

DEPARTMENT OF BANKING AND INSURANCE

18UBI101 & FINANCIAL ACCOUNTING

K1 LEVEL

UNIT - I

1. The word debit is derived from ____ word
 - a) French
 - b) Greek
 - c) English
 - d) Latin**
2. The term credit is derived from latin word _____.
 - a) Creditum
 - b) Creditie
 - c) Creditus
 - d) Creder.**
3. Receiving the benefit and giving the benefit is the two aspects of _____.

Money measurement concept
Business entity concept

Dual aspect concept
Going concern concept
4. Journal book is a book of
Journal entry

Primary entry
Basic entry
Secondary entry
5. Raghu's account , nature of this account is _____.

Real account
Nominal account

Personal account
Expenses account
6. ____ is the second important stage in accounting cycle.

Journal
Profit and loss account

Ledger

Trial balance

7. When an entry is written on the left hand side of an account is called ____

Debiting
Crediting
Entering
Journalizing.
8. ____ statement is prepared to show separately the debit and credit balances
Ledger
Journal
- Trail balance**
Balance sheet
9. ____ book is also known as day book
Sales book
Sales day book
Sold book
- All the above**
10. An account of each type of asset which a business owns. It comes under the class of ____

Real account
Nominal account
Personal account
Fixed asset account

UNIT - II

11. The amount realisable at the end of asset's useful life is called ---- value.
 - a) Abnormal
 - b) Deficit
 - c) Surplus
 - d) Scrap**
12. A fixed portion of the original cost of the asset is written off each year then it is called ---
-method of depreciation.
 - a) Straight line**
 - b) Written down value
 - c) Annuity

- d) Sinking fund
13. ----- method of depreciation is easy and simple to calculate compared to other methods.
- a) Straight line**
- b) Written down value
- c) Annuity
- d) Machine hour rate
14. ----- method of depreciation is acceptable by income tax authorities.
- a) Straight line**
- b) Written down value
- c) Revaluation
- d) Insurance policy
15. The value of asset cannot be brought down to zero in ----- method of depreciation.
- a) Depletion
- b) Machine hour rate
- c) Revaluation
- d) Written down value**
16. Cheques issued but not presented should ----- in finding favourable balance as per pass book.
- a) Subtracted
- b) Added**
- c) Not considered
- d) Deleted
17. Bank charges debited in pass book should ----- while finding favourable pass book balance.
- a) Added
- b) Deleted
- c) Not considered
- d) Subtracted**
18. Cheques paid should ----- when finding favourable cash book balance.
- a) Added**
- b) Subtracted
- c) Not taken
- d) Considered
19. Dividend received by a customer should be ---- while finding overdraft as per cash book.

- a) Added**
- b) Subtracted
- c) Not considered
- d) Ignored
20. Interest credited by the bank but not debited in cash book should be ---- when finding overdraft as per pass book.
- a) Added
- b) Subtracted**
- c) Not considered
- d) Ignored

UNIT - III

21. The person who writes out the bill is known as _____
- Drawer**
- Drawee
- Payee
- Banker
22. Where a bill of exchange is drawn and accepted for a genuine trade transactions is called as _____
- Trade bill
- Bearer bill
- Accommodation bill
- Promissory note
23. _____ of a bill means the acceptor refuses the bill payment.
- Honor
- Ignore
- Reject
- Dishonour
24. The person to whom the bill of exchange is drawn is called as _____
- Payer
- Payee**
- Drawer
- Drawee
25. The person upon whom the bill of exchange is drawn is called as _____

Payer
Payee
Drawer
Drawee

26. The primary motive of the concern is to meet socially desirable goal then it is call it as a ----- concern.
- a) Trading
 - b) Non-trading**
 - c) Government
 - d) Non-government
27. Income and expenditure deals with ----- year/s.
- a) Previous
 - b) Current**
 - c) Future
 - d) Following
28. Purchase of furniture is come under the ----- side of the receipts and payments account.
- a) Debit
 - b) Credit**
 - c) Both
 - d) Not come in any
29. Income and expenditure is a ----- account.
- a) Real
 - b) Nominal**
 - c) Personal
 - d) Cash
30. Surplus is come under the ----- side of income and expenditure account.
- a) Income
 - b) Expenditure**
 - c) Receipts
 - d) Payments

UNIT - IV

31. The buyer of the goods on hire purchase basis is called as ____
- Hire buyer
 - Hire vendor

Owner
Hirer

32. The advance payable by the buyer while signing the hire purchase agreement is called as ____
- Installment
 - Interest
 - Down payment**
 - Advance
33. The seller of the goods on the hire purchase basis is ____
- Hirer
 - Hire vendor**
 - Seller
 - Hire seller
34. The additional amount apart from the cash price payable by the buyer is called as
- Down payment
 - Interest**
 - Advance
 - Fine
35. Each installments is hire purchase is known as ____
- Hire interest
 - Advance
 - Down payment
 - Hire charges**
36. In hire purchase the ownership is transferred on payment of ____
- First installment
 - Third installment
 - First down payment
 - Final installments**
37. If the hire purchaser fails to make any payment it is called ____
- Crime
 - Repossession
 - Default**
 - Fraudulent
38. ____ is the right that the hire vendor can take away the goods sold on the event of default.

Crime

Repossession

Sue

Regain

39. The hire vendor may take away all the goods on which there is default is called as ____ repossession.

Partial

Full

Complete

Illegal

40. The hire vendor takes away only a portion of the goods on default is ____ possession.

Full

Complete

Optional

Partial

UNIT - V

41. Royalty is a ---- account.

a) Nominal

b) Current

c) Personal

d) Impersonal

42. Royalty is ---- expenditure in nature.

a) Long time

b) Fixed

c) Variable

d) Revenue

43.----- is the other name of the owner of the asset in royalty accounting.

a) Lessor

b) Lessee

c) Sub-lessor

d) Sub-lessee

44. Lessee refers to -----.

a) User of the asset

b) Owner of the asset

c) Sub-lessee

d) Sub-lessor

45. The lessee is allowed to recover his short workings within the fixed period of years then it is called ---- short workings.

a) Fixed

b) Flexible

c) Variable

d) No recovery of

46. When the lessee is allowed to recover his short workings in any year following the short workings then it is called ---- short workings

a) Fixed

b) Flexible

c) Variable

d) No recovery of

47. Minimum rent is otherwise called as ----- rent.

a) Dead

b) Guarantee

c) High

d) Less

48. Excess of minimum rent over actual royalty paid to the landlord is known as -----.

a) Rent

b) Royalty

c) Subscription

d) **Short workings**

49. The right to recover short workings as per agreed terms is known as -----.

a) Recovery of short workings

b) Recoupment of short workings

c) Regain of short workings

d) Realisation of short workings

50. The terms of the original lease gives powers to the lessee to sub-let a part of the land or right to another person, is called as -----.

a) Sub-lease

b) Sub-agreement

c) Sub-proposal

d) Sub-contract

K2 LEVEL

UNIT - I

1. What is accounting?

“Accounting is the art of recording, classifying and summarizing in a significant manner and in terms of money transactions and events which are of money transactions and events which are of financial character and interpreting the result thereof”.

2. What are the branches and methods of accounting?

Branches: Financial accounting, Cost accounting, Management accounting.
Methods: Single entry system, Double entry system.

3. What do you mean by dual aspect concept?

Every business transaction recorded in the books of the accounts of the business has two aspects – receiving of benefits and giving of benefits. Both the aspects of each transaction must be recorded in appropriate accounts of the business.

4. What is Journal?

Journal is a book of primary entry or original entry. All transactions are internally recorded in the journal.

5. What is Ledger?

Ledger is the second important stage in the accounting cycle or process. Here recorded business transactions are grouped in form of accounts and entered in separate book known as ledger.

6. What is an account?

An account is usually in the T format and contains two sides. The left hand side called debit side and the right hand side called credit side. The headings mention the name of the account.

7. What is trail balance?

All business transactions are recorded in journal and transfer to ledger by posting to relevant accounts, a statement is prepared to show the credit and debit balances such a statement is known as trail balance.

8. What are final accounts?

This is the last step of accounting cycle. This includes a number of accounts such as trading account, profit and loss account and balance sheet.

9. What is manufacturing account?

The concerns which are converting raw material into finished goods and then sell the finished goods are required to prepare manufacturing account. Besides preparing trading and profit and loss accounts.

10. What is gross profit?

Gross profit or gross loss is the difference between actual sale proceeds and the cost of goods sold.

UNIT – II

11. What is depreciation?

Depreciation is a permanent decline in the value of an asset.

12. What is meant by straight line method of providing depreciation?

Depreciation is charged evenly every year throughout the effective life of an asset.

13. What is the formula for calculating depreciation under straight line method?

$$\text{Depreciation} = \frac{\text{Cost of the Fixed Assets} - \text{Estimated Scrap Value}}{\text{Number of Years of Expected Life}}$$

14. What is written down value method in depreciation?

It is one of the methods of providing depreciation. Under this method, the depreciation is charged at fixed rate on the reducing balance every year.

15. What is annuity method of depreciation?

Interest at a fixed rate is calculated on the capital investment involved in the purchase of the asset, on the assumption that, if the same amount of capital was employed in some other investment, it would have earned a certain rate of interest.

16. What is Bank reconciliation statement?

Bank reconciliation statement is a list in which are indicated the various items that cause a difference between the bank balance as per cash book and pass book on any given date.

17. What is cash book?

The customer made entry of all the deposits and withdrawals for a specific period by himself in the cash book. The customer maintained the cash book.

18. What is pass book?

This statement show in all the deposits and withdrawals for a specific period is termed as pass book. It is maintained by the banker.

19. List any two items that are added in finding the favourable pass book balance.

- ✓ Cheques issued but not presented for payment.

- ✓ Cheque credited direct to the account but not passed through the cash book.
20. List the two items that are deducted in finding the bank overdraft as per cash book.
- ✓ Interest on bank overdraft not entered in cash book.
 - ✓ Periodic payment made by bank not entered in cash book.

UNIT – III

21. Who are the parties involved in bill of exchange?

Drawer or maker, Drawee or acceptor, Payee.

22. What are the types of bill of exchange?

Trade bills , accommodation bills.

23. What does the financial accounts of non-profit organization consist.

- i. Receipts and payments accounts
- ii. Income and expenditure account
- iii. Balance sheet

24. What is non-profit organisation?

The concerns whose main objective is to serve their member and not profit making are called as non-profit organization.

25. Who is holder?

The person who is legally entitled to receive the money due on the instrument is called the holder.

26. What is non-trading concerns?

The primary objective of non-trading concerns is to serve their members and not profit making and they are also called as non- profit organisations.

27. Give two examples for non-trading concern.

Hospitals, Educational Institutions, sports clubs and Cultural Associations are the examples for non-trading concern.

28. List the final accounts of non-profit organisations.

- i) Receipts and Payments Account
- ii) Income and Expenditure Account
- iii) Balance Sheet

29. List two items that appeared in debit side of the receipts and payment account.

- i) Subscriptions received.
- ii) Donations received.
- iii) Opening and closing balance of cash.

30. What is income and expenditure account?

Income and expenditure account is prepared in lieu of profit and loss account on the basis of standard accounting principles. It is a nominal account in nature. All the revenue incomes for the current year are shown on the credit side of the account and all the revenue expenses relating to the current year are entered on the debit side of the account.

UNIT - IV

31. Mention some important terms in hire purchase system.

Cash price, hire purchase, interest, hire or installment, down payment, hire vendor.

32. Who is hirer and hire vendor?

The buyer of the goods on hire purchase basis is called hirer.

The seller of the goods on hire purchase basis is called hire vendor or owner.

33. Mention any two features of hire purchase system.

- i. The hirer gets possession of the goods on signing the hire purchase agreement and he has the right to use them.
- ii. Each installment is treated as hire charges.

34. What is hire purchase?

Hire purchase agreement is an agreement under which goods are let on hire and under which the hirer has an option to purchase them in accordance with the terms of agreement.

35. Mention the difference between the hire purchase system and installment system in risk of loss basis.

In hire purchase system, the hirer is not responsible for any loss of the goods if he has taken reasonable precautions. In case of installment system, the buyer is responsible for loss of goods as he is the owner.

36. Mention the acts governing hire purchase system and installment system.

Hire purchase act 1972 governs the hire purchase agreement and sale of goods act governs installment system.

37. What is default?

If the hire purchaser fails to make a payment of any installment it is called default. Here the hire vendor can take back the goods into his possession after default.

38. What is repossession?

The owner has the right to take away the goods sold in the event of default without courts permission is called repossession.

39. Mention the types of repossession.

- i. Complete repossession
- ii. Partial repossession

40. What is partial repossession?

When there is default to any installment, the hire vendor repossess the goods partially. This may be due to negotiation with the hirer who may agree to make some payment in future.

UNIT - V

41. What is royalty account?

Royalty is an amount payable by one person to another for the use of an asset or right or monopoly.

42. List the areas where the royalty accounting is applicable?

Mine, patent and copy-right are the areas which are following royalty accounting.

43. Who is lessor in royalty accounting?

The owner of the asset or right is called lessor.

44. Who is lessee?

The person who is using the asset or rights of another person for a certain number of years is called lessee.

45. What is short working?

The excess of minimum rent over actual royalty paid to the landlord is known as short workings.

46. List the two methods of recoupment.

- i) Fixed recoupment
- ii) Flexible recoupment

47. What is fixed short workings?

The lessee may be allowed the privilege of recovering the short workings in a fixed number of years initially is called fixed short workings.

48. What is a flexible short working?

The lessee may be allowed to recover the short workings in the subsequent two or three years is called flexible short workings.

49. What is sub-lease?

The term of the original lease gives powers to the lessee to sub-let a part of the land or right to another person, this privilege is called as sub-lease.

50. Who are the parties in sub-lease?

- i) Landlord
 - ii) Lessee
 - iii) Sub-lessee
- are the three parties in sub-lease.

K3 LEVEL

Unit – I

1. Define Accounting. What are its objectives?
2. What are the characteristics of Accounting Concept?
3. Give a list of different accounting concept and conventions.
4. Journalise the following transactions.
 1. Purchased goods for cash Rs. 10,000
 2. Purchased stationery for cash Rs. 500
 3. Purchased furniture for cash Rs. 3,000
 4. Sold goods for cash Rs. 8,000
 5. Sold goods to Jane for cash Rs.3,000
 6. Sold goods to James Rs. 2,000
 7. Paid rent to Krishnan, the landlord Rs. 800
 8. Paid salary of Rs. 8,000
5. Journalise the following transactions.
 1. Paid Lokesh, the Manager his salary of Rs. 3,000
 2. Paid freight on goods purchased Rs. 300
 3. Paid freight on machine purchased Rs. 400
 4. Paid wages Rs. 500
 5. Paid wages to erect a machine Rs. 1,000
 6. Received Rs. 800 from Kamal
 7. Received Rs. 600 from Kamal as interest
 8. Received Rs. 7,000 from Kamal as loan at 5% interest.
6. Journalise the following transactions of M/s Radha and Sons.

Date	Particulars	Rs.
2000 Jan 1	Business started with Rs. 2,50,000 and cash deposited with Bank	1,50,000
3	Purchased machinery on credit from Rangan	50,000
6	Bought furniture from Ramesh for cash	25,000

12	Goods sold to Yasodha	22,500
13	Goods returned by Yasodha	2,500
15	Goods sold for cash	50,000
17	Bought goods for cash	25,000

May 1	Balance from last month b/d	3,500
12	Sold goods to kapil	12,000
22	Received cash from Kapil	4,850
22	and allowed him discount	150

7. Journalise the following transactions of M/s Radha and Sons.

Date	Particulars	Rs.
2000 Jan 1	Goods sold to Selvi	22,500
10	Goods returned by Selvi	2,500
17	Cash received from Selvi	10,000
21	Cash paid to Ramola	20,000
25	Cash withdrawn from bank	50,000
29	Paid advertisement expenses	12,500
30	Bought office stationery for cash	5,000

8. Record the following transactions in the personal account of Kapil:

Date	Particulars	Rs.
2000 Apr 1	Goods sold to Kapil	6,000
5	Cash received from Kapil and	5,800
5	allowed discount to Kapil	200
18	Kapil purchased goods	8,000
30	Received cash from Kapil on account	4,500

9. Prepare Trading Account of Archana for the year ending 31.12.96 from the following information:

Opening Stock	8,000
Purchase	8,60,000
Freight Inward	52,000
Wages	24,000
Sales	14,40,000
Purchase Returns	10,000
Sales Returns	3,16,000
Closing Stock	1,00,000
Import duty	30,000

10. Prepare trading account of a trader for the year ending 31.12.1996 from the following data:

Opening Stock	50,000
Purchase	2,80,000
Freight and packing on the above	20,000
Closing Stock	60,000

Sales	3,80,000
Packing expenses on sales for distribution	12,000

Unit – II

11. On 1.1.1999, Jayanthy sold goods to Devi on Credit for Rs. 2,000 and drew a bill on Devi for Rs. 2,000 for 3 months after date. Devi accepted it on 3.1.1999 and returned it to Jayanthy. On Maturity, the bill was duly honoured by Devi. Pass Journal entries in the books of both the parties.

12. Mala purchased goods for Rs. 3,000 from Kala on 1.4.1999. Mala accepted a three month's bill for the amount and gave it to Kala the same day. Kala discounted it immediately with Indian Bank at discount of 5%p.a. On due date the bill was honoured by payment.

You are required to give entries in the books of all the parties.

13. Abdul gave his acceptance for Amir's four months bill of Rs. 2,400 on Jan. 1, 1999. One month before the due date Abdul paid the amount of the bill at 5% p.a. rebate. Pass the necessary journal entries in the books of both the parties.

14. Sekar receives on 7th May, 2001 a bill at three months due from Raj for Rs. 2,000. Bill is duly paid on due date. Pass journal entries in the books of both the parties.

16. From the following details, ascertain the amount of subscriptions to be credited to income and expenditure account for the year 1999.

Subscription received in 1999 - Rs.48, 000 which include Rs. 4,000 for 1998 and Rs.8,000 for 2000. Subscriptions due but not received at the end of the year 1999 were Rs.20,000. Subscriptions received in 1998 in advance for 1999 were Rs.12,000.

17. From the following find out the subscriptions to be shown in the Income and Expenditure A/C for the year ending 31-12-1996.

	Rs.
Subscriptions received for 1995	80
Subscriptions received for 1996	4,220

Subscriptions received for 1997	160
	----- 4,460

There are 450 members, each paying an annual subscription of Rs.10. Rs.90 were in arrears for 1995 at the beginning of 1996.

18. How will the following appear in the final accounts of Trichy Sports Club?

	Rs.
Stock of sports materials on 1-1-99	3,000
Sports material purchased during 1999	8,500
Sale of old sports materials during 1999	100
Stock-of-sports materials on 31-12-1999	600

19. Find out the amount of salaries to be debited to income and expenditure account for 1999 from the details given below:

	Rs.
Payment made for salaries during 1999	48,000
Outstanding salary as on 31-12-1998	2,000
Outstanding salary as on 31-12-1999	3,200
Prepaid salary as on 31-12-1998	1,200
Prepaid salary as on 31-12-1999	1,600

20. Prepare Receipts and Payments A/C of a club for the year ended 31st Dec. 1999 from the following particulars:

	Rs.		Rs.
Opening balance of cash	40,000	Rent paid	1,200
Receipt of entrance fees	8,000	Payment for purchaser of Cricket balls	500
Subscription received for 1999	16,000	Payment for purchase of Cricket bat	1,600
Previous year's subscription received	1,600	Payment for stationery in cash	100
Paid salaries	2,000		
Paid for miscellaneous expenses	200		

Unit – III

21. Explain the characteristics of depreciation?

22. A company purchased a plant for Rs.50,000. The useful life of the plant is 10 years and the residual value is Rs. 10,000. Find out the rate of depreciation under the straight line method.

23. A machine purchased on 1st July 1983 at a cost of Rs.14,000 and Rs.1,000 was spent on its installation. The depreciation is written off at 10% on the original cost every year. The books are closed on 31st December each year. The machine was sold for Rs. 9,500 on 31st March 1986. Show the machinery account for all the years.

24. A company acquired a machine on 1.1.88 at a cost of Rs. 40,000 and spent Rs.1,000 on its installation. The firm writes off depreciation at 10% on the diminishing balance. The books are closed on 31st December of each year. Show the machinery A/C for 3 years.

25. A firm purchases a 5 year's lease for Rs. 80,000 on 1st January. It decides to write off depreciation on the annuity method, presuming the rate of interest to be 5% per annum. The annuity tables show that a sum of Rs. 18,478 should be written off every year. Show the lease account for five years. Calculations are to be made to the nearest rupee.

26. From the under-mentioned particulars of Mr. M. Mohan prepare a Bank Reconciliation Statement as on 31st July 1994.

i) Cheques paid into bank on the 28th July 1994 but credited to Mohan's account in the first week of August 1994.

K. Kalyan – Rs.1,000; J. Joy – Rs.800; R.Raghul - Rs. 1,200

ii) The following cheques were issued by Mohan on 30th July 1994 but presented to bank for payment after the close of the year.

D. David – Rs.1,200; H. Hari – Rs. 1,000; L. Lal – Rs. 800

iii) A cheque for Rs. 300 was credited direct to the account and was not passed through the cash book.

iv) The bank balance as per cash book on 31st July 1994 amounted to Rs. 30,000.

27. Prepare a bank reconciliation statement as on 31.12.1993, from the following details:

	Rs.
Balance as per cash book	7,225
Cheque deposited into bank but not collected	675
Cheque issued but not presented for payment	879
Bank charges debited in the pass book	20
Interest credited in the pass book	15

28. From the following particulars, prepare a bank reconciliation statement as at 31st December 1992 to find out the balance as per cash book of Ms. Akila..

i) The following cheques were paid into bank in December 1992 but were credited by the bank in January 1993.

Mohan – Rs. 1,400; Kalyani – Rs. 1,600; Rajesh – Rs. 1,200.

ii) The following cheques were issued in December 1992 but were presented for payment in January 1993.

Shalini – Rs. 1,000; Bhagat – Rs. 900

iii) The following charges were made by the bank which was not recorded in the cash book.

Incidental charges for the half year ended 31-12-1992 Rs. 40.

Collection charges for outstanding cheques Rs. 30.

iv) The following payments made by the bank direct as per standing instructions were not entered in the cash book.

Insurance premium – Rs. 700; Subscription for commerce – Rs.150

v) A cheque for Rs. 1,000 which was received from a customer was entered in the bank column of cash book in December 1992 but was omitted to be banked in December 1992.

The bank balance as per pass book was Rs. 31,600 on 31st December 1992.

29. On 31-3-2001, the pass book showed credit balance of Rs.10,500. The following details were noticed.

i) Cheques amounting to Rs.2,750 were deposited in the bank but cheques of Rs.750 had not been cleared upto 31st March.

ii) Cheques amounting to Rs.3,500 were issued but cheque for Rs.1,200 had not been presented for payment in the bank upto 31st March.

iii) Bank had given debit of Rs.35 for sundry charges and

iv) Bank had received directly from customers Rs.800 and dividend of Rs. 130 upto 31st March.

Prepare a bank reconciliation statement as on 31-3-2001.

30. The bank overdraft of Rajini on 31-12-93 as per cash book is Rs. 9,000. From the following particulars, prepare bank reconciliation statement:

	Rs.
i) Unpresented cheque	3,000
ii) Uncleared cheque	1,700
iii) Bank interest debited in the pass book only	500
iv) Bill collected and credited in the pass book only	800
v) Cheque of Renu dishonoured	500
vi) Cheques issued to Sekar entered in the cash column of cash book	300

Unit – IV

31. Distinguish between Hire purchase and Installment purchase system.
32. On 1.1.86, X purchased machinery on hire purchase system. The payment is to be made Rs. 4,000 down (on signing of the contract) and Rs. 4,000 annually for three years. The cash price of the machinery is Rs. 14,900 and the rate of interest is 5%. Calculate the interest in each year's installment.
33. Mr. X purchased a machine on hire purchase system Rs. 3,000 being paid on delivery and the balance in five installments of Rs. 6,000 each, payable annually on 31st December. The cash price of the machine was Rs. 30,000. Calculate the amount of interest for each year.
34. X purchased a machine under hire purchase system. According to the terms of the agreement Rs. 40,000 was to be paid on signing of the contract. The balance was to be paid in four annual installments of Rs. 25,000 each plus interest. The cash price was Rs. 1,40,000. Interest is chargeable on outstanding balance at 20% per annum. Calculate interest for each year and the installment amount.
35. On 1.1.90 X bought some trucks under hire purchase system for Rs. 51,000 payable by three equal installments combining principal and interest, the latter being a normal rate of 5% per annum. Calculate the cash price. (The present value of an annuity of one rupee for three years at 5% is Rs. 2.72325).
36. On 1.1.93, a firm purchased a Truck on installment system. The cash price of the Truck was Rs. 11,175 and payment was to be made as follows:
- Rs. 3,000 was to be paid on signing of the agreement and the balance in three installments of Rs. 3,000 each at the end of each year. Interest at 5% is charged by the vendor. The firm has decided to write off 10% annually on the diminishing balance of the cash price.
- Give journal entries in the books of the purchaser.
37. On 1.1.94, a firm purchased a car on installment system. The cash price of the car was Rs. 11,175 and payment was to be made as follows:
- Rs. 3,000 was to be paid on signing of the agreement and the balance in three installments of Rs. 3,000 each at the end of each year. Interest at 5% is charged by the vendor. The firm has decided to write off 10% annually on the diminishing balance of the cash price.
- Give journal entries in the books of the seller.
38. What is hire purchase system? What are its objectives?

39. Malan purchased a machine on hire purchase system on 1st January 1993. The terms of payment are four annual installments of Rs. 12,690 at the end of each year. Interest is charged at 5% and is included in the annual payment of Rs. 12,690.

Show Machinery account in the books of Malan who defaulted in the payment of the third yearly payment whereupon the vendor repossessed the Machinery. Malan provides depreciation on the machinery at 10%p.a. on the reducing balance.

40. Raman purchases a motor car from Bharathan whose cash price is Rs. 56,000 on 1.1.93. Rs. 15,000 is paid on signing the contract and the balance is to be paid in three equal annual installments of Rs. 15,000 each. The rate of interest is 5%p.a. Calculate the amount of interest included in each installment.

Unit – V

41. The Bengal mines Co. Ltd., took from Mr. Dass a lease of a mine for a period of 25 years from 1-1-86, on a royalty of Rs. 5 per tonne of mineral raised with a dead rent of Rs.20,000 and power to recoup short workings during the first five years of the lease.

The annual outputs were as follows:

1986	- 2,000 tonnes
1987	- 3,000 tonnes
1988	- 4,000 tonnes
1989	- 4,500 tonnes
1990	- 5,000 tonnes

Give the analysis of Royalty table for the above transactions.

42. Ramu took a lease of mine for a period of 20 years. Royalty payable is Re. 1 per tonne subject to a minimum rent of Rs.12,000 per annum. The short workings are recoupable during the first three years of the lease. The output was:

1990 – Nil 1991 – 4,000 Tonnes 1992 – 20,000 Tonnes 1993 – 40,000 Tonnes

Give journal entries in the books of Ramu.

43. A company leased a colliery on 1.1.92 for a period of 15 years on a royalty of Rs.1 per tonne with power to recoup shortworkings over the first three years of the lease. The minimum rent was fixed at Rs. 30,000 per annum. The output of the colliery for the first three

years was 24,000, 38,000 and 42,000 tonnes respectively. Write the journal entries in the books of landlord.

44. 'A' leased a colliery. The dead rent was Rs.1,200 a year, merging into a royalty of 25 Paise per tonne of Coal raised with the right of recouping shortworkns out of royalties during the first four years. The quantities raised were

Year	Tonnes
I Year	2,000
II Year	3,600
III Year	6,000
IV Year	12,000
V Year	25,000

Show the landlord account for 5 years.

45. Shri Bhatia a landlord, leased out the mining rights over his property to Betta Ltd, a mining company, for a period of ten years from 1.1.90. The minimum rent was agreed at Rs.30,000 a year, merging in a royalty of Re.1 per ton payable each year. It was also agreed that each year's shortworking, if any was to be recouped only out of excess royalties in the next year, but not later.

The following was the result of working in the property:

1990-	15,000 tons
1991-	37,500 tons
1992-	20,000 tons
1993-	35,000 tons
1994-	32,500 tons

Prepare royalty table.

46. The Bharat Mine Company obtained a mine on lease for a period of 30 years beginning from 1st January 1968 on the following terms.

- i) To pay minimum rent of Rs.24,000 per year.
- ii) Each year's excess of minimum rent over the actual royalties i.e shortworkings can be recovered during the subsequent two years.
- iii) Royalty was calculated at 50 paise per tonne.

Producing during four years from 1968 to 1971 was as follows:

Year	Production (in tons)
------	----------------------

1968	28,000
1969	36,000
1970	60,000
1971	64,000

Give journal entries in the books of Bharath Mine Company.

47. On 1.1.1980 the Cuddalore mines leased some land for a minimum rent of Rs. 3,000 for the first year, Rs.5,000 in the second year and thereafter Rs. 10,000 per annum over merging into a royalty of 50 paise per tonne with power to recoup shortworkings over the two years after occurring of shortworkings.

The outputs were as follows:

Year	Tonnes
1980	3,000
1981	8,600
1982	22,000
1983	50,000

Give journal entries in the books of Landlord.

48. Minerals Ltd., leased a property from Shri. P. Janakiraman at a royalty of Rs.1.50 per ton with a minimum rent of Rs. 20,000 per annum. Each year's excess of minimum rent over royalties is recoverable out of royalty of next five years. In the event of strike and the minimum rental not being reached, the lease agreement provided that the actual royalties earned for the year discharged all rental obligation for the year.

The results of working of the property are given below.

Year	Actual royalty (Rs.)
1988	Nil
1989	6,600
1990	18,000
1991	22,200
1992	28,000
1993	30,000
1994 (Strike year)	16,000
1995	30,400

Prepare Shri. P. Jankiraman's A/C in the books Minerals Ltd.,

Prepare an analytical table.

49. Mura Bros. Obtained a lease of a coal mine on 1st Oct. 1982 on the following terms:

- i) Royalty Re. 1 per tonne.
- ii) Minimum rent Rs. 12,000 per annum.
- iii) Recoupment of short workings of each year during the next 3 years subject to a maximum of Rs.2,500 per annum.
- iv) In the event of strike, the minimum rent would be taken pro-rata on the basis of actual working days, but in the event of lock out, the lessee would enjoy a concession in respect of minimum rent for 50% of the period of lock out.

V) Workings for the first 5 years is as follows:

Year	Actual Royalty (Rs.)
1982	7,000
1983	10,200
1984	19,000
1985	10,800 (Strike 73 days)
1986	9,000 (Lock out – 4 Months)

Prepare an analytical table.

50. Ram Co., Ltd., leased a property from Arun at a loyalty of Rs.1.50 per Tonne with a minimum rent Rs. 2,000 per annum. Each year's excess of minimum rent over royalties is recoverable out of the royalties of the next five years, In the event of a strike and the minimum rent not being reached, the lease provided that minimum rent would stand reduced proportionate to the time actually worked. The results of the working were as follows:

Year ended 31 st December	Actual Royalties Rs.
1989	Nil
1990	650
1991	1,850
1992	2,250
1993	3,500
1994 (Strike for 4 months)	1,200
1995	3,000

K4 AND K5 LEVEL

Unit – I

1. Explain the different accounting concepts and conventions.
2. Enter the following transactions in the journal and ledger of Hari Prasad of Chennai

Date	Particulars	Rs.
2000 July 1	Commenced business with cash	1,80,000
3	Deposited into bank	55,000
4	Purchases goods for cash	22,000
5	Bought goods of Swaminathan	72,000
8	Cash sales	16,200
11	Cash deposited into bank	23,000
14	Purchased furniture for cash	4,000
16	Sold goods to Vivek	12,700
17	Received cash from Vivek	12,446
17	Allowed Discount to Vivek	254
18	Paid Swaminathan cash Discount allowed by him	12,000 240
20	Paid wages	1,800
21	Sold goods to Jagadheesan	35,000
22	Paid cash for trade expenses	150
24	Sold goods to Rajan	23,280
25	Received from Jagadheesan Allowed him discount	21,000

		525
26	Paid Swaminathan cash on account	24,000
28	Sold goods for cash	9,000
29	Paid cash for stationery	180
30	Paid cash for miscellaneous expenses	150
31	Bought goods from Sridhar	17,870
31	Withdrew cash for private expenses	1,480

3. Enter the following transactions in the journal and ledger of Hans Raj of Chennai.

Date	Particulars	Rs.
1999 Mar 1	Hans Raj commenced business with cash	30,000
3	Purchased goods for cash	1,500
4	Deposited into bank	21,000
5	Withdrew from bank for office use	1,500
6	Sold goods to Ramu	1,500
10	Purchased goods on credit from Kannan	680
19	Received from Ramu and allowed him discount	1,470 30
20	Cash sales	2,400
27	Paid to kannan in full settlement	650
28	Paid rent Paid salary	150 300

Accounts are closed on 31st March 1999.

4. Messrs. Rajkumar and brothers started their business on 1st april 1995 with Rs. 50,000 as their capital. Following were the transactions for one month:

Date	Particulars	Rs.
1995 Apr 1	Paid into bank	20,000
2	Purchased furniture from modern furniture limited on credit	3,000
6	Sold goods on credit to Sivakumar	3,500
8	Paid to Modern furniture limited cash	2,000
11	Purchased goods from Mohan	8,800
15	Paid wages in cash	200
16	Issued cheque to Mohan	7,000
20	Received from sivakumar	1,500
21	Paid into bank	1,500
23	Cash sales	3,500
25	Cash purchases	1,800
27	Goods withdrawn for personal use	500
28	Cash withdrawn for personal use	750
29	Paid for stationery	100
30	Paid salaries by cheque	1,000

Give journal entries and prepare the ledger accounts and trail balance as on 30.04.1995.

5. From the following trail balance extracted from the books of Kamalnath prepare trading and profit and loss account and balance sheet for the year ended 31.12.1996.

Debit Balances	Rs	Credit Balances	Rs
Cash at bank	2,610	Creditors	4,700
Book Debts	11,070	Discounts	150
Salaries	4,950	Creditors for expenses	400
Carriage inwards	1,450	Returns outwards	2,520
Carriage outwards	1,590	Sales	80,410
Bad debts	1,310	Capital	40,000
Office expenses	5,100		
Purchases	67,350		
Return inwards	1,590		
Furniture and fixtures	1,500		
Stock	14,360		
Insurance	3,300		
Depreciation on property	1,200		
Free hold property	10,800		
Total	1,28,180	Total	1,28,180

Adjustments:

1. Make provisions for doubtful debts at 5%
2. Calculate discount on creditors at 2%
3. Office expenses include stationery purchased Rs.800.
4. Carriage inwards includes carriage paid on purchase of furniture Rs.50

5. Outstanding salaries Rs.150.
6. Prepaid insurance Rs.300
7. Stock on hand Rs.10,700 (Including stationery stock Rs.200)

Unit – II

6. Gani sold goods to Mani for Rs.3000 on credit on 01.04.1999. For this purpose, Gani drew a bill on Mani for Rs.3000 for 3 months. Mani accepted the same and returned it to Gani. On maturity, the bill was dishonored by Mani. Show the entry in the book of both the parties under the each of the following circumstance
 1. If Gani retained the bill till maturity;
 2. If Gani discounted the bill by the bank at 18% per annum ;
 3. If Gani endorsed the bill to his creditor Anil;
 4. If Gani sends the bill to bank for collection.

7. Kali owed to Venu Rs.12, 000 on 1.1.1999. On the same date Venu drew upon kali a bill for the amount at two months and kali returned the bill duly accepted. Venu got the bill discounted at his bank at 6% per annum before the bill was due for payments kali told Venu that he was not able to pay the full amount and requested Venu to accept Rs.4, 500 immediately and draw upon him another bill for the remaining amount for the two months together with interest at 8% per annum Venu agreed, the second bill was duly met. Give journal entries in the books of Venu and Kali.

8. Prepare receipts and payments account of a club for the year ended 31st December 1999 from the following particulars:

Particulars	Amount	Particulars	Amount
Opening balance of cash	40,000	Rent paid	1,200
Receipts of entrance fees	8,000	Payment for purchase of cricket balls	500
Subscription received for 1999	16,000	Payment for purchase of cricket bats	1,600

Previous years subscription received	1,600	Payments of stationery in cash	100
Paid salaries	2,000		
Paid for miscellaneous expenses	200		

9. The following is the Receipts and Payments account of Kandan Recreation club for the year ended 31st March 2002.

Receipts	Rs.	Payments	Rs.
To Balance B/d	7,000	By Salaries	28,000
To Subscriptions:		By General Expenses	6,000
2000-2001	5,000	By Electricity	4,000
2001-2002	20,000	By Books purchased	10,000
2002-2003	4,000	By Periodicals purchased	8,000
	29,000	By Loan Repaid	20,000
		By Balance c/d	4,000
To Rent for use of conference room	14,000		
To receipts from entertainment facilities	28000		
	2,000		
To Sale of old magazines	80,000		80,000

Additional Data:

- (i) The club has 50 members, each paying Rs.500 PA as subscription.
- (ii) Subscriptions outstanding on 31-3-2002 Rs. 6,000.
- (iii) Salaries outstanding Rs. 2,000. Salaries paid include Rs. 6,000 for 2000-01.
- (iv) On 1-4-2001, the clubs properties were: Building Rs.2, 00,000, Furniture & Fittings Rs.20, 000 and Books Rs.20,000.
- (v) Provide 10% Depreciation on Buildings and Furniture.

Prepare Income and Expenditure Account for the year ending 31-3-2002 and a balance sheet on that date.

10. The following is the Receipts and Payments A/c of Delhi football associated for the first year ending 31st Dec 1987.

Receipts & Payments A/c

Receipts	Rs.	Payments	Rs.
To Donation	50,000	By Pavilion office (constructed)	40,000
To Reserve Fund (Life membership fees and entrance fees received)	4,000	By Expenses in connection with matches	900
To Receipts from football matches	8,000	By Furniture	2,100
Revenue Receipts:		By Investments at cost	16,000

To Subscriptions	5,200	Revenue Payments:	
To Locker Rents	50	By Salaries	1,800
To Interest on securities	240	By Wages	600
To Sundries	350	By Insurance	350
		By Telephone	250
		By Electricity	110
		By Sundry expenses	210
		By Balance on hand	5,520
	67,840		67,840

Additional Information:

- i) Subscriptions outstanding for 1987 are Rs. 250.
- ii) Salaries unpaid for 1987 are Rs.170.
- iii) Wages unpaid for 1987 are Rs.90.
- iv) Outstanding bill the sundry expenses is Rs.40.
- v) Donations received have to be capitalised.

Prepare from the details given above and Income and Expenditure A/c for the year ended 31-12-1987 and the Balance sheet of the Association as on that date.

Unit – III

11. A second hand machine was purchased on 1-1-90 for Rs.30,000 and repair charges amounted to Rs. 6,000. It was installed at a cost of Rs.4,000. On 1st July 1991, another machine was purchased for Rs.26,000. On 1st July 1992 the first machine was sold for Rs. 30,000. On the same day, one more machine was bought for Rs. 25,000. On 31-12-1992, the machine bought on 1st July 1991 was sold for Rs. 23,000. Accounts are closed every year on 31st December. Depreciation is written off at 15% per annum on original cost method. Prepare the Machinery A/C for 3 years ending 31-12-1992.

12. A company whose accounting year is the calendar year purchased on 1.4.76, machinery costing Rs.30,000. It purchased further machinery on 1.10.76 costing Rs.20,000 and on 1ST July 1977, costing Rs.10,000. On 1st January 1978, one third of the machinery which was installed on 1st April 1976 became obsolete and was sold for 3,000.

Show how the Machinery A/c would appear in the books of the company, it being given that Machinery was depreciated by the written down value method at 10%p.a.

13. A company purchased a 3 year, lease on 1-1-1990 for Rs. 50,000. It is decided to provide for the replacement of lease at the end of three years by setting up a sinking fund. It is expected that the investment will fetch interest at 5%. Sinking fund tables show that to provide the requisite sum at 5% at the end of three years, an investment at Rs. 15,864 is required every year. Investments are made to the nearest rupee.

On 31st December 1992, the investments were sold for Rs. 30,500. On 1-1-1993, the same lease was renewed for a further period of 3 years by payment of Rs. 60,000.

Show the journal entries and give the lease A/C, sinking fund A/C and sinking fund.

14. From the following particulars ascertain the bank balance as would appear in the pass book as on 31-12-1974.

- a) The bank overdraft (credit balance) as per cash book on 31-12-1974 was Rs. 6,000.
- b) Interest on overdraft, for six months ending 31-12-1974 amounting to Rs.200 was debited in the pass book.
- c) Bank charges for the above period also debited in the pass book which amounted to Rs. 50.
- d) Cheques issued but not presented for payment before 31-12-1974 amounted to Rs.1,500.
- e) Cheques paid into the bank but not cleared and credited before 31-12-1974 were Rs. 2,500.
- f) Interest on government securities collected by the bank and credited in the pass book amounted to Rs.1800.

15. The bank pass book of Mr. Perumal showed an over draft of Rs. 9,300 on 31st March 2016. Ascertain the bank balance shown by the cash book on that date by means of a bank reconciliation statement taking into account the following:

- i) Cheques worth Rs. 850 paid into bank were collected and credited only in April.
- ii) Cheques worth Rs. 580 issued were encashed only in April.

iii) No entries in the cash book have been made for bank charges of Rs.10 and interest on overdraft Rs.120.

iv) A cheque for Rs. 600 paid into bank had been dishonoured and entered only in the bank pass book.

v) Interest on investments amounting to Rs. 250 has been entered only in the pass book.

Unit – IV

16. On 01.01.1993 Ramaswamy company purchased a car from Alagappan and company. At the time of agreement a sum of Rs. 24,000 was paid out of cash down price of the car and the balance would be payable in 3 equal annual installments with interest at 5% per annum. The amount of last installment including interest was Rs.33,600. Depreciation was to be provided at 10% per annum on the reducing balances.

Prepare

- a. Motor car account
- b. Alagappan a/c

In the books of Ramaswamy company.

17. Mr.P purchased 4 cars for Rs.14,000 each on 01.01.1992 under the hire purchase system. The hire purchase price for all the 4 cars was Rs. 60,000 to be paid as Rs.15,000 down payment and 3 equal installments of Rs.15,000 each at the end of each year. Interest is charged at 5% per annum. The buyer depreciates the car at 10% per annum on straight line method.

From the above particulars give journal entries and relevant accounts in the books of Mr.P and in the books of hire vendor.

18. On 1st January 1996 Baba and Co. purchased a machine on hire purchase basis, the total amount payable being Rs.42,700. Payment was to be made Rs.12,000 on that date and balance in 3 half yearly installments of Rs.11,400, Rs.10,900 and Rs.8,400 commencing from 30th June 1996. The vendor charged interest at 10 per annum, calculated on half yearly rest.

Baba and Co. closes their books annually on 30th June and provides depreciation at 10% per annum on reducing balancing method.

Determine the cash price of the machine and show the relevant accounts in the books of Baba and Co.

19. On 01.01.90 National Transport Company purchased from metro motors five trucks costing Rs.40,000 each on the hire purchase system. It was agreed the Rs.50,000 should be paid immediately and the balance in three installments of Rs.60,000 each at the end of each year. The metro motors charges interest at 10% per annum. The buyer paid cash down and two installments but failed to pay the last installments. Consequently, the Metro motors repossessed three trucks leaving two trucks with the buyer and adjusting the value of 3 trucks against the amount due. The trucks repossessed were valued on the basis of 30% depreciation per annum on the written down value. The trucks repossessed were sold by metro motors for Rs. 60,000 after necessary repairs amounting to Rs.10,000. Open the necessary ledger accounts in the books of both the parties.

20. On 01.01.93 a firm purchased a truck on installments system,. The cash price of the truck was Rs.11,175 and payment was to be made as follows:

Rs.3,000 was to be paid on signing of the agreement and the balance in three installments Rs.3,000 each at the end of each year. Interest at 5% is charged by the vendor. The firm has decided to write off 10% annually on the diminishing balance if the cash price.

Give journal entries and ledger accounts in the books of the purchaser and hire vendor.

Unit – V

21. A company leased a colliery on 1-1-92 at a minimum rent of Rs. 20,000 merging into a royalty of Rs. 1.50 per tonne with power to recoup short workings over the first four years of the lease. The output of the colliery for the first four years was 9,000 tonnes, 12,000 tonnes, 16,000 tonnes and 20,000 tonnes respectively. Give journal entries and ledger accounts for four years in the books of lessor and lessee.

22. On 1.1. 1982, Rama Colliery Ltd., leased a piece of land agreeing to pay a minimum rent of Rs. 2,000 in the first year, Rs.4,000 in the second year and thereafter Rs. 6,000 per annum, merging into a royalty of 40 paise per tonne, with power to recoup shortworkings over the first three years only.

The figures of annual output for the four years to 31st Dec. 1985 were 1,000, 10,000, 18,000 and 20,000 tonnes respectively. Record these transactions in the ledger of landlord.

23. Ravi took a colliery on lease. The dead rent was Rs. 750 a year, merging into royalty of 35 paise per tonne of coal raised, with the right to recover shortworkings out of royalties of two subsequent years from the period in which the short workings arose. The outputs raised were;

I Year - 1,000 tonnes	IV Year - 1,500 tonnes
II Year - 1,500 tonnes	V Year - 1,000 tonnes
III Year - 2,500 tonnes	

Give necessary ledger A/Cs for each of the five years in the books of Ravi.

24. A company acquired lease of a mine at a minimum rent of Rs. 10,000 p.a. The royalty was fixed at Re.0.50 per tonne. Shortworkings could be recouped within three years following the year in which the shortworkings occur. If there is stoppage of production due to strike in any year, the minimum rent would be proportionately reduced in regard to the length of the stoppage.

The output (in tonnes) of the mine was as follows:

1978 – 8,000	1981 – 26,000
1979 – 12,500	1982 – 17,000 (Strike)
1980 – 21,500	1983 – 30,000

During 1982, there was strike lasting for 3 months. Show the necessary ledger accounts for each of the years in the books of the company.

25. Mining Co. Ltd. obtained on 1.1.90 from landlord a lease of coal mine, the terms being a royalty of Re. 50 per ton of coal raised subject to a minimum rent of Rs. 4,000 per annum with a right of recoupment of shortworkings over the first four years of the lease.

Mining Co. Ltd. granted a sub-lease of part of the land to mining lessee on a royalty of Re.0.75 per ton merging into a minimum rent of Rs. 2,000 per annum with a right of recoupment of shortworkings during the two years following the shortworkings.

The output for the five years as follows:

Year	Mining Co.	Mining Lessee
	Tons	Tons
1990	4,400	1,600
1991	4,640	2,160
1992	5,200	2,800

1993	5,600	3,600
------	-------	-------

1994	7,200	4,800
------	-------	-------

Give necessary journal entries and ledger accounts in the books of Mining Co.

.....
Ms. M. JEEVA – UNIT-II (SECOND HALF), UNIT-III AND UNIT-V

MS. A. ANANDHIPRABHA – UNIT – I, UNIT – II (FIRST HALF) UNIT - IV