

I/COM (iii)

2013

(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. Why is journal called a book of original entry?

Explain—

(a) financial accounting;

(b) cost accounting;

(c) management accounting.

3+2+3+2=10

14G—500/18a

(Turn Over)

(2)

OR

2. What do you mean by accounting concepts?
Explain briefly—

- (a) money measurement concept;
- (b) cost concept;
- (c) the conservation concept;
- (d) the materiality concept. $2+2+2+2=10$

3. ABC company purchased a plant worth ₹ 2,00,000 on January 1, 1987. On June 30, 1987 an additional plant was bought for ₹ 50,000. On December 31, 1988 a part of the plant bought on January 1, 1987 costing ₹ 4,000 was sold for ₹ 3,000. Prepare Plant and Machinery Account for years 1987 and 1988 providing depreciation @ 10% per annum on fixed instalment method. The accounts are closed on December 31, every year.

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OR

4. What is provision? What is reserve?
Distinguish between provision and reserve.

$3+3+4=10$

5. The following balances have been extracted from the books of Lalchandama on December 31, 2011 :

Trial Balance as at December 31, 2011

| | Dr. (₹) | Cr. (₹) |
|------------------------------|-----------------|-----------------|
| Capital | | 30,000 |
| Machinery | 10,000 | |
| Furniture | 8,000 | |
| Salaries | 4,380 | |
| Purchases | 41,375 | |
| Opening Stock | 13,495 | |
| Sales | | 51,250 |
| Wages | 1,600 | |
| Purchase Returns | | 654 |
| Investments | 7,850 | |
| Interest | | 471 |
| Advertisements | 780 | |
| Commission | 1,085 | |
| Debtors and Creditors | 16,120 | 24,230 |
| Carriage Inwards | 255 | |
| Rent and Taxes | 1,300 | |
| Printing and Stationery | 550 | |
| Bills Receivable and Payable | 3,750 | 6,000 |
| Cash | 2,065 | |
| | <u>1,12,605</u> | <u>1,12,605</u> |

Prepare his Trading and Profit & Loss Account for the year ending on that date and Balance Sheet after taking the following adjustments into consideration : 10

- (i) Outstanding wages—₹ 350
- (ii) Carriage inwards prepaid—₹ 110
- (iii) Outstanding salary—₹ 240
- (iv) Commission paid in advance—₹ 210
- (v) Interest accrued—₹ 129
- (vi) Closing stock—₹ 29,157

(4)

OR

6. From the following particulars of Mr. William, you are required to prepare his Trading and Profit & Loss Account for the year ended 31st March, 2010 and the Balance Sheet as on that date :

Trial Balance as on 31st March, 2010

| Debit | ₹ | Credit | ₹ |
|-------------------|-----------------|------------------|-----------------|
| Drawings | 12,225 | Capital | 1,90,000 |
| Stock (1.4.96) | 60,000 | Sales | 2,00,000 |
| Bills Receivable | 15,000 | Bills Payable | 20,000 |
| Purchases | 1,40,000 | Returns Outward | 2,250 |
| Returns Inward | 2,500 | Sundry Creditors | 69,000 |
| Plant & Machinery | 50,000 | | |
| Patents | 20,000 | | |
| Investments | 22,500 | | |
| Sundry Debtors | 92,500 | | |
| Cash in hand | 1,320 | | |
| Cash at Bank | 37,500 | | |
| Salaries | 5,500 | | |
| Wages | 8,500 | | |
| Office Expenses | 4,750 | | |
| Insurance | 1,500 | | |
| Advertisement | 2,500 | | |
| General Expenses | 3,205 | | |
| Factory Rent | 1,750 | | |
| | <u>4,81,250</u> | | <u>4,81,250</u> |

Additional Information :

(i) Prepaid Insurance—₹ 300

(ii) Outstanding expenses :

Salaries—₹ 1,000; Wages—₹ 500;

Advertisement—₹ 350

14G—500/18a

(Continued)

(5)

- (iii) Depreciate Plant and Machinery by 5% and Patents by 15%
- (iv) Provide for provision for Bad and Doubtful Debts @ 5% on Sundry Debtors
- (v) Goods worth ₹ 1,500 have been given as free samples
- (vi) Uninsured goods worth ₹ 3,000 were destroyed by fire
- (vii) Closing stock was valued at ₹ 60,000

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

OR

8. The following is the Balance Sheet of P and Q who were equal partners on December 31, 2010 :

| Liabilities | | ₹ | Assets | | ₹ |
|-------------|---------------|---------------|-----------|--|---------------|
| Creditors | | 7,400 | Cash | | 5,400 |
| Capitals : | | | Debtors | | 12,000 |
| P | 40,000 | | Stock | | 10,600 |
| Q | <u>30,000</u> | 70,000 | Furniture | | 9,400 |
| | | | Building | | 40,000 |
| | | <u>77,400</u> | | | <u>77,400</u> |

On January 1, 2011 R was admitted into partnership on the following terms :

- (i) That R should bring in ₹ 10,000 as goodwill and ₹ 20,000 as capital for a fifth share
- (ii) That stock and furniture be depreciated by 10%

- (iii) That a provision of 5% on debtors be created to cover doubtful debts
- (iv) That the value of building be appreciated by 20%
- (v) An item of ₹ 600 included in creditors is not likely to arise and hence should be removed from books

You are required to prepare Revaluation Account and Balance Sheet.

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9. A, B and C shared profits and losses in the ratio of 4 : 3 : 2 respectively. On 31st March, 2011 their Balance Sheet was as shown as under :

| Liabilities | ₹ | Assets | ₹ |
|--------------------|------------------|--------------|------------------|
| Creditors | 3,50,000 | Cash at bank | 1,00,000 |
| Capital Accounts : | | Debtors | 2,00,000 |
| A 4,00,000 | | Stock | 5,50,000 |
| B 2,00,000 | | Furniture | 1,50,000 |
| C 50,000 | 6,50,000 | | |
| | <u>10,00,000</u> | | <u>10,00,000</u> |

On this date, the partners decided to dissolve the firm. A took over part of the furniture for ₹ 40,000 and the remaining furniture was sold in auction for ₹ 10,000; Debtors realised ₹ 1,50,000; Stock was sold for ₹ 2,70,000; Expenses totalled ₹ 20,000.

Prepare important Ledger Accounts and Cash Book closing the books of account. C was insolvent and his estate was not in a position to contribute anything towards his deficiency. Apply Garner vs. Murray rule. Calculations may be made to the nearest rupee.

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(7)

OR

10. A, B and C were in partnership sharing profits and losses equally. On 1st January, 2010, A retired when the firm's Balance Sheet was as under :

| Liabilities | ₹ | Assets | ₹ |
|--------------------|---------------|---------------------|---------------|
| Capital Accounts : | | Land and Buildings | 4,200 |
| A | 8,000 | Plant and Machinery | 6,980 |
| B | 6,800 | Sundry Debtors | 8,915 |
| C | 7,800 | Investments | 8,000 |
| Creditors | 6,928 | Cash | 1,433 |
| | <u>29,528</u> | | <u>29,528</u> |

According to the partnership deed, assets were agreed to be revalued on A's retirement as under :

Land and Buildings—₹ 5,800
Plant and Machinery—₹ 6,564
Investments—₹ 8,400

Besides, goodwill was then valued at ₹ 9,600 but it was not to be shown in the books. A accepted the investments at their revalued figure in part payment of his dues. B paid in ₹ 4,000 as further capital and A was paid off the balance of his account.

Prepare the Revaluation Account, Partners' Capital Accounts and the revised Balance Sheet of B and C.

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(1st Semester)

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) "Anticipate no profits but anticipate all losses" is a

(i) matching concept

(ii) consistency concept

(iii) money measurement concept

(iv) conservation concept

()

(b) Payments made by cheque should be debited to

- (i) Bank Account
- (ii) Cheque Account
- (iii) Cash Account
- (iv) Customer's Account ()

(c) As generally used in accounting, what is depreciation?

- (i) It is a process of asset valuation for Balance Sheet purposes
 - (ii) It applies only to long-lived intangible assets
 - (iii) It is used to indicate a decline in market value of a long-lived asset
 - (iv) It is an accounting process which allocates long-lived assets cost to accounting periods
- ()

(d) On dissolution of a firm, all the assets are transferred to

- (i) Realisation Account
- (ii) Revaluation Account
- (iii) Cash Account
- (iv) Capital Account ()

(e) Premium brought in by the new partner is credited to old partner in the

(i) sacrificing ratio

(ii) gaining ratio

(iii) share equally

(iv) None of the above

()

(f) At the time of retirement of a partner unrecorded assets and liabilities must be brought into books of account through

(i) Profit and Loss Account

(ii) Profit and Loss Appropriation Account

(iii) Retiring Partner's Account

(iv) Revaluation Account

()

(g) Outstanding salaries are shown in the Balance Sheet as

(i) a long-term liability

(ii) an asset

(iii) a current liability

(iv) None of the above

()

(h) In case the closing stock appears in Trial Balance, it is shown in the

- (i) Trading Account
- (ii) Manufacturing Account
- (iii) Balance Sheet
- (iv) None of the above ()

(i) The deficiency of insolvent partner is borne by the solvent partners in the ratio of their

- (i) profit sharing ratio
- (ii) gaining ratio
- (iii) sacrificing ratio
- (iv) capitals as on the date of dissolution ()

(j) A reserve whose existence is not disclosed on the face of a Balance Sheet (though it really exists) is called

- (i) Secret Reserve
- (ii) Specific Reserve
- (iii) General Reserve
- (iv) Sinking Fund ()

(5)

SECTION—B

(Marks : 15)

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

(a) Business entity concept

(6)

(b) Intangible assets

(7)

(c) Errors of commission

(8)

(d) Goodwill

(9)

(e) Rule in Garner vs. Murray
