

TERM END EXAMINATION-JUNE, 2019
DIPLOMA IN ACCOUNTING (DIA)

Course Code
DIA-02

FINANCIAL STATEMENT

TIME-3 Hours

FULL MARKS=100

(Answer all the questions form Group-A, any four questions from Group - 'B', any four questions from Group - 'C' and any two questions from Group - 'D')

Group-A

1. Answer all the questions, each within one or two sentences.

Marks-1x10=10

Explain the following terms.

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| <p>(a) Capital</p> <p>(b) Gross Profit</p> <p>(c) Current Assets</p> <p>(d) Bad Debt</p> <p>(e) Endorsement</p> | <p>(f) Stale cheque</p> <p>(g) Capital Expenditure</p> <p>(h) Days of Grace</p> <p>(i) Acceptance of a Bill of Exchange</p> <p>(j) Kite Flying</p> |
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Group-B

2. Answer any four questions each within 100 words.

Marks-5x4=20

- (a) What is a Promissory Note? What are its characteristics?
- (b) What is prepaid expenses? How is it different from Outstanding Expenses?
- (c) Write a short note on Valuation of Closing Stock.
- (d) Why should you create reserve for doubtful debts?
- (e) What is a Balance Sheet? Why is it prepared? Name two number of items of each sheet.
- (f) Say, whether the following expenses are to be shown in the Profit & Loss Accounts of a business: Indicate Yes or No for your answer:
 - i. Personal expenses of the proprietor
 - ii. Income Tax paid by the proprietor
 - iii. Insurance Premium paid for a Life insurance policy of the proprietor
 - iv. Fire insurance premium of the factory
 - v. Amount transferred to the General Reservation

Group-C

3. Answer any four questions, each within 200 words.

Marks-10x4=40

- (a) What is a bill of exchange? What are its advantages?
- (b) Differentiate between a Reserve Fund and a Reserve for provision.
- (c) What is a Trial Balance? Explain the errors which cannot be detected from the agreement of the trial balance.
- (d) What is a Trading Accounts? Explain its importance to a firm.
- (e) Explain the Accounting Treatment of an Outstanding income and outstanding expenses at the time of preparing final accounts of a business at the end of accounting year.
- (f) Pass journal entries for rectification of the following errors.
 - i. A sum of Rs. 2000 paid for repairing of the machine was posted to Machinery Account.
 - ii. Rs. 10,000 paid for purchasing furniture has been debited to Purchase Account.

- iii. Goods worth Rs. 3000 sold to Shantilal was wrongly debited to Shaktikant's account.
- iv. Rent paid for Rs. 5000 was debited to landlord's personal account.
- v. Rs. 1000 received from Sudhakar has been posted to the debit side of his account.

Group- 'D'

4. Answer any two questions, each within 300 words.

Marks-15x2=30

- (a) What is understood by "Depreciation of an Asset"? Why is it necessary? What factors are taken into consideration for estimating the annual rate of Depreciation?
- (b) (i) Atmaram sold goods for Rs.1000 to Balaram on 1st Jan, 2019 and on the same day draws a bill on Balaram at 3 months for the amount. The bill is duly accepted but dishonoured on the due date. Atmaram paid noting charges of Rs. 20. Record these transaction in the journals of Atmaram and Balaram.
- (ii) Radheshyam draws a bill on Ghanashyam for three months for Rs.2000 which Ghanashyam accepts on 1st Jan, 2019. Radheshyam endorsed the bill after 3 days to his creditor Madhu. On due date the bill was duly honoured. Journalise the transaction in the books of Radheshyam, Ghanashyam and Madhu.
- (c) The following is the trial balance on Chandrasekhar 31st Dec, 2018.

Particulars	Debit (Rs.)	Credit (Rs.)
Cash in hand	540/-	
Cash at bank	2630/-	
Purchase Account	40,675/-	
Sales Account	-----	58,780/-
Return Inward Account	680/-	
Return Outward Account	-----	500/-
Wages Account	10,480/-	
Fuel and Power Account	4730/-	
Carriage on Sales Account	3200/-	
Carriage on Purchase Account	2040/-	
Stock as on 1 st Jan, 2019	5760/-	
Building Account	30,000/-	
Land Account	10,000/-	
Machinery Account	20,000/-	
Patent Account	7500/-	
Salary Account	15,000/-	
General Expenses Account	3000/-	
Insurance Account	600/-	
Drawing Account	5245/-	
Capital Account	-----	71,000/-
Sundry Debtors Account	14,500/-	
Sundry Creditors	-----	6,300/-
Total	1,76,580/-	1,76,580/-

Stock as on 31st Dec, 2018 is Rs. 6800. Prepare the Trading Account, Profit and Loss Account and the Balance Sheet for the year ended 31st Dec, 2018.