

**TERM END EXAMINATION - DECEMBER, 2018**  
**DIPLOMA IN ACCOUNTING**  
**(DIA)**

**DIA-02: FINANCIAL STATEMENT**

**DIA-02**

**Total Marks: 100**

**Time: 3 Hrs.**

*(Instructions: Answer all the questions from Group A, answer any four questions from Group B & any four from Group C and any two questions from Group D)*

**Group A**

**Q.1 Multiple-Choice Questions-**

**(1×10=10)**

- i. \_\_\_\_\_ is the common base for preparing a trial balance
  - a. Ledger accounts
  - b. General Journal
  - c. Specialized journals
  - d. Balance sheet
  
- ii. Trial balance is commonly prepared
  - a. Frequently during the year
  - b. At the end of an accounting period
  - c. At the end of a month
  - d. At the end of a year
  
- iii. Which of the following will affect the agreement of a trial balance?
  - a. Complete omission of a transaction
  - b. Partial omission of a transaction
  - c. Error of principle
  - d. Compensating errors
  
- iv. Which of the following should be the most appropriate order of current asset in a balance sheet?
  - a. cash, debor, bank, stock
  - b. Bank, cash, stock, debtor
  - c. Stock, bank, cash, debtor
  - d. Cash, bank, debtor, stock
  
- v. Office equipment is a \_\_\_\_\_ asset for a computer manufacturer and the same office equipment is a \_\_\_\_\_ asset for a company that deals in these equipments
  - a. Current, Fixed
  - b. Fixed, intangible
  - c. Tangible, intangible
  - d. Fixed, current
  
- vi. A statement or report that records the fluctuation in business's capital is referred as
  - a. Balance sheet
  - b. Income statement
  - c. Cash flow statement
  - d. Statement of changes in equity
  
- vii. Purchases+opening stock-closing stock=?
  - a. Amount of sales
  - b. Gross profit
  - c. Cost of goods sold
  - d. Net income
  
- viii. Under which depreciation method the amount of depreciation expenses remains same throughout the useful life of a fixed asset?
  - a. Straight line method
  - b. Reducing balance method
  - c. Number of units produced method
  - d. Machine hours method
  
- ix. What is the accumulated depreciation?
  - a. Sum of all depreciation expenses of a fixed asset
  - b. Depreciation expenses
  - c. Cost of depletion of assets
  - d. Future value of fixed asset

- x. Which of the following is a double entry for depreciation expenses?
- |  |  |
|--|--|
| a. Accumulated depreciation debit and depreciation expenses Credit | b. Depreciation expenses Debit and accumulated depreciation Credit |
| c. Cash Debit and depreciation expenses Credit                     | d. Depreciation expenses Debit and cash Credit                     |

**Group B**

**Q.2 Answer any 4 within 50 words each. (5×4=20)**

- What is Trial Balance? Is it true to say that results are accurate if Trial Balance tallies?
- Distinguish between errors of commission and errors of omission.
- Write short-notes on Compensatory errors.
- Explain the different components of cost of fixed assets.
- Distinguish between: Capital Reserve and Revenue Reserve.
- Write short-notes on dishonor of a bill of exchange.

**Group C**

**Q.3 Answer any 4 within in 200 words each- (10×4= 40)**

- What do you mean by a Trial Balance? Discuss its main objectives and show how it is prepared.
- Differentiate between 'Fixed Installment Method' and 'Written Down Value Method' with a suitable example.
- What is error in Trial Balance? Name the errors that are disclosed by Trial Balance.
- What do you mean by adjustment entries? Explain the different adjustment entries.
- The following balances are extracted from the books of Mr. Rakesh as on 31.12.2017, Prepare a trial balance  
Capital Rs.15, 000, Purchases Rs.7, 200, Land & Building Rs.15,600, Provision for bad debts Rs.370, Bank overdraft Rs.2,500, Sales Rs.17,000, Cash in hand Rs.680, Wages Rs.1250, Stock in Trade Rs.6,000 as on 1.1.17, Salaries Rs.700, Advertisement Rs.210, Insurance Rs.40, Rent & Taxes Rs.160, Discount allowed Rs.300. Interest & Discount received Rs.300, Repairs to building Rs.210, Debtors Rs.6420, Creditors Rs.4,100, General Expenses Rs.500.
- Give the journal entries necessary to rectify the following errors:
  - A payment of Rs.250 for purchase of a Typewriter for office use has been debited to Purchases A/c.
  - A credit sale of Rs.127 to Mr. Chandra has been posted to the debit of Mr. Kuchhal's account from the Sales Day book.
  - A payment of Rs.96 for white washing the office has been charged to Buildings accounts.
  - Sales to Vinod Rs.143 debited to his account as Rs.134.
  - Sales to Vinod Rs.143 credited to his account as Rs.134.

**Group D**

**Q.4 Answer any 2 within 250 words each – (15×2= 30)**

- What do you mean by Trading Account? Give the proforma of Trading Account and explain why it is prepared.
- What is Rectification of Errors? Discuss the procedure of rectification of errors before and after preparation of trial balance with example.

c) From the following Trial Balance, prepare Trading, Profit & Loss account and Balance Sheet.

Particulars	Amounts (Rs.)	Particulars	Amounts (Rs.)
Fixed Assets	12,00,000	Sales	7,00,000
Opening Stock	20,000	Capital	8,00,000
Carriage inwards	5,000	Creditors	45,000
Carriage outwards	8,000	Loan	4,00,000
Salaries	75,000	Bills Payable	35,000
Bills Receivable	25,000	Bank Overdraft	20,000
Cash in hand & at bank	80,000		
Power & fuel	10,000		
Wages	27,000		
Office expenses	50,000		
Debtors	65,000		
Purchases	4,35,000		
Total	20,00,000	Total	20,00,000

At the end of the year it found that closing stock was Rs.50,000, outstanding Salaries was Rs.8,000 and depreciation was Rs.50,000 on fixed assets.

d) On 1st January 2004, Arora & Company purchased second hand machinery for Rs.1,85,000 and spent Rs.10,000 on repair and Rs.5,000 on installation. On 1st July, 2005 the company purchased second hand machinery for Rs.50,000. On 1st July 2006 the machinery purchased on 1st January 2004, was sold for Rs.1,40,000 and on the same date a fresh machine is purchased for Rs.1,25,000. On 1st July, 2007 the machinery purchased for Rs.50,000 on 1st July 2005 was sold for Rs.10,000.

Pass necessary journal entries and prepare Machinery Account.

