**SAINTGITS COLLEGE OF APPLIED SCIENCES,**

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**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 5000Seed 1000Fertilizers 1500 | 7500 | sales | 35400 |
| Purchases:Seeds 600Fertilizers 900 | 1500 | Wheat consumed by proprietor | 1600 |
| Wages:Paid in cash 6800Paid in kind 4600 | 11400 | Wages paid in kind | 4600 |
| Depreciation  | 2000 | Closing stock:Wheat 4000Seed 700Fertilizers 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:CropsSeedGrowing CropsFertilizersCattleCattle foodPoultryPoultry foodTo Purchases:SeedFertilizersCattleCattle FoodPoultryPoultry FoodTo wages in kindTo Gross profit | 390018003000380018004000240020150 | 71000100004000014000175024500 | 90001100150003000120014800 | By Sales:CropsCattleMilkPoultryEggBy DrawingsBy wages in kindBy Closing stock:CropSeedGrowing CropsFertilizersCattleCattle foodPoultryPoultry Food | 2250012502400410022503900 | 3750011000150017501020007500 | 13000150006001200120002300 |
|  | 40300 | 161250 | 44100 |  | 40300 | 161250 | 44100 |

 General Profit & Loss A/C

|  |  |  |  |
| --- | --- | --- | --- |
| To WagesTo InsuranceTo DepreciationTo RepairsTo Interest on loanTo Net Profit | 10000200080003000700029450 | By Crop a/cBy Diary a/cBy Poultry a/c | 201502450014800 |
|  | 59450 |  | 59450 |

14.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Particulars  | amount | amount | Particulars  | amount | amount |
| Opening stockPurchasesLess returnsWagesLesswages paid for erectionFuel & powerCarriageon purchaseGross profitCarriageon saleSalary Add outstandingGeneral expensesInsurance Less prepaid Depreciation : mach. patentprovi: for debtorsnet profit | 14067515002048020001500015006008520001500 | 2576013917518480473020409271528290032001650013000515350072555275 | SalesLess returnsClosing stockGross profit  | 2587802680 | 25610026800---------28290092715 |
|  |  | 92715 |  |  | 92715 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Liability  | Amount | Amount | Asset | Amount | Amount |
| Creditorso/s salarycapital +net profit-drawings | 820005527515245 | 63001500122030 | Cash in handAt bankDebtors-provisionClosing stockPrepaid insurance Building + cycle shedLandMachinery -depPatent-dep  | 1450072530000200020000200075001500 | 540126301377526800853200020000180006000 |
|  |  | 129830 |  |  | 129830 |