

**B.V. Patel Institute of Business Management, Computer & Information Technology**  
**Uka Tarsadia University**  
**2<sup>nd</sup> Internal Examination, FYBCOM 1<sup>st</sup> Semester**  
**030100126: Financial Accounting**

**Marks: 50**  
**Time: 2 hrs.**

**Date: 11/10/2017**

<b>Q-1 Answer the following. (Any Eight)</b>		<b>[16]</b>
1.	What do you mean by depreciation?	
2.	Define revenue expenditure.	
3.	What are the objectives of providing depreciation?	
4.	Briefly explain advantages of FIFO method.	
5.	Define perpetual inventory system.	
6.	Give definition of inventory.	
7.	What is hire purchase system?	
8.	Who are hirer and vendor?	
9.	What are advantages of LIFO method?	
<b>Q-2 Answer the following. (Any Two)</b>		<b>[20]</b>
1.	<p>Prepare the stock ledger account by using FIFO and weighted average method.</p> <ul style="list-style-type: none"> <li>• 1/1/2008 opening stock 200 unit @ Rs 3</li> <li>• 2/1/2008 Received 300 unit @ Rs 4</li> <li>• 4/1/2008 Issue 250 unit</li> <li>• 6/1/2008 Received 100 unit @ Rs 2</li> <li>• 7/1/2008 Issue 50 unit</li> <li>• 8/1/2008 Received 300 unit @ Rs 3</li> <li>• 10/1/2008 Issue 200 unit</li> </ul>	
2.	<p>A firm purchases a plant for sum of Rs. 10,000 on 1<sup>st</sup> January, 2003. Installation charges are Rs. 2000. Plant is estimated to have a scrap value of Rs. 1000 at the end of its useful life of five years. You are required to prepare Plant Account for five years separately assuming that depreciation are charged according to Straight Line Method and Diminishing balance method. Accountings are closed on 31<sup>st</sup> December every year.</p>	
3.	<p>Ahmedabad Manufactures Ltd. purchased on 1<sup>st</sup> April ,2003 machinery costing Rs. 47,500 from ABC Co. Ltd. on Hire purchase system. The terms were as under:</p> <p>(1) Rs. 20,000 to be paid on 1<sup>st</sup> April, 2003</p> <p>(2) Rs. 10,000 to be paid on 31<sup>st</sup> march, 2004</p> <p>(3) Rs. 10,000 to be paid on 31<sup>st</sup> march, 2005</p> <p>(4) Rs. 10,309 to be paid on 31<sup>st</sup> march, 2006</p> <p>Charge interest at 5% per annum on the yearly balances. Depreciation at 20% on the original cost was to be written off each year. Give journal entries in the books of hirer. Also prepare machinery account and interest account.</p>	

Q-3 Answer the following in detail. (Any Two)		[14]																																
1.	Distinguish between hire purchase and installment purchase system.																																	
2.	A firm purchases a plant for Rs. 10,000 on 1.1.2004. It was charging depreciation at 10% p.a according to the fixed installment method. At the end of 2008, the firm decided to change the method of depreciation from fixed installment method to diminishing balance method w.e.f 1.1.2005. The rate of depreciation was to be at 12% p.a. You are required to prepare the plant account for three years ending on December 2008 and also show how depreciation item will appear in the profit and loss account of the year 2008.																																	
3.	The following transactions in respect of material Y occurred during the 6 months were as follows ended on 30/06/2015. <table><tr><th>Month</th><th>Purchase</th><th>Price per unit</th><th>Issue</th><th>Month</th><th>Purchase</th><th>Price per unit</th><th>Issue</th></tr><tr><td>January</td><td>200</td><td>25</td><td>--</td><td>April</td><td>475</td><td>23</td><td>550</td></tr><tr><td>February</td><td>300</td><td>24</td><td>250</td><td>May</td><td>500</td><td>25</td><td>800</td></tr><tr><td>March</td><td>425</td><td>26</td><td>300</td><td>June</td><td>600</td><td>20</td><td>400</td></tr></table> <p>Prepare stores ledger with the use of L.I.F.O method.</p>	Month	Purchase	Price per unit	Issue	Month	Purchase	Price per unit	Issue	January	200	25	--	April	475	23	550	February	300	24	250	May	500	25	800	March	425	26	300	June	600	20	400	
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