

**1/H-76 (iii) (Syllabus-2019)**

**2022**

( November )

**COMMERCE**

( Honours )

( BC-103 )

( **Financial Accounting** )

( Under Revised Syllabus )

*Marks : 75*

*Time : 3 hours*

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

1. (a) Define 'Accounting Concept' and 'Accounting Convention'. Give two examples of each. 5
- (b) Why are accounting standards needed?  
Give an overview of Ind AS. 3+7=10

*Or*

The following figures are extracted from the books of Mr. Ram. You are required to prepare Trading and Profit & Loss Account for the year ended 31st March, 2022 and a

( 2 )

Balance Sheet as on that date after making  
the necessary adjustments : 4+6+5=15

	₹		₹
Capital	2,28,800	Wages	35,200
Drawings	13,200	Sundry Creditors	44,000
Plant and Machinery	99,000	Postage and	
Freehold Property	66,000	Telegram	1,540
Purchases	1,10,000	Insurance	1,760
Return Outward	1,100	Gas and Fuel	2,970
Salaries	13,200	Bad Debt	660
Office Expenses	2,750	Office Rent	2,860
Office Furniture	5,500	Freight	2,900
Discount (Dr.)	1,320	Loose Tools	2,200
Sundry Debtors	29,260	Factory Lighting	1,100
Loan to Mr. Kamal		Provision for	
@ 10% p.a. on 1.4.2021	44,000	Doubtful Debts	880
Cash at Bank	29,260	Interest on Loan	
Bills Payable	5,500	to Kamal	1,100
Stock on 1.4.2021	38,500	Cash in Hand	2,640
		Sales	2,31,440

Adjustments :

- (i) Stock on 31.3.2022 was valued at ₹ 72,600
- (ii) A new machine was installed during the year costing ₹ 15,400 but it was not recorded in the books as no payment was made for it. Wages ₹ 1,100 paid for its erection have been debited to Wages Account

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( Continued )

( 3 )

- (iii) Depreciate Plant and Machinery by  $33\frac{1}{3}\%$ , Furniture by 10% and Freehold Property by 6% p.a.
- (iv) Loose Tools were valued at ₹ 1,760 on 31.03.2022
- (v) Of the Sundry Debtors ₹ 660 are bad and should be written off
- (vi) Maintain a provision of 5% on Sundry Debtors for doubtful debts
- (vii) The manager is entitled to a commission of 10% of the net profit after charging such commission
2. (a) What do you understand by Single Entry? What are its disadvantages? 2+3=5
- (b) Prepare an Income and Expenditure Account of a club for the year ended 31.03.2022 and a Balance Sheet as on that date from the given Receipts and Payments Accounts and after considering additional information : 10

	₹	Payments	₹
To Cash in hand	1,950	By Bank Overdraft	4,030
▪ Subscriptions :		▪ Investment	3,900
2020-21	260	▪ Furniture	1,885
2021-22	21,060	▪ Wages and Salaries	8,060
2022-23	325	▪ Printing and Stationery	1,157

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( Turn Over )

Receipts	₹	Payments	₹
To Receipts from entertainment	2,600	By Entertainment Expenses	2,223
• Entrance Fees	871	• Miscellaneous Expenses	1,846
• Sale of old typewriter (Book value-Nil)	780	• Balance on 31.03.2022 :	
		Cash	715
		Bank	4,030
	<u>27,846</u>		<u>27,846</u>

**Additional Information :**

- (i) The club has 2340 members each paying annual subscription of ₹ 10, subscription amounting to ₹ 117 were still in arrear for the year 2020-21
- (ii) Stock of stationery as on 31.03.2021 was ₹ 163 and on 31.03.2022 was ₹ 113
- (iii) Salary of ₹ 715 for March, 2022 is outstanding, miscellaneous expenses accrued on 31.03.2021 were ₹ 172. The club had paid ₹ 650 in March 2021 for telephone charges which are included in miscellaneous expenses and of which ₹ 162 is related to the year 2021-22
- (iv) Depreciate Fixed Assets by 5% p.a.
- (v) On 31.03.2021 premises stood in the books at ₹ 31,850 and investments at ₹ 8,450
- (vi) Entrance fees are to be capitalised

Or

(a) Distinguish between Receipts and Payments Account and Income and Expenditure Account. 3

(b) A and B are in partnership sharing profits and losses equally. They keep their books by Single Entry system. No ready figures are available for total sales. An abstract of their cash transactions for the year 30.06.2022 is given below :

Receipts	₹	Payments	₹
Cash in hand	10,800	Salaries	22,000
Receipts from customer	2,70,000	Rent	4,400
Cash sales	32,000	Advertising	1,800
		Printing	1,600
		General Expenses	19,100
		Payment to creditors	2,24,000
		A's drawings	4,000
		Cash in hand	35,900
	<u>3,12,800</u>		<u>3,12,800</u>

The following additional information is available as on 30.06.2022 :

	30.06.2021	30.06.2022
Stock in trade	44,000	50,000
Sundry Debtors	94,000	70,000
Sundry creditors	46,800	37,000
Furniture	6,000	?

Other information :

- (i) Discount Allowed ₹ 2,800
- (ii) Discount earned ₹ 2,400
- (iii) Outstanding printing expenses ₹ 500
- (iv) Capital of A as on 30.06.2021 was ₹ 4,000 more than Capital of B
- (v) Provide Depreciation on Furniture @ 10% p.a.

Prepare :

1. Trading and Profit and Loss Account for the year ended on 30.06.2022
2. The Balance Sheet as on 30.06.2022 12

3. A and B are partners sharing Profits and Losses in the ratio of 3 : 1. Their Balance Sheet as on 31.12.2021 was as follows :

Liabilities	₹	Assets	₹
Creditors	37,500	Cash at Bank	22,500
General Reserve	4,000	Bills Receivable	3,000
Capital :		Debtors	16,000
A	30,000	Stock	20,000
B	16,000	Furniture	1,000
		Building	25,000
	87,500		87,500

On 1.01.2022, they admit C on the following terms :

- (i) That C pays ₹ 10,000 as his capital and ₹ 2,000 as his share of goodwill for  $\frac{1}{5}$ th share in the future profits
- (ii) The Stock and Furniture be reduced by 10% and a provision of 5% be made for doubtful debts
- (iii) That the value of Buildings be appreciated by 20%
- (iv) That the Capital Accounts of all the partners be readjusted on the basis of C's Capital to his share of profit and for this purpose Current Accounts are to be opened

Prepare Revaluation Account, Capital Account and their opening Balance Sheet. 15

Or

- (a) Distinguish between Sacrificing Ratio and Gaining Ratio. What is Memorandum Revaluation Account? What purpose does it serve? 2+3=5
- (b) A, B and C are partners in a firm with Capital of ₹ 40,000, ₹ 24,000 and ₹ 20,000 respectively on 01.01.2021. The partnership deed contains the following clauses :
  - (i) Interest on Capital @ 5% p.a.

- (ii) Interest on drawings @ 4% p.a.  
 (iii) A to get Salary @ ₹ 400 p.m.  
 (iv) B and C to get 10% commission each on the net profit  
 (v) Profits and losses to be shared :
- Up to ₹ 4,500 in the ratio of 4 : 3 : 2
  - Above ₹ 4,500 equally

The net profit of the firm for the year ended 31.12.2021 amounts to ₹ 20,500 and the drawings of the partners are A ₹ 2,400 B ₹ 1,600 C ₹ 1,000

Prepare Profit and Loss Appropriation Account and Partners' Capital Account. 6

(c) Why does a partnership firm need to be registered? 4

4. (a) Write a note on Garner V/s Murray rule. 3

(b) A, B and C were partners entitled to share profits in the ratio of 3 : 2 : 1 respectively. Their Balance Sheet as on 31.12.2021 was as follows :

Liabilities	₹	Assets	₹
Capital :		Goodwill	20,000
A	70,000	Fixed Assets	90,000
B	50,000	Current Assets	80,000
C	30,000	Cash	6,000
Current Liabilities	46,000		
	<u>1,96,000</u>		<u>1,96,000</u>

B retired as on 01.01.2022 and the following adjustments were agreed upon :

- (i) Total goodwill was valued at ₹ 60,000 and is to be adjusted from the capital account of A and C  
 (ii) There was an outstanding salary of ₹ 2,000 not recorded in the above Balance Sheet and the same was paid by A  
 (iii) Fixed asset was undervalued by ₹ 10,000 and there was an unrecorded investment worth ₹ 4,000  
 (iv) Current assets include stock worth ₹ 30,000 of which ₹ 5,000 was considered to be obsolete  
 (v) The total capital of the firm is fixed at ₹ 1,20,000 and adjustment of capital is to be made in cash

Prepare Revaluation Account, Capital Accounts and also prepare the Balance Sheet post-retirement. 12

Or

(a) Distinguish between Dissolution of partnership and Dissolution of a firm. 5

- (b) A and B were equal partners in a manufacturing business. On 31.12.2021, they dissolved the firm when their Balance Sheet stood as follows :

Liabilities	₹	Assets	₹
Creditors	28,000	Cash at bank	3,500
Reserve for contingencies	5,000	Debtors	42,000
Mrs. B's loan	10,000	Less : Provision for doubtful debts	2,000
Reserve fund	15,000	Stock	32,000
A's loan	8,000	Furniture	3,500
Capital :		Plant and Machinery	25,000
A	21,000	Prepaid expenses	1,000
B	18,000		
	1,05,000		1,05,000

Stock, debtors, plant and machinery 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 realisation were ₹ 1,000.

The firm had previously made some investments in shares of joint stock company and had written off considering them valueless. The investment now realised ₹ 1,500. Close the books of the firm and show the necessary ledger accounts.

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5. (a) Define consignment. Distinguish it from sale. 2+3=5
- (b) A trading firm has a retail branch which is supplied with goods from the Head Office and which keeps its sales ledger and remits all cash received daily to the Head Office, the branch expenses being paid by the Head Office by weekly cheques.

From the following particulars, draw up the Branch Account as they would appear in the books of Head Office for the six months ended on 31.12.2021 : 10

	₹
Credit sales	2,485
Cash sales	1,460
Return inward	30
Cash received ledger accounts	2,387
Debtors on 1.01.2021	1,345
Stock on 1.01.2021	840
Stock on 31.12.2021	1,280
Goods received from Head Office	2,276
Bad Debts at the branch	65
Wages and other expenses	415
Rent, Rates and Taxes	402

Or

- (a) Distinguish between Hire purchase system and Instalment purchase system.

5

- (b) A and B doing business separately as building contractors, undertake jointly to construct a building for a newly started joint stock company for a contract price of ₹ 1,00,000 payable as to ₹ 80,000 by instalments in cash and ₹ 20,000 in fully paid shares of the company. A Bank Account is opened in their joint names, A paying ₹ 25,000 and B ₹ 15,000. They are to share profits and losses in the proportion of 2 : 1. Their transactions were as follows :

	(₹)
Wages paid	30,000
Materials purchased	70,000
Materials supplied by A	5,000
Materials supplied by B	4,000
Architect fee paid by A	2,000

The contract was completed and the price (cash and share) duly received. The joint venture was closed by A taking up all the shares of the company at an agreed valuation of ₹ 16,000 and B taking up the stock of materials at an agreed valuation of ₹ 3,000.

Show the necessary Accounts of joint venture.

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