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 **PRESIDENCY UNIVERSITY**

  **Bengaluru**

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| **End - Term Examinations – JANUARY 2025** |
| **Date:** 10 – 01- 2025 **Time:** 01:00 pm – 04:00 pm |

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| **School:** SOC | **Program:** B. Com (CMA) |
| **Course Code:** BCH2001  | **Course Name**: Basics of Financial Accounting |
| **Semester**: I | **Max Marks**: 100 | **Weightage**: 50% |

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| **CO - Levels** | **CO1** | **CO2** | **CO3** | **CO4** | **CO5** |
| **Marks** | **4** | **26** | **26** | **26** | **18** |

**Instructions:**

1. *Read all questions carefully and answer accordingly.*
2. *Do not write anything on the question paper other than roll number.*

**Part A**

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| **Answer ALL the Questions. Each question carries 2 marks. (10Q x 2M = 20M)** | **Bloom's Level**  | **CO** |

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| **1** | “Users must be able to compare financial statements through time and with other entities”. Identify the accounting concept described above. | **2 Marks** | **Remember** | **CO1** |
| **2** | Petty cash is controlled under an imprest system. The imprest amount is $200. During a period, payments totaling $80 have been made.How much needs to be reimbursed at the end of the period to restore petty cash to the imprest account? | **2 Marks** | **Apply** | **CO2** |
| **3** | In which book of prime entry will a business record credit notes received in respect of goods which the business has sent back to its suppliers? | **2 Marks** | **Remember** | **CO2** |
| **4** | Describe the accrual concept. | **2 Marks** | **Remember** | **CO1** |
| **5** | Identify any two items that require corrections and adjustments to the cash book during bank reconciliations. | **2 Marks** | **Remember** | **CO3** |
| **6** | List down two examples of non-current assets. | **2 Marks** | **Understand** | **CO3** |
| **7** | What is the journal entry if an entity receives income in advance? | **2 Marks** | **Understand** | **CO4** |
| **8** | Describe the concept of accrued expenses. | **2 Marks** | **Remember** | **CO4** |
| **9** | Explain the impact of using higher useful life on the depreciation charge and profits of a business. | **2 Marks** | **Analyze** | **CO5** |
| **10** | Describe the impact of recording purchase returns in the debit side of receivables account. | **2 Marks** | **Analyze** | **CO5** |

**Part B**

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| **Answer ALL the Questions. Each question carries 7 marks. (5Q x 7M = 35M)** | **Bloom's Level**  | **CO** |
| **11** |  | Harris Hat's Enterprises had credit sales of $1,200,000 during the current year. During the year, the company identified $25,000 in accounts deemed uncollectible was written-off. Cash collections from credit customers during the year were $1,150,000 and from cash sales were $2,000. The accounts receivable balance recorded is $35,000 at year-end. Prepare the ledger and compute the accounts receivable balance at the beginning of the year. | **7 Marks** | **Apply** | **CO2** |
|  | **Or** |
| **12** |  | Evelyn Enterprises has an accounts receivable balance of $85,000 as of January 1, Year 1. At December 31, Year 1, the balance in accounts receivable was $50,000. During the year, Evelyn collected $805,000 from credit sales during the year. Credit sales during the year were $795,000 and cash sales were $5,000.**Required:**Calculate bad debts written off during the period. | **7 Marks** | **Apply** | **CO2** |

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| **13** |  | In preparing a company's bank reconciliation statement at 31 March 20X6, the following itemsare causing the difference between the cash book balance and the bank statement balance:1. Bank charges $380
2. Error by bank $1,000 (cheque incorrectly debited to the account)
3. Lodgements not credited $4,580
4. Unpresented cheques $1,475
5. Direct debit $350
6. Cheque paid in by the company and dishonoured $400

What should be the adjustment for each of the above listed items in the cash book? | **7 Marks** | **Understand** | **CO3** |
|  | **Or** |
| **14** |  | Lopez Incorporated recorded a balance of $20,000 in the cashbook at 30 June. However, the balance as per bank records on the same date differed. The junior accountant is confused and has requested your advice. Upon detailed scrutiny, you noticed a receipt of $2,800 being recorded as $2,080 in the company records. Further, direct debits for bank charges of $120 was not recorded in the cashbook. Unpresented cheques of $5,000 and outstanding cheques paid in of $7,500 were also identified.Calculate:a) The balance as per bank statementb) The balance to be recorded in the balance sheet | **7 Marks** | **Apply** | **CO3** |

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| **15** |  | LMN Co. uses a percentage for uncollectible accounts based on the year-end balance in accounts receivable. LMN Co. estimates that the balance in the allowance account must be 5 percent of year-end accounts receivable of $80,000. The balance in the allowance account brought forward is $8,000 credit.**Required:** Prepare the journal entry to record the adjustment to the allowance account at year-end and explain the impact of the entry on the profits of the year.  | **7 Marks** | **Apply** | **CO4** |
|  | **Or** |
| **16** |  | A trainee accountant prepared the following ledger:

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| --- | --- | --- |
|   | Trade Payables Ledger |   |
| Beg. Bal | 50000 | Cash purchases | 80000 |
| Credit sales | 20,000 | Credit purchases | 160000 |
| Supplier Payments | 68,000 |   |   |   |
| End. Bal | 102000 |  |   |   |
|   |   | 240000 |   |   | 240000 |

What should be the correct payables ledger balance? | **7 Marks** | **Apply** | **CO4** |

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| **17** |  | A company recorded beginning balance of $20,000 in the cashbook. Total sales during the month were $480,000 out of which credit sales accounted for 70%. Beginning balance of receivables were $200,000. Company usually receives 50% of the credit sales in the month of sale and the remaining in the following month. Total payments during the month amounted to $220,000. Calculate the closing balance of Cash ledger at the month end. | **7 Marks** | **Apply** | **CO5** |
|  | **Or** |
|  **18** |  | Gamma Co prepares its financial statements for the year to 30 September each year. The company pays rent for its premises quarterly in advance on 1 February, 1 May, 1 August and 1 November each year. The annual rent was $120,000 per year until 30 April 20X8. It was increased from that date to $144,000 per year.What balances were included in the Income Statement and the Balance Sheet for the year ended 30 September 20X8? | **7 Marks** | **Apply** | **CO5** |

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|  **19** |  | An asset costing $10,000 with a salvage value of $2,000 has an estimated useful life of 5 years. Calculate the amount of depreciation expense for each year under straight line method. | **7 Marks** | **Apply** | **CO3** |
|  | **Or** |
|  **20** |  | An asset costing $10,000 with a salvage value of $2,000 has an estimated useful life of 5 years. Calculate the amount of depreciation expense for each year under declining balance method. | **7 Marks** | **Apply** | **CO3** |

**Part C**

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| **Answer Any THREE Questions. Each question carries 15 marks. (3Q x 15M = 45M)** | **Bloom's Level**  | **CO** |

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| **21** | Douglas had the following transactions during January: (1) Introduced $5,000 cash as capital (2) Purchased goods on credit from Richard, worth $2,000 (3) Paid rent for one month, $500 (4) Paid electricity for one month, $200 (5) Purchased car for cash, $1,000 (6) Sold half of the goods on credit to Tish for $1,750 (7) Drew $300 for his own expenses (8) Sold remaining goods for cash, $2,100**Required:**Record the journal entries. | **15 Marks** | **Apply** | **CO2** |
| **22** | Identify and explain all five methods of depreciation as per U.S. GAAP. Note: Your answer must quote any related formula wherever necessary. | **15 Marks** | **Understand** | **CO3** |
| **23** | Ratsnuffer is a business dealing in pest control. Its owner, Roy Dent, employs a team of eight who were paid $12,000 per annum each in the year to 31 December 20X5. At the start of 20X6 he raised salaries by 10% to $13,200 per annum each.On 1 July 20X6, he hired a trainee at a salary of $8,400 per annum.He pays his workforce on the first working day of every month, one month in arrears, so that his employees receive their salary for January on the first working day in February, etc.**Required:**1. Calculate the cost of salaries which would be charged in the Income Statement of Ratsnuffer for the year ended 31 December 20X6.
2. Calculate the amount actually paid in salaries during the year (i.e., the amount of cash received by the workforce).
3. State the amount of accrued charges for salaries which would appear in the Balance Sheet of Ratsnuffer as at 31 December 20X6.
 | **15 Marks** | **Apply** | **CO4** |
| **24** |

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| STEPHEN CHEE TRIAL BALANCE AS AT 31 MAY 20X1   |
|   |   |   |   |   | Dr | Cr |
|   |   |   |   |   | $ | $ |
| Property, at cost |   |   |   | 120000 |   |
| Equipment, at cost |   |   |   | 80000 |   |
| Acc. depreciation (as at 1 June 20XO) |   |   |
| on property |   |   |   |   | 20000 |
| on equipment |   |   |   |   | 38000 |
| Purchases |   |   |   | 250000 |   |
| Sales |   |   |   |   |   | 402200 |
| Inventory, as at 1 June 20X0 |   |   | 50000 |   |
| Discounts received |   |   |   |   | 4800 |
| Returns out |   |   |   |   | 15000 |
| Wages and salaries |   |   |   | 58800 |   |
| Loan interest |   |   |   | 5100 |   |
| Other operating expenses |   |   | 17700 |   |
| Trade payables |   |   |   |   | 36000 |
| Trade receivables |   |   |   | 42600 |   |
| Cash in hand |   |   |   | 4900 |   |
| Bank |   |   |   |   | 19300 |   |
| Drawings |   |   |   |   | 24000 |   |
| Allowance for receivables |   |   |   | 5100 |
| 17% long-term loan |   |   |   |   | 30000 |
| Capital, as at 1 June 20X0 |   |   |   | 121300 |
|   |   |   |   |   | 672400 | 672400 |

The following additional information as at 31 May 20X1 is available:a) Inventory as at the close of business has been valued at cost at $42,000. b) Wages and salaries need to be accrued by $800. c) Other operating expenses are prepaid by $300. d) Receivables of $4,600 is deemed irrecoverable. e) The allowance for receivables is to be adjusted so that it is 2% of trade receivables. f) Depreciation for the year ended 31 May 20X1 has still to be provided for as follows. i. Property: 1.5% per annum using the straight-line methodii. Equipment: 25% per annum using the reducing balance method **Required:** **Prepare Income Statement for the year ended 31 May 20X1.** | **15 Marks** | **Apply** | **CO5** |