**SAINTGITS COLLEGE OF APPLIED SCIENCES,**

**PATHAMUTTOM P.O, KOTTAYAM**

**First Internal Examination [September 2018]**

**B. Com first Semester (Computer Applications & Taxations)**

**ANSWER SCHEME OF FINANACIAL ACCOUNTING**

***Section A***

1. **Farm accounting** is defined as “a technique of using accounting information for cost and profit ascertainment of each farming activity and decision making”.

**Or**

**Farm Accounting** is defined as “the art as well as the science of recording transactions in regular and systematic manner, so that, their nature, extent and financial effects of farming transactions can be readily ascertained at any time.”

1. **Wages paid in kind** (produce given to the labourers): The workers may sometimes be paid their remuneration in the form of crop produce. The payment being for remuneration, it should be debited in the crop account concerned. The same amount should be credited in the crop account concerned as the same would otherwise been in stock on closing date.

Entry: Wages A/c Dr

To crop account

1. Fixed rent is the minimum guaranteed amount payable by the lessee to the lessor, when there is low production or no production. It is also known as Minimum rent or Dead rent.
2. “**Accounting** is the art of recording, classifying and summarizing in a significant manner and in terms of money, transactions and events which are in part atleast of a financial character and interpreting the results thereof” (The American Institute of Certified Public Accountants AICPA).
3. Royalty is a periodical payment in the nature of rent, made by one person called the lessee or tenant to another person called lessor or landlord for using certain asset which belongs to the latter
4. **Balance Sheet**: It is a statement of assets and liabilities prepared to ascertain the true financial position as at any particular date.It is prepared at the end of the accounting period, after the preparation of Trading and profit and loss account.

***Section B***

1. Features of Farm Accounting
2. Family type farming activities
3. Heavy dependence on Barter transactions
4. Family labour and domestic consumption
5. Uncertainties
6. Inventory valuation difficult
7. Diversified farming activities
8. Tax audit
9. Particulars Amount Particulars Amount

To opening stock 15000 By Sales 48000

To Purchases30000 less returns 3000 45000

Less returns 2700 27300 By closing Stock 11550

To carriage in 3000

To gross profit 11250

(45000\*1/4) 56550 56550

**FARM ACCOUNT**

|  |  |  |  |
| --- | --- | --- | --- |
| Opening stock:  Wheat 5000  Seed 1000  Fertilizers 1500 | 7500 | sales | 35400 |
| Purchases:  Seeds 600  Fertilizers 900 | 1500 | Wheat consumed by proprietor | 1600 |
| Wages:  Paid in cash 6800  Paid in kind 4600 | 11400 | Wages paid in kind | 4600 |
| Depreciation | 2000 | Closing stock:  Wheat 4000  Seed 700  Fertilizers 800 | 5500 |
| Profit transferred | 24700 |  |  |
|  | **47100** |  | **47100** |

10. **Revenue expenditure** means any expenditure incurred for maintaining the present level of profit. The benefit of such expenditure is exhausted within the accounting period. Eg : Purchase of goods & services, wages, salaries, rent, postage, commission, selling & distribution, repairs, bad debts.

**Revenue receipts** are those amount received in the normal course of business mainly through sale of goods & services. They are of recurring nature. Eg :Sale of goods & services, profit on sale of fixed assets, interest received, commission received, rent received and Revenue profit is the difference between revenue from sales and revenue from service over its direct and indirect cost. It increases the owner’s equity or capital. its profit from operating activities.

Revenue reserves are those reserves created out of profit earned in the normal business activities that is out of revenue profit. These can be created for distribution as dividend or to meet the unexpected loss and expenses of a company.

Eg : General reserve, Investment fluctuation fund

11. a) **Business entity concept:** Under this concept, it is assumed that business unit is distinct and

completely separate from its owners.

b)) **going concern concept :** As per this concept the business unit is assumed to have an

indefinite life.

**c)dual aspect concept :**According to this concept each and every business transaction has two

aspects- a giving aspect and receiving aspect.

1. **convention of conservation (Prudence Principle)** :According to this convention,

all anticipated losses should be recorded in the books of accounts, but all anticipated or unrealized gains should be ignored.

1. **convention of materiality** : as per the principle all material facts should be disclosed in the

financial statements.

12. 2014 Royalty-6000,SW-4000,MR-10000

2015 Royalty-9000,SW-1000,MR-10000

2016 Royalty-10000

13. FARM ACCOUNT

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Particulars | Crop | Dairy | Poultry | Particulars | Crop | Diary | Poultry |
| To Opening Stock:  Crops  Seed  Growing Crops  Fertilizers  Cattle  Cattle food  Poultry  Poultry food  To Purchases:  Seed  Fertilizers  Cattle  Cattle Food  Poultry  Poultry Food  To wages in kind  To Gross profit | 3900  1800  3000  3800  1800  4000  2400  20150 | 71000  10000  40000  14000  1750  24500 | 9000  1100  15000  3000  1200  14800 | By Sales:  Crops  Cattle  Milk  Poultry  Egg  By Drawings  By wages in kind  By Closing stock:  Crop  Seed  Growing Crops  Fertilizers  Cattle  Cattle food  Poultry  Poultry Food | 22500  1250  2400  4100  2250  3900 | 37500  11000  1500  1750  102000  7500 | 13000  15000  600  1200  12000  2300 |
|  | 40300 | 161250 | 44100 |  | 40300 | 161250 | 44100 |

General Profit & Loss A/C

|  |  |  |  |
| --- | --- | --- | --- |
| To Wages  To Insurance  To Depreciation  To Repairs  To Interest on loan  To Net Profit | 10000  2000  8000  3000  7000  29450 | By Crop a/c  By Diary a/c  By Poultry a/c | 20150  24500  14800 |
|  | 59450 |  | 59450 |

14.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Particulars | amount | amount | Particulars | amount | amount |
| Opening stock  Purchases  Less returns  Wages  Lesswages paid for erection  Fuel & power  Carriageon purchase  Gross profit  Carriageon sale  Salary  Add outstanding  General expenses  Insurance  Less prepaid  Depreciation : mach.  patent  provi: for debtors  net profit | 140675  1500  20480  2000  15000  1500  600  85  2000  1500 | 25760  139175  18480  4730  2040  92715  282900  3200  16500  13000  515  3500  725  55275 | Sales  Less returns  Closing stock  Gross profit | 258780  2680 | 256100  26800  ---------  282900  92715 |
|  |  | 92715 |  |  | 92715 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Liability | Amount | Amount | Asset | Amount | Amount |
| Creditors  o/s salary  capital  +net profit  -drawings | 82000  55275  15245 | 6300  1500  122030 | Cash in hand  At bank  Debtors  -provision  Closing stock  Prepaid insurance  Building  + cycle shed  Land  Machinery  -dep  Patent  -dep | 14500  725  30000  2000  20000  2000  7500  1500 | 540  12630  13775  26800  85  32000  20000  18000  6000 |
|  |  | 129830 |  |  | 129830 |