

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

**2023**

( November )

**COMMERCE**

( Honours )

( BC-103 )

**( Financial Accounting )**

*Marks : 75*

*Time : 3 hours*

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

1. (a) Define the term 'Accounting Standards'.  
How do accounting standards differ  
from Accounting principles? 2+3=5
- (b) State the importance of doctrine of full  
disclosure in Accounting and Reporting. 3
- (c) Write a note on the convention of  
conservatism. Does it lead to under-  
statement of income? 4
- (d) State the limitations of Accounting. 3

( 2 )

Or

The following is the Trial Balance of A on  
31st December, 2022 :

*Trial Balance as on 31st December, 2022*

Dr.			Cr.
	₹	Particulars	₹
Building (at cost)	1,50,000	Capital	30,000
Purchases (adjusted)	2,90,000	Sales	5,29,500
Salaries	5,000	Wages Outstanding (at the end)	8,000
Bad Debts	2,000	Provision for Depreciation on Furniture	12,000
Wages	10,000	Apprentice Premium	500
Rent	5,000	Sundry Creditors	20,000
Prepaid Rent (at the end)	3,000		
Insurance	5,000		
Furniture and Fittings (at cost)	60,000		
Drawings	5,000		
Sundry Debtors	25,000		
Closing Stock	40,000		
	<u>6,00,000</u>		<u>6,00,000</u>

Prepare a Trading and Profit & Loss Account for the year ended 31st December, 2022 and also the Balance Sheet as on that date after making the following adjustments : 4+5+6=15

- (i) Salaries for the month of December, 2022 amounting to ₹ 1,000 were unpaid which must be provided for the balance in the account included ₹ 800 paid in advance
- (ii) Insurance includes a policy of ₹ 2,000 expiring on 31st March, 2023

- (iii) Depreciate furniture and fittings by 10% on original cost and building by 5%
- (iv) Stock worth ₹ 1,500 was put by A to his personal use
- (v) Make a provision for doubtful debts equal to 10% of debtors
2. (a) Distinguish between Accrual System and Cash System of Accounting. 3
- (b) Following balances are available from the books of Ms. Sumi who keeps her books under single entry system :

	1-04-2022	31-03-2023
	₹	₹
Cash in hand	1,400	?
Inventory	13,000	19,500
Sundry Debtors	?	21,700
Sundry Creditors	13,400	?
Machinery	42,000	?

Her cash and other transactions during the year ended 31.03.2023 are as follows :

	₹
Total purchases (including cash purchases of ₹ 5,000)	65,000
Collection from Debtors	72,900
Total sales (including credit sales of ₹ 75,000)	87,000
Freight and Wages paid	2,800
Salary paid	3,100
Discount allowed to Debtors	500
Discount allowed by Creditors	250
Payments to Creditors	54,400
Additions to machines (on 01.01.2023)	18,000
Sundry expenses paid	2,300

*Additional Information :*

- (i) Depreciate machinery and furniture @10% per annum
- (ii) Create a provision for bad debts of ₹ 600

Prepare Trading and Profit & Loss Account for the year ended 31.03.2023 and a Balance Sheet as on that date.

5+3+4=12

Or

- (a) Distinguish between capital expenditure and revenue expenses. 3
- (b) From the following particulars relating to Mission Charitable Hospital, prepare Income and Expenditure Account for the year ended 31st December, 2022 and a Balance Sheet as on that date :

6+4+2=12

*Receipts and Payments Account for the year ended 31-03-2022*

Dr.		₹	Payments	₹	Cr.
To Cash in hand on			By Medicines		30,590
01.01.2022		7,130	" Doctors' Honorarium		9,000
" Subscriptions		47,996	" Salaries		27,500
" Donations		14,500	" Petty expenses		461
" Interest on investments @7% for full year		7,000	" Equipments		15,000
" Proceeds from charity show		10,450	" Expenses on charity show		750
			" Cash in hand (on 31.12.2022)		3,775
		<u>87,076</u>			<u>87,076</u>

*Additional Information :*

	1-01-2022	31-12-2022
	₹	₹
Subscriptions due	240	280
Subscription received in advance	64	100
Stock of medicines	8,810	9,740
Estimated value of equipments	21,200	31,600
Buildings (costless depreciation)	40,000	38,000

3. (a) "Sharing of profit is the truest test of a partnership." Do you agree with this statement? Give reasons for your answer.

3

(b) Following is the Balance Sheet of A and B, who were sharing profits and losses in the ratio of 2 : 1 on 31.12.2022 :

<i>Liabilities</i>	₹	<i>Assets</i>	₹
Capital Accounts :		Plant and machinery	12,00,000
A	10,00,000	Building	9,00,000
B	5,00,000	Sundry Debtors	3,00,000
Reserve Fund	9,00,000	Stock	4,00,000
Sundry Creditors	4,00,000	Cash	1,00,000
Bills payable	1,00,000		
	<u>29,00,000</u>		<u>29,00,000</u>

They agree to admit C into the partnership on the following terms :

(i) The goodwill of the firm was fixed at ₹ 1,05,000

( 6 )

- (ii) That the value of stock and plant and machinery were to be reduced by 10%
- (iii) That a provision of 5% was to be created for doubtful debts
- (iv) That the building is to be appreciated by 20%
- (v) There was an unrecorded liability of ₹ 10,000 for outstanding salary
- (vi) Investment worth ₹ 20,000 (not mentioned in the Balance Sheet) were taken into account
- (vii) That the value of reserve fund, the value of liabilities and the values of assets other than cash are not to be altered
- (viii) C is to be given one-fourth share in the profit and was to bring capital equal to his share of profit after all the adjustments

Prepare Memorandum Revaluation Account, Capital Accounts of the partners and Balance Sheet of the newly reconstituted firm. Workings should form part of your answer.

12

Or

- (a) Distinguish between fixed and fluctuating capital of partners.

3

- (b) X and Y are partners in a firm sharing profit and losses in the ratio of 7 : 3. Their Balance Sheet as at 31st March, 2023 is as follows :

Liabilities	₹	Assets	₹
Sundry Creditors	40,000	Cash in hand	36,000
Bank overdraft	20,000	Sundry Debtors	46,000
Reserve	10,000	Less : provision	
Capital Accounts :		for doubtful debts	<u>2,000</u>
X	50,000	Stock in trade	50,000
Y	40,000	Furniture	<u>30,000</u>
	<u>1,60,000</u>		<u>1,60,000</u>

On 1st April, 2023, Z joins the firm as a new partner for  $\frac{1}{4}$ th share in the future profits of the firm on the following terms :

- (i) Goodwill is valued at ₹ 40,000 and Z is to bring necessary amount in cash as premium for goodwill
- (ii) 20% of the reserve is to remain as a provision against bad and doubtful debts
- (iii) Stock-in-trade is to be reduced by 40% and furniture is to be reduced to 40%
- (iv) X is to pay off the bank overdraft
- (v) Z is to introduce ₹ 30,000 as his share of capital to which amount other partners' capitals shall have to be adjusted

Prepare necessary ledger accounts and also prepare amended Balance Sheet of the firm immediately after Z's admission. Workings should form part of your answer.

5+5+2=12

4. (a) What is piecemeal distribution? 3

(b) P, Q and R were carrying on a business in partnership, sharing profits and losses in the ratio of 5:3:2 respectively. The firm earned a profit of ₹ 3,60,000 for the accounting year ended 31st March, 2023, on which date the firm's Balance Sheet stood as follows :

*Balance Sheet as on 31st March, 2023*

<i>Liabilities</i>	₹	<i>Assets</i>	₹
P's Capital	7,00,000	Freehold land	
Q's Capital	5,70,000	and building	8,00,000
R's Capital	4,30,000	Machinery	3,50,000
Creditors	79,400	Furniture and fixtures	1,02,000
Outstanding expenses	4,900	Stock in trade	2,98,800
		Debtors	1,60,000
		Cash at bank	73,500
	17,84,300		17,84,300

P died on 31st August, 2023. According to firm's partnership deed, in case of death of a partner :

- (i) Assets and Liabilities have to be revalued
- (ii) Goodwill is to be calculated at two years' purchase of average profits for the last three completed accounting years and the deceased partner's capital account is to be credited with his share of goodwill



- (iii) The share of the deceased partner in the profits for the period between end of the previous accounting year and the date of death is to be calculated on the basis of the previous accounting year's profits. Post death of *P*, remaining partners *Q* and *R* will share profits in the ratio of 3 : 2.

Profits for the year 2021-22 and 2022-23 were as follows :

	₹
For the year ended 31st March, 2021	2,90,000
For the year ended 31st March, 2022	3,40,000

Drawings by *P* from 1st April, 2023 to the date of death totalled ₹ 46,000

On revaluation, freehold land and building was appreciated by ₹ 1,00,000; machinery was depreciated by ₹ 10,000 and a provision for bad debts was created @5% on debtors as on 31st March, 2023. *P*'s sole heir was given ₹ 5,00,000 immediately and the balance along with interest @12% per annum was paid on 31st October, 2023.

Prepare Revaluation Account, *P*'s Capital Account and *P*'s Heir Account, giving important working notes.

4+3+2+3=12

Or

- (a) Distinguish between firm debt and private debt.

3

(b) X, Y and Z were partners in a business. Their Balance Sheet as on 31st March, 2023 was as follows :

<i>Liabilities</i>	₹	<i>Assets</i>	₹
Capitals :		Land and buildings	4,00,000
X   1,60,000		Furniture and fixtures	1,60,000
Y   1,00,000	2,60,000	Plant and machinery	4,00,000
X's loan	2,00,000	Debtors	2,00,000
Creditors	10,00,000	Stock	1,60,000
		Bank	10,000
		Y's capital (overdrawn)	1,30,000
	<u>14,60,000</u>		<u>14,60,000</u>

Due to bad financial position of the partners, the firm was dissolved and all the partners were declared bankrupt. The assets were realized as follows :

Debtors 45% less

Land and buildings—₹ 1,60,000

Stock—₹ 1,00,000

Plant and machinery—₹ 2,00,000

Furniture and fixtures—₹ 40,000

Realization expenses amounted—₹ 10,000

The private financial position of partners were as follows :

	<i>Private Assets</i>	<i>Private Liabilities</i>
	₹	₹
X	2,50,000	2,50,000
Y	2,00,000	1,80,000
Z	2,30,000	2,50,000

Prepare necessary ledger accounts to close the books of the firm.  $4+4+4=12$

5. (a) Distinguish between joint venture and consignment. 3
- (b) A Ltd. purchased machinery from B Ltd. on hire-purchase terms. The cash price of the machinery was ₹ 1,19,145. ₹ 32,000 was to be paid on 01.01.2020 and the balance in 3 instalments of ₹ 32,000 each on 31st December every year subject to interest @5% p.a. Depreciation is to be provided @15% p.a. on the diminishing balances.

Show machinery account and B Ltd. account in the books of A Ltd. for 3 years upto 2022. Workings should form part of your answer. 5+5+2=12

Or

- (a) State the objectives of keeping Branch Accounts. 3
- (b) On 1st April, 2023, A sent 300 kg of rare medicines to B of Delhi on consignment basis. The cost per kg was ₹ 1,000 only. A incurred the following expenses on consignment :

₹ 750 on transportation and ₹ 450 on insurance. B spent ₹ 1,200 on various accounts when consignment reached Delhi

200 kg was sold by B at ₹ 2,000 per kg. Out of these, 10 kg was

sold to a party on credit and this transaction ultimately proved bad. Besides, another party deducted ₹ 300 because of a dispute regarding quality

B sent an account sale on 20th August, 2023 which revealed that he charged 5% as ordinary commission and 10% as Del Credere Commission

The consignee sent a bank draft for ₹ 3,00,000.

You are required to prepare necessary ledger accounts in the books of A. Show your workings. 4+4+2+2=12

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