

I/COM (103)

2012

(1st Semester)

COMMERCE

Paper No. : BC-103

(Financial Accounting—I)

Full Marks : 75

Time : 3 hours

(PART : B—DESCRIPTIVE)

(Marks : 50)

*The figures in the margin indicate full marks
for the questions*

Answer **all** questions

1. What do you understand by Accounting?
Classify the following accounts under the heading, (i) Personal Accounts, (ii) Real Accounts and (iii) Nominal Accounts, giving your reasons in each case : 3+7=10
- (a) Capital Account
 - (b) Cash Account
 - (c) Depreciation Account

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(2)

- (d) Bank Account
- (e) Goodwill Account
- (f) Salary Account
- (g) Drawings Account

OR

2. What do you mean by Accounting Concepts? Why are they used in accounting? Explain the significance of any two of them. 2+2+6=10

3. A company whose Accounting Year is the calendar year, purchased on 1st January, 2009, a Machinery for Rs 80,000. It purchased further Machineries on 1st October, 2009 for Rs 20,000 and on 1st July, 2010, for Rs 10,000. On 1st July, 2011, $\frac{1}{4}$ th of the Machinery installed on 1st January, 2009 became obsolete and was sold for Rs 12,000.

Show how the Machinery Account would appear in the books of the company for all the 3 years under Fixed Instalment method. Depreciation is to be provided at 10% p.a. 10

OR

4. What are Reserves? What are different types of reserve? 10

(3)

5. What is Partnership? What are the important contents of a Partnership Deed? 3+7=10

OR

6. A and B are carrying on business in partnership sharing profits and losses in the ratio of 3 : 2 respectively. Their Balance Sheet on 31st December, 2010 was as under :

Liabilities	Rs	Assets	Rs
Sundry Creditors	24,870	Cash in Hand	1,420
Capital A/cs :		Cash at Bank	23,850
A	68,100	Sundry Debtors	11,000
B	68,100	Stock	36,000
		Furniture	8,800
		Building	80,000
	<u>1,61,070</u>		<u>1,61,070</u>

On that date they admitted C into partnership and give him the one-third share in future profits on the following terms :

- (i) Stock and Furniture are to be reduced in value by 12%
- (ii) Buildings are to be appreciated by Rs 15,000
- (iii) A Provision of 5% is to be created on Sundry Debtors for Doubtful Debts
- (iv) C is to bring in Rs 60,000 as his Capital and Rs 40,000 as Goodwill, which sum is to remain in the business

Prepare Revaluation A/c, Capital A/c and the Opening Balance Sheet. 10

7. Lala, Liana and Zuala are the partners sharing profits and losses in the ratio of 3 : 2 : 1. Following is their Balance Sheet as at 31st March, 2012 :

<i>Liabilities</i>	Rs	<i>Assets</i>	Rs
Capital A/cs :		Plant and Machinery	3,00,000
Lala	3,00,000	Stocks	1,50,000
Liana	2,00,000	Sundry Debtors	1,50,000
Zuala	1,00,000	Cash and Bank Balances	1,00,000
Creditors	<u>1,00,000</u>		
	7,00,000		<u>7,00,000</u>

Liana retires from the business owing to illness from 1st April, 2012. Following were agreed upon on retirement of Liana :

- (i) The Goodwill of the firm has been valued at Rs 3,00,000, but no Goodwill Account is to be raised in the books
- (ii) Plant and Machinery has been revalued at Rs 5,00,000 and the Stocks are revalued at Rs 1,30,000
- (iii) A sum of Rs 30,000 out of Debtors was agreed to be Bad and was to be written off
- (iv) Lala and Zuala continue to carry on the business and shall share profits and losses equally in future
- (v) Amount payable to Liana shall remain in the business as Loan carrying interest at 18% p.a.

(5)

You are required to—

- (a) pass Journal Entries to give effect to the above;
- (b) prepare the Opening Balance Sheet of Lala and Zuala as at 1st April, 2012.

5+5=10

OR

8. A, B and C are equal partners. They decided to dissolve the firm on 31st December, 2011. On that date their Balance Sheet was as under :

<i>Liabilities</i>		<i>Rs</i>	<i>Assets</i>		<i>Rs</i>
Creditors		14,000	Cash at Bank		4,000
A's Loan A/c		6,000	Investments		5,000
Capital A/cs :			Other Assets		66,000
A	30,000				
B	20,000				
C	5,000	55,000			
		<u>75,000</u>			<u>75,000</u>

Additional information :

- (i) Investments were taken over by A against his Loan in full settlement
- (ii) The Other Assets realized 50% of their book value. The Liquidation Expenses amounted to Rs 3,600
- (iii) A dispute with a Creditor was settled reducing his claim by Rs 600
- (iv) C became insolvent and contributed 25 paise in the rupee towards the debts of the firm

Show the necessary accounts as per Garner vs. Murray Principle.

4+4+2=10

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9. From the following Trial Balance of Mr. Rooney as on 31st March, 2011, prepare the Trading and Profit & Loss A/c for the year ending on 31st March, 2011 and the Balance Sheet as at that date : 3+3+4=10

<i>Debit</i>	Rs	<i>Credit</i>	Rs
Drawings	15,000	Capital	3,50,000
Plant and Machinery	2,05,000	Creditors	24,000
Debtors	50,000	Returns	7,000
Returns	8,000	Discount	6,000
Discount	7,000	Provision for	
Commission	15,000	Bad Debts	13,000
Interest on Bank Loan	12,000	Sales	4,00,000
Furniture	55,000	10% Bank Loan as	
Wages	50,000	on 01.04.2010	1,50,000
Salaries	45,000		
Advertisement	15,000		
Taxes and Insurance	13,000		
Purchases	2,60,000		
Stock as			
on 31.03.2010	70,000		
Carriage	5,000		
Land and Buildings	98,000		
Cash in Hand	7,000		
Cash at Bank	20,000		
	<u>9,50,000</u>		<u>9,50,000</u>

Additional information :

- (i) Stock was valued at Rs 35,000 as on 31.03.2011
- (ii) Salaries and Wages were outstanding Rs 5,000 and Rs 6,000 respectively as on 31.03.2011

(7)

(iii) Depreciate Land and Buildings, Plant and Machinery and Furniture at 2½%, 10% and 15% respectively

(iv) Provide for Doubtful Debts at 10% on Debtors

OR

10. From the undermentioned Trial Balance of Mawia, prepare Trading and Profit & Loss A/c for the year ended 31.12.2011 and the Balance Sheet as at that date : 3+3+4=10

<i>Debit</i>	Rs	<i>Credit</i>	Rs
Stock	25,000	Capital	1,28,000
Purchases	1,30,500	Sales	2,45,000
Returns Inwards	3,000	Returns Outwards	2,000
Bills Receivables	50,000	Bills Payables	5,000
Carriage Inwards	7,500	Provision for	
Plant and Machinery	60,000	Bad Debts	1,000
Office Furniture	3,500	Sundry Creditors	46,000
Sundry Debtors	70,000		
Coal, Gas and Water	1,500		
Wages	12,500		
Duty and			
Clearing Charges	1,500		
Office Rent	4,800		
Printing and Stationery	1,000		
Insurance	400		
Carriage Outwards	6,200		
Salaries	27,000		
Factory Rent	2,400		
Sundry Expenses	1,290		
Drawings	12,000		
Cash in Hand	1,610		
Cash at Bank	5,300		
	<u>4,27,000</u>		<u>4,27,000</u>

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Following adjustments are to be taken into consideration :

(i) Closing Stock—Rs 50,000

(ii) Outstanding Liabilities are to be provided for

Salaries—Rs 4,800

Factory Rent—Rs 2,400

(iii) Provision for Doubtful Debts is to be adjusted to 2.5% of Sundry Debtors after elimination of Bad Debts amounting to Rs 4,000

(iv) Goods amounted to Rs 3,000 are withdrawn for domestic use

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COMMERCE

Paper No. : BC-103

(Financial Accounting—I)

(PART : A—OBJECTIVE)

(Marks : 25)

The figures in the margin indicate full marks for the questions

Answer **all** questions

SECTION—A

(Marks : 10)

1. Choose the correct answer and place its code in the bracket provided : 1×10=10

(a) Income is measured and Financial position is assessed on the basis of

(i) Matching Concept

(ii) Consistency Concept

(iii) Money Measurement Concept

(iv) None of the above ()

(b) A Diminishing-balance Method of providing for depreciation is one according to which

(i) the rate of percentage at which depreciation is written off goes on declining every year

(ii) the amount on which depreciation is provided is reduced from year to year

(iii) the rate of percentage and the amount are reduced from year to year

(iv) None of the above ()

(c) A payment of Rs 500 as Wages paid to a Carpenter to repair Furniture purchased second hand should be debited to the

(i) Furniture Account

(ii) Repairs Account

(iii) Machinery Account

(iv) None of the above ()

(d) The Premium for Goodwill brought in by new partner is shared by the existing partner in

(i) Sacrifice Ratio

(ii) Gaining Ratio

(iii) Old Profit-sharing Ratio

(iv) None of the above ()

- (e) On the retirement of a partner, profit on the adjustment in the value of assets should be credited to the Capital Account of
- (i) the remaining partners in their new profit-sharing ratio
 - (ii) the remaining partners in their old profit-sharing ratio
 - (iii) all partners in the old profit-sharing ratio
 - (iv) None of the above ()
- (f) 'Outstanding Liabilities for Salary' is
- (i) Natural Personal Account
 - (ii) Artificial Personal Account
 - (iii) Representative Personal Account
 - (iv) None of the above ()
- (g) A charge against profit is
- (i) Reserve
 - (ii) Provision
 - (iii) Both Reserve and Provision
 - (iv) None of the above ()

(h) Accrued Income given in the Trial Balance should be shown on

(i) the Credit side of the Trading Account

(ii) the Credit side of the Profit and Loss Account

(iii) the Asset side of the Balance Sheet

(iv) None of the above ()

(i) On the admission of a partner if Goodwill Account is to be raised, this should be debited to the

(i) Partners' Capital Account

(ii) Goodwill Account

(iii) Cash Account

(iv) None of the above ()

(j) On the dissolution of the partnership firm, the Cash Balance in Hand is transferred to the

(i) Capital Accounts of Partners

(ii) Realization Account

(iii) Revaluation Account

(iv) None of the above ()

(5)

SECTION—B

(Marks : 15)

2. Write on the following in not more than 5 sentences each : 3×5=15

(a) Going-concern Concept

(6)

(b) Factors to be considered for calculating
Depreciation

(7)

(c) Errors which are not disclosed by the Trial
Balance

(8)

(d) Fixed Capital vs. Fluctuating Capital

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(9)

(e) Rule in Garner vs. Murray
