



U7502

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.	Choose the accounting concept that states a business should be treated as separate from its owners A. Going Concern B. Entity C. Dual Aspect D. Accrual	Remember	CO-1
2.	Identify which of the following is an example of an intangible asset. A. Land and Building B. Freehold property C. Patent D. Machinery	Remember	CO-1
3.	Capital expenditure is recognized as an asset because, A. It benefits only the current period. B. It creates benefits for future periods. C. It is recurring in nature. D. It involves receipt of cash.	Understand	CO-2
4.	Which depreciation method allocates higher depreciation expenses in the earlier years of an asset's life? A. Straight-line method B. Diminishing balance method C. Annuity Method. D. Both A & B	Understand	CO-4
5.	Adjusting entries are made to: A. Correct errors in the accounts B. Update the accounts for the current period C. Prepare the financial statements D. All of the above.	Understand	CO-3
6.	The main difference between a Profit and Loss account and an Income and Expenditure account is A. The primary goal of the entity B. The format of the statements C. The recognition of revenues and expenses D. The preparation period is different	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.	Explain the principle of Conservatism.	Understand	CO-1
8.	Differentiate between Receipts and Payment account and Income and Expenditure account?	Understand	CO-3
9.	A company purchases a machine costing Rs. 100,000 (GST applicable is 5%) with an estimated useful life of 5 years and a residual value of Rs. 16800. The carriage Rs.5,000 was paid by the seller of the machine, but charged installation expenses Rs. 10000 (GST applicable is 18%). Using the straight-line method, calculate the annual depreciation expense.	Apply	CO-4
10.	The sole proprietor has the following transactions during the year: Sales Rs. 600,000, Purchases Rs. 350,000, Import duty Rs. 50000, Export duty Rs. 30000, wages Rs. 50,000, carriage inwards Rs. 20,0000 and Carriage outwards Rs. 250000, and Opening Inventory Rs. 60,000. Closing Stock Rs. 20000. Calculate the Cost of goods sold and the Gross Profit.	Apply	CO-3
11.	A non-profit organization receives a donation of Rs. 100,000 for a specific project and another donation for charity Rs 2500. How should this donation be recorded in the financial statements?	Apply	CO-3

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. Calculate the annual depreciation expense for a fixed asset using both the Fixed Installment Method and the Diminishing Balance Method. Discuss how each method impacts the financial statements. OR B. On January 1, 2021, a company purchased a new machine for Rs. 100,000. The machine has an estimated useful life of 5 years and a residual value of Rs. 10,000. On July 1, 2021, the company purchased another machine for Rs. 50,000 with an estimated useful life of 4 years and a residual value of Rs. 5,000. On July 1, 2022, the company sold the first machine for Rs. 70,000. On July 1, 2023, the company purchased another machine for Rs. 80,000 with an estimated useful life of 6 years and a residual value of Rs. 8,000. Calculate the depreciation expense for the first three years (2021, 2022, and 2023) using the straight-line method.	Apply	CO-4
13.	A. Prepare a Receipt and Payment Account for a non-profit organization using imaginary figures. Use your knowledge to distinctly categorize the receipts and payments as either revenue or capital. OR	Apply	CO-3

	B. A Sports Club has the following balances: cash in hand: Rs.10,000; stock of stationery: Rs.5,000; outstanding subscription Rs.2,000; subscription received in advance Rs.3,000; outstanding expenses Rs.2000. Prepare the Balance Sheet and use the information to report whether the Sports Club can meet the expenses of upcoming Christmas celebrations with a budget proposal of Rs. 12000.		
14.	A. Examine the significance of the ‘Materiality’, ‘Period’, and ‘Going Concern’ principle in the context of financial reporting. How does it influence the division of capital and revenue nature of accounts at the time of reporting? OR B. Differentiate between capital expenditure and revenue expenditure with suitable examples. Why is this distinction important for financial reporting?	Analyse	CO-2
15.	A. Detect the role of adjusting entries in the preparation of final accounts. Provide examples of three common adjustments and their impact on financial statements. OR B. Analyze the financial statements of a sole proprietor to report the relationship between Gross profit and Net profit.	Analyse	CO-3

Part D.

**Answer all 4 questions, choosing among options within each question.
Long Answer. 6 Marks Each. (Cognitive Level: Apply/Analyze/Evaluate)
24 Marks. Time: 60 Minutes**

Qn. No.	Question	Cognitive Level	Course Outcome (CO)
16.	A. Analyse the factors that should be considered while determining the useful life of a fixed asset, as per AS 10- Accounting for Fixed Assets. OR B. "Accounting conventions are the foundation upon which financial reporting is built." Discuss the role of accounting conventions in financial reporting. Analyze their benefits in ensuring consistency, reliability, and comparability.	Analyse	CO-1
17.	A. Evaluate the methods of charging depreciation for assets based on its nature OR B. Evaluate the impact of different methods of depreciation such as the Fixed Instalment Method and the Diminishing Balance Method on the financial statements of an organization. Discuss how the choice of method affects asset valuation and tax liabilities over time.	Evaluate	CO-4
18.	A. A non-profit organization, has the following sources of income: subscription fees, entrance fees, donations, life membership fees, sale of old assets and income from particular fund. Decide how these different sources of income should be treated in the preparation of the organization's financial statements. OR B. Evaluate the significance of the Receipt and Payment Account, Income and Expenditure Account, and Balance Sheet in the final accounts of a not-for-profit organization. Discuss how each component contributes to the overall financial understanding and accountability of the organization.	Evaluate	CO-3

19.	A. M/s AB & Sons Ltd. Provides you with the following trial balance as on 31st March 2023. Prepare Final accounts.			
	Particulars	Debit	Credit	Adjustments: 1. Closing stock 15000 2. Provide 5% for provision for bad debts. 3. Prepaid rent Rs. 1500 4. Depreciate Machinery by 5%.
	Purchases	60000		
	Sales		90000	
	Opening Stock	10000		
	Rent	8000		
	Salary	20000		
	Commission		6000	
	Debtors	20000		
	Creditors		25000	
	Machinery	40000		
	Furniture	15000		
	Insurance	4000		
	Capital		58000	
	Income Tax paid	10000		
Bank Overdraft		8000		
Total	187000	187000		
OR				
B. The Trial balance of M/S Gomathy Ltd. as on 31st March 2024 is given below. Prepare the income statements from the given information:				
Items	Debit	Credit	Adjustment: 1. Salary outstanding Rs. 4000. 2. Depreciate furniture by 5% and plant & machinery by 15% 3. Closing Stock Rs.22000 4. Allow discount on Debtors 2% 5. It is estimated that the effect of advertisement during the opening of new shop last for 3 years.	
Opening Stock	15000			
Purchases	80000			
Debtors	25000			
Creditors		18000		
Plant & Machinery	60000			
Furniture	20000			
Sales		1,20,000		
Rent	5000			
Salary	3000			
Commission	8000			
Advertising (for a new shop opened)	36000			
Capital		86000		
10% Bank loan (1.1.24)		22000		
Miscellaneous income		6000		
Total	2,52,000	2,52,000		

Apply

CO-3