

Term End Examination – December 2016
DIPLOMA IN ACCOUNTING (DIA)
FINANCIAL STATEMENT (DIA-2)

Time – 3 hours
Full marks – 100

Group 'A'

(Answer any four questions each within 100 words)

Mark: 5 x 4 = 20

Q. No. 1

- (a) What is Noting of a Bill of Exchange.
- (b) State 3 parties involved in a bill of exchange.
- (c) What is meant by Closing stock? Show its treatment in final accounts.
- (d) What is meant by Provision for discount on debtors?
- (e) What are the limitations of Trial balance?
- (f) Is trial balance an account or statement?
- (g) What is meant by Appropriation of profits in case of Reserves?
- (h) Why Depreciation is called non cash expense?

Group 'B'

(Answer any two questions each within 250 words)

Mark: 10 x 2 = 20

Q.No. 2

- (a) What do you mean by Bill of exchange & Promissory note? Give points of differentiation between the two.
- (b) Explain Errors of Principle & Compensating errors with example.
- (c) Distinguish between Straight line method & Written down value method of calculating depreciation.
- (d) What is meant by Grouping & Marshalling of assets & liabilities? Explain the ways in which a balance sheet may be marshalled.
- (e) Explain the meaning & objectives of Trial balance.

Group 'C'

(Answer any three questions each within 500 words)

Mark: 20 x 3 = 60

Q.No.

3. Narayanan purchased goods for Rs. 25000 from Ravinderan on Feb1, 2016. Ravinderan drew upon Narayanan a bill of exchange for the same amount payable after 30 days. On the due date Narayanan dishonoured his acceptance.

Pass the necessary journal entries in the books of Ravinderan & Narayanan in following cases:

- When the bill was retained by Ravinderan with him till the date of its maturity.
- When the bill was discounted by Ravinderan immediately with his bank @ 6% p.a.
- When the bill was endorsed to his creditor Ganeshan.
- When the bill was sent by Ravinderan to his bank for collection a few days before its maturity.

4. Give journal entries to rectify the following errors assuming that Suspense account had been opened:

(a) Goods distributed as free samples Rs.5000 were not recorded in the books.

(b) Goods withdrawn for personal use by the proprietor Rs. 2000 were not recorded in the books.

(c) Bill receivable received from a debtor Rs. 6000 was not posted to his account.

(d) Total of return inwards book of Rs. 1200 was posted to return outwards account.

(e) Discount allowed to Reema Rs. 700 on receiving cash from her was recorded in the books as Rs. 70.

5. "A trail balance is merely a proof of arithmetical accuracy." Explain this statement & bring out clearly the various classes of errors which a trial balance fails to disclose.

6. What is meant by Discounting of bills? Why is it necessary? Give entries for discounting of a bill.

7. Explain the concept of depreciation. What is the need for charging depreciation & what are the causes of depreciation.

8. From the following balance of M/s Jyoti exports, prepare trading & profit & loss account for the year ended March 31, 2016 & Balance sheet as on this date.

Particulars	Amount	Particulars	Amount
Sundry debtors	9600	Sundry creditors	2500
Opening stock	22800	Sales	72670
Purchases	34800	Purchase returns	2430
Carriage inwards	450	Bills payable	15600
Wages	1770	Capital	42000
Office rent	820		
Insurance	1440		
Factory rent	390		
Cleaning charges	940		
Salaries	1590		
Building	24000		
Plant & machinery	3600		
Cash in hand	2160		
Gas & water	240		
Octroi	60		
Furniture	20540		
Patents	10000		
	135200		135200

Adjustments:

- (a) Closing stock Rs 10000
- (b) Provision for bad debt is to be maintained at 5% on sundry debtors.
- (c) Wages amounting to Rs 500 & salary amounting to Rs 350 are outstanding
- (d) Depreciation charged on Plant & machinery @ 5% & Building @ 10%.
- (f) Factory rent prepaid Rs 100
- (g) Outstanding insurance Rs 100

