances. The company has a fire insurance policy to protect its inventory from potential losses due to fire or other accidents.

On October 10, 2024, a fire broke out in one section of the GreenLeaf warehouse, causing damage to a portion of the stored goods. The fire department quickly contained the blaze, but some goods were completely destroyed, while others were partially damaged. The inventory in other sections remained unaffected. GreenLeaf Electronics immediately reported the incident to its insurance company, InsurePlus, to file a claim for the losses.

After evaluating the incident, Insurance company 'InsurePlus' informed GreenLeaf Electronics that the insurance policy includes an Average Clause. This clause is used to adjust claims when the insured value of the inventory is less than its actual market value.

Questions

- What is the purpose of having a fire insurance policy for GreenLeaf Electronics?
- Explain the Average Clause and its significance in this case.
- What are the essential steps GreenLeaf Electronics should take while filing the fire insurance claim?
- If some items are partially damaged, how should GreenLeaf Electronics handle these items in their insurance claim?
- Why is it important for GreenLeaf Electronics to have the correct insured value of its inventory?
