U7504

Reg. No.: ……………..

Name:………………...

University of Kerala

First Semester Degree Examination, November 2024

Four Year Under Graduate Programme

Discipline Specific Core Course

COMMERCE

UK1DSCCOM100 - ACCOUNTING PRINCIPLES AND STANDARDS

Academic Level: 100-199

Time:2 Hours **Max.Marks:56**

Part A

Answer All Questions, Objective Type. 1 Mark Each.

(Cognitive Level: Remember/Understand) 6 Marks. Time: 5 Minutes

Qn. No.	Question	Cognitive Level	Course Outcome (CO)
1.	Which is the most appropriate reason behind charging depreciation? A) To get a tax rebate B) To calculate net profit C) To show true asset value D) To comply Accounting Standards	Remember	CO- 4
2.	Under IFRS 15, revenue is recognized based on: A) The percentage of work completed B) The satisfaction of performance obligations C) The total contract value D) The cash collected from customers	Remember	CO- 1
3.	Select the statement which does not describe the characteristics of Revenue Receipt A) Obtained from regular day to day activity B) It is recognised as an income. C) It affects the operating result of an entity. D) It does not create any liability	Understand	CO-2
4.	Keeping of source document is adherence to which accounting concept A) Objective evidence Concept B) Realisation Concept C) Cost Concept D) Money Measurement Concept	Understand	CO-1
5.	What is the main idea behind charging depreciation of assets? A) To minimize taxes by understating income B) To match the revenue generated by the asset with its cost over its useful life C) To inflate the value of the company's assets. D) To increase the value of assets in the financial statements over time	Understand	CO-4
6.	Which of the following statement is false about General Reserve? A) Is created out of the Profit and Loss account B) Is shown on the credit side of the Profit & Loss Account C) Is shown on the asset side of the Balance sheet D) None of the above	Understand	CO-3

Part B.

Answer All Questions， Two-Three sentences. 2 Marks Each.

(Cognitive Level: Understand/Apply)10 Marks. Time: 20 Minutes

Qn. No.	Question	Cognitive Level	Course Outcome (CO)
7.	Discuss the method of depreciation recognized by Income Tax authorities and explain the rationale behind their approval.	Understand	CO-4
8.	Compare Capital Fund and Special Fund for Non- Profit organizations.	Understand	CO-3
9	" Failure or neglect to discriminate between the capital and revenue will falsify the whole of the results of accounting". Demonstrate your views on the statement.	Apply	CO-2
10.	Kick Off Club has 350 members with annual fee of Rs. 500 per member. At the end of the accounting year, accountant noticed that 30 members have not paid annual fee and 15 members had paid fee in advance. Help the accountant to compute cash receipts of annual fee for the year.	Apply	CO-3
11.	Use the guidelines of AS 29 to classify following items as contingent asset and liabilities. 1. Pending insurance claims 2. Product Warranty 3. Legal Claims against the company 4. Potential tax refunds 5. Unconfirmed Government Grants 6. Potential fines	Apply	CO-1

Part C.

Answer all 4 questions, choosing among options within each question. Short Answer. 4 Marks Each.

(Cognitive Level: Apply/Analyse)16 Marks. Time: 35 Minutes

Qn. No.	Question	Cognitive Level	Course Outcome (CO)
12.	**A**.Illustrate the Cost of Goods Sold from the following figures: Opening Stock ₹ 30,000 Closing stock ₹ 50,000 Purchases ₹ 5,10,000 Office Expenses ₹ 40,000 Returns outward ₹ 10,000 Sales ₹ 7,00,000 Direct expenses ₹ 20,000. **OR** **B**.A business house maintains provision of 5% against bad debts and 2% for discount on debtors and a reserve for discount on creditors at 2%. On 1st April 2014 it had following balances. •Provision for Bad Debts ₹ 5000 •Provision for Discount on Debtors ₹ 2850 •Provision for Discount on creditors ₹ 4800 During the year 2014-15 bad debts, discount allowed to debtors and discount received from creditors amounted to ₹ 3950, ₹ 8800, ₹ 9840 respectively while for 2015-16 they amounted to ₹ 1800, ₹ 7000, ₹ 6800 respectively. Sundry Creditors on these two dates were ₹ 2,10,000 and ₹1,95,000respectively. Exhibit; 1. provision for bad debts account, 2. provision for discount on debtor's account 3. reserve for discount on creditors account.	Apply	CO-3

13.	**A**.On 1-4-2020, Piel Ltd. Purchased a machine for ₹ 124000 and spent ₹ 6000 on shipping and forwarding charges, ₹ 10000 as import duty, ₹ 5000 for carriage and installation, ₹ 600 as brokerage. It was estimated that the machine will have a scrap value of ₹ 15000 at the end of its useful life which is 10 years. On 1-01-2021 repairs and renewal of ₹ 2000 were carried out. On 1-10-22 this machine was sold for ₹ 50,000. Exhibit a Machinery Account for 3 years. OR **B**.Support R&D Co. registered a patent on 1-4-2021 developed at a cost of ₹ 45,00,000 and spent ₹ 5,00,000 towards legal fees and registration. The patent is granted for a period of 10 years. The books are closed on 1st March every year. Exhibit a Patent account and Amortisation Account for the year 2021 to 2023.	Apply	CO-4
14.	**A.**How you would classify the following items into capital and revenue. a. A machine with a book value of ₹ 14,00,000 is sold for ₹ 15,00,000. b. A temporary storage house was constructed costing ₹ 50,000 by a construction firm to kept tools and materials at a construction site and it was demolished after the construction. c. As part of voluntary retirement, a company paid ₹ 25,00,000o its workers. d. Incurred a maintenance cost of ₹ 10,000 in connection with change of spare parts to get fuel efficiency. OR **B**.Distinguish between capital and Revenue with reference to the following. 1. Brokerage and stamp duty on purchase of investments 2. Expenditure incurred on whitewashing and ordinary repair to a building purchased recently 3. Legal charges incurred in an income tax appeal 4. Amount expended on repair to a secondhand engine in order to put in working condition	Analyse	CO-2
15.	**A**.Find Out income from subscription for the year 2023-24 a. Subscription received during the year 2023-24 ₹ 60,000. Subscription ₹ 30,000 is still outstanding. b. Subscription received during the year 2023-24 ₹ 60,000. Subscription ₹ 20,000 received in advance for the year 2024-25 c. Subscription received during the year 2023-24 ₹ 60,000. Subscription ₹ 40,000 was outstanding at the end of the previous year. d. State the Accounting Concept applicable with this Calculations OR **B**.Scrutinize the accounting treatment of Entrance Fees or Admission Fee, Donations and Legacies in a not -for- profit organization.	Analyse	CO-3

Part D.

Answer all 4 questions, choosing among options within each question. Long Answer. 6 Marks Each.

(Cognitive Level: Apply/Analyse/Evaluate)24 Marks. Time: 60 Minutes

Qn. No.	**Question**	**Cognitive Level**	**Course Outcome (CO)**
16.	**A.**Classify the following items as Capital or Revenue nature. 1. Carriage paid on goods purchased. 2. An amount of ₹ 1100 was spent on painting a new factory. 3. Repairs to a motor truck purchased second hand. 4. Expenditure on advertising campaign. 5. Freight and carriage on a new machine purchased and its erection charges.	Analyse	CO-2

<table>
<tr><td></td><td>6. A motor car, whose book value is ₹ 8000 was sold for 10,000.
7. Spent ₹ 10,000 as legal expenses in connection with the abuse of trademark.
OR
B. Examine the criteria you would use for distinguishing between Capital Expenditure and Revenue Expenditure with suitable examples.</td><td></td><td></td></tr>
<tr><td>17.</td><td>A.Distinguish between Straight Line Method and Written Down Value Method of calculating Depreciation
OR
B.Evaluate the accounting treatment of changes in methods of depreciation from straight line to diminishing balance, with the support of a suitable example</td><td>Evaluate</td><td>CO-4</td></tr>
<tr><td>18.</td><td>A.Analyse the meaning and significance of following accounting concepts:
a) Money Measurement Concept
b) The Going Concern Concept
c) The cost Concept
d) The Business Entity Concept
e) The Matching Concept
f) The Accounting Period Concept
OR
B.Analyse the role of accounting standards in financial reporting by highlighting its primary objectives and benefits.</td><td>Evaluate</td><td>CO-1</td></tr>
<tr><td>19</td><td>A.
Following is the Trial Balance of Tulsi and Sons Traders as on 31st march, 2024.

Calculate the profit of the firm by using following details.
<table>
<tr><th>Particulars</th><th>₹</th><th>₹</th></tr>
<tr><td>Capital Account</td><td></td><td>8,00,000</td></tr>
<tr><td>Drawing Account</td><td>60,000</td><td></td></tr>
<tr><td>Stock (1.4.2023)</td><td>4,50,000</td><td></td></tr>
<tr><td>Purchases</td><td>26,00,000</td><td></td></tr>
<tr><td>Sales</td><td></td><td>31,00,000</td></tr>
<tr><td>Furniture</td><td>1,00,000</td><td></td></tr>
<tr><td>Sundry Debtors</td><td>4,00,000</td><td></td></tr>
<tr><td>Freight and Octroi</td><td>46,000</td><td></td></tr>
<tr><td>Trade Expenses</td><td>5,000</td><td></td></tr>
<tr><td>Salaries</td><td>55,000</td><td></td></tr>
<tr><td>Rent</td><td>24,000</td><td></td></tr>
<tr><td>Advertising Expenses</td><td>50,000</td><td></td></tr>
<tr><td>Insurance Premium</td><td>4,000</td><td></td></tr>
<tr><td>Commission</td><td></td><td>13,000</td></tr>
<tr><td>Discount</td><td>2,000</td><td></td></tr>
<tr><td>Bad Debts</td><td>16,000</td><td></td></tr>
<tr><td>Provision for Bad Debts</td><td></td><td>9,000</td></tr>
<tr><td>Creditors</td><td></td><td>2,00,000</td></tr>
<tr><td>cash in Hand</td><td>52,000</td><td></td></tr>
<tr><td>Bank</td><td>58,000</td><td></td></tr>
<tr><td>Good Will at cost</td><td>2,00,000</td><td></td></tr>
<tr><td></td><td>41,22,000</td><td>41,22,000</td></tr>
</table>
Adjustments;
1. Stock on 31st March 2023 was valued at 5,30,000
2. Salaries have been paid only for 11 months.
3. Unexpired insurance included in the figure of ₹ 4000 appearing in trial balance is ₹1000.</td><td>Apply</td><td>CO-3</td></tr>
</table>

4. Provision for bad debts is to be brought up to 3% of sundry debtors.
5. Manager is to be allowed a commission of 10% of net profits after charging such commission.
6. Furniture is depreciated @10% p.a.
7. Only ¼ th of advertising expenses is to be written off.

OR

B.

Following is the Receipt and Payment Account of RRR Sports Club, Prepare Income and Expenditure Account.

Receipt and Payment Account for the Year Ending 31st December, 2023

Receipts	**₹**	**Payments**	**₹**
To Balance b/d	7,890	Salary	11,000
Subscriptions	52,000	Electric Charges	5,500
Life Membership fee	2,200	Billiard Table	17,500
Entrance fee	3,200	Office Expenses	4,100
Tournament fund	26,000	Printing & Stationary	2,300
Locker Rent	1,250	Tournament expenses	18,500
Sale of Old Sports goods (Cost 2200)	2,500	Repair of Ground	2,000
Sale of old newspaper	750	Furniture purchased	7,700
Legacy	37,500	Sports Equipment	12,000
		Cash in Hand	12,690
		Cash in Bank	10,000
		Fixed Deposit	30,000
	1,33,290		**1,33,290**

Additional Information
1. Salary outstanding for the year 2023 is Rs. 4000
2. Tournament expenses include 500 for the previous year.
3. Depreciation on Furniture @ 5%
4. Subscription outstanding on 31st December 2023 Rs. 500