

2018

(October)

COMMERCE

(Honours)

(Financial Accounting)

(BC-103)

Marks : 75

Time : 3 hours

The figures in the margin indicate full marks for the questions

1. (a) Define the term 'Accounting Standard'. What is its importance in financial accounting and reporting? 1+4=5

(b) A company depreciates its machinery at 10% according to diminishing balance method had on 1st January, 2017 ₹ 4,86,000 balance in Machinery Account.

During the year, 2017, part of the machinery purchased on 1st January, 2015 for ₹ 60,000 was sold for ₹ 40,000 on 1st July, 2017 and a new machinery at a cost of ₹ 70,000 was purchased and

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installed on the same date, installation charges being ₹ 5,000.

The company wanted to change its method of depreciation from diminishing balance method to straight line method with effect from 1st January, 2015 and adjust the difference before 31st December, 2017. The rate of depreciation remains the same as before.

Show the Machinery Account for the year 2017 (show all the workings clearly). 10

Or

From the following Trial Balance and other information relating to the business of Mr. Tony, you are required to prepare Trading and Profit & Loss Account for the year ended 31st December, 2017 and a Balance Sheet as on that date : 4+5+6=15

	Dr.	Cr.
Drawings and Capital	25,000	2,00,000
Cash at Bank	48,000	
Plant and Machinery	50,000	
Bills Receivable	10,000	
Bills Payable		9,000
Purchases and Sales	2,05,000	3,54,000
Returns Inwards	4,000	
Returns Outwards		5,000
Wages	20,000	
Inventory (Stock) on 1-1-2017	30,000	
Carriage Inwards	7,000	

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	Dr.	Cr.
Discounts	1,000	2,000
Office Expenses	15,000	
Salaries	10,000	
Debtors and Creditors	45,000	50,000
Outstanding Salary		3,000
Outstanding Rent		1,000
Furniture	20,000	
Land and Buildings	1,00,000	
Insurance	2,000	
Tony's Life Insurance Premium	1,000	
Rent	12,000	
Bad Debts	1,000	
Depreciation	15,000	
Income-tax paid	3,000	
	6,24,000	6,24,000

Adjustments :

- (i) Closing Inventory (stock) on 31.12.2017 was ₹ 50,000
- (ii) Purchases include goods worth ₹ 1,000 purchased for private purpose
- (iii) Cheques of ₹ 1,000 from debtors was dishonoured but no entries are made in the books
- (iv) Office expenses include stationery purchased ₹ 3,000
- (v) Write off further bad debts ₹ 2,000 and maintain 5% provision for bad debts on debtors
- (vi) Goods of the value of ₹ 4,000 have been destroyed by fire and the insurance company admitted a claim of ₹ 2,700

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(4)

2. (a) How would you convert a set of books of accounts from single entry to double entry system? 5

(b) The following is the Receipts and Payments Account of Town Club for the year ended 31.12.2017. Prepare an Income and Expenditure Account for the year 2017 and a Balance Sheet as on 31.12.2017 of the club : 5+5=10

Receipts	₹	Payments	₹
Opening balance :		New building constructed	75,000
Cash	290	Souvenir	2,000
Bank	3,710	Salaries	6,000
Subscriptions	12,000	Postage	500
Donations	13,000	Telephone	500
Activities collection	6,900	Electricity	600
Sale of old newspaper	300	Maintenance expenses	12,000
Souvenir advertisement	5,800	Newspapers	500
Endowment fund	3,000	Closing balance :	
Sale proceeds of old building at book value	60,000	Cash	300
Interest from investments @ 10%	4,000	Bank	11,600
	1,09,000		1,09,000

Additional information :

- (i) Subscription : For 2016 (due as at 31.12.2016 ₹ 1,500) received ₹ 1,000; for 2018 advance ₹ 1,200; due for 2017 ₹ 800

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(5)

(ii) Expenses outstanding :

- Salaries—₹ 1,200
- Electricity—₹ 100
- Telephone—₹ 100
- Postage—₹ 100

(iii) Provide depreciation on building @ 5%

Or

(a) Mr. Rainbow, who carries on cloth business, keeps only cashbook and few memoranda records. The information available is as follows :

	On 1st January	On 31st December
Debtors	48,000	75,000
Creditors for goods purchased	31,000	52,000
Stock-in-trade	87,000	55,000

Cash received from debtors during the year—₹ 6,00,000
Payment made to creditors for goods during the year—₹ 4,56,000
Cash sales—₹ 11,000
Cash purchases—₹ 3,000

Find out—

- (i) total purchases;
- (ii) total sales;
- (iii) rate of gross profit on sales. 3+3+3=9

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(6)

(b) Explain the steps required for converting Income and Expenditure Account into Receipts and Payments Account. 6

3. (a) Distinguish between joint venture and partnership. 3

(b) X and Y enter into joint venture. X agrees to bring capital in cash. X deposited ₹ 80,000 in the Joint Bank Account.

Y buys goods worth ₹ 50,000 as part of his share of capital. Further goods worth ₹ 1,18,000 were purchased from Z paying ₹ 60,000 and the balance by a promissory note signed by X and Y.

The goods were sent to Kolkata for sale. Expenses amounting to ₹ 5,000 were incurred in sending the goods. Part of ₹ 25,000 was damaged and a sum of ₹ 25,000 was recovered from the insurance company. The balance of goods was sold for ₹ 2,20,000.

Prepare Joint Venture Account, Joint Bank Account and Co-ventures Account in the books of the Joint venture, assuming that the promissory note was duly met. A and B share profits equally. 4+4+4=12

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(7)

Or

A and B are partners sharing profits in the proportions of $\frac{3}{4}$ th and $\frac{1}{4}$ th. Their Balance Sheet as on 31st December, 2017 was as follows :

Liabilities	₹	Assets	₹
Sundry Creditors	41,500	Cash at Bank	22,500
Capital Accounts :		Bills Receivable	3,000
A	30,000	Debtors	16,000
B	16,000	Stock	20,000
		Fixtures	1,000
		Land and Buildings	25,000
	87,500		87,500

On January 1, 2018, C was admitted into partnership on the following terms :

- (i) That C pays ₹ 10,000 as his capital for a fifth ($\frac{1}{5}$) share
- (ii) That C pays ₹ 5,000 for goodwill. Half of this is to be withdrawn by A and B
- (iii) That Stock and Fixtures be reduced by 10% and a 5% provision for doubtful debts and bills receivable
- (iv) That the value of Land and Building be appreciated by 20%

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(8)

(v) There being a claim against the firm for damages, a liability to the extent of ₹ 1,000 should be created

(vi) An item of ₹ 650 included in sundry creditors is not likely to be claimed and hence should be written back

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet after C's admission. 4+6+5=15

4. (a) Explain the circumstances under which a firm may be dissolved as provided under the Indian Partnership Act, 1932. 4

(b) State the rules laid down under Section 49 of the Indian Partnership Act, 1932 with regard to 'Firm Debts vs. Private Debts'. 3

(c) Explain maximum loss method of piecemeal dissolution of cash among partners on dissolution of firm. 4

(d) State the special features of 'sale of firm to a company'. 4

Or

Nirav and Vijay were equal partners in a manufacturing business. On 30th June, 2018, they dissolved the firm on

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(9)

which date their Balance Sheet was as follows :

Liabilities	₹	Assets	₹
Creditors	28,000	Cash at Bank	2,500
Less : Reserve for discount	1,000	Debtors	42,000
Reserve for contingencies	5,000	Less : Provision for doubtful debts	2,000
Mr. Vijay's Loan	10,000	Stock	40,000
Reserve Fund	15,000	Furniture	3,500
Nirav's Loan	8,000	Plant and machinery	25,000
Nirav's Capital A/c	21,000	Prepaid Expenses	1,000
Vijay's Capital A/c	23,000	Advance to Vijay	5,000
	1,09,000		1,09,000

Stock and Debtors, realised ₹ 27,000; and Goodwill realised ₹ 27,000; ₹ 38,000; ₹ 20,000 and ₹ 5,000 respectively. Furniture did not realise any value. An amount of ₹ 6,000 was paid on account of contingent liabilities. The expenses of realization were ₹ 1,000.

The firm had previously made some investment in shares of a joint stock company and had written off this investment on finding it useless. The investment now realised ₹ 1,500.

Close the books of the firm by preparing the necessary ledger accounts. 7+4+4=15

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(10)

5. (a) State the objectives of keeping branch accounts. 5

(b) Write a note on Hire-purchase Trading Account. 5

(c) On 1st January, 2018, Mr. Giri sends 150 sewing machines costing ₹ 3,00,000 to Mr. Roy to be sold on behalf of the former at 5% commission on sales. Giri paid ₹ 15,000 as freight and carriage for sending the machines. Roy sent an account statement on 30th June, 2018, stating that—

- (i) 120 sewing machines were sold for ₹ 2,70,000
- (ii) Expenses incurred on inward consignment were : Octroi ₹ 2,500; Carriage ₹ 500; Godown rent ₹ 21,000 and advertisement and other selling expenses ₹ 15,000

Calculate the Consignment stock (unsold stock) on 30th June, 2018. 5

Or

(a) Distinguish between consignment and sale. 2

(b) Give the meaning and purpose of—
(i) del credere commission;
(ii) over-riding commission. 2+2=4

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(11)

(c) ABC Company opened a branch at Delhi on 1st July, 2017. Goods are sent from the Head Office (HO) at cost plus 25%. The branch is advised to deposit cash everyday in the bank in Head Office Account.

From the following particulars, prepare Branch Account in the books of HO for the period ending on 31st December, 2017. Petty cash at branch is maintained on imprest system :

	₹
Cash sent to branch for meeting petty expenses	1,500
Furniture purchased for the branch	12,000
Goods sent to Branch at Invoice Price (IP)	1,60,000
Expenses paid by the HO :	
Rent	2,200
Advertisement	800
Salaries	4,600
Insurance (annual upto 30th June, 2018)	400
Cash sales by the Branch	80,000
Credit sales during the period	30,000
Cash received from the debtors	22,000
Discount allowed to debtors	400
Goods returned by debtors (at I.P.)	800
Bad Debts written off	100
Petty expenses paid by the Branch	1,000
Stock at cost on 31.12.2017 (excluding stock received from debtors)	32,000
Provide depreciation on furniture at 10% p.a.	7+2=9

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1/H-76 (iii) (Syllabus-2015)