

2017

(1st Semester)

COMMERCE

Paper No. : BC-104

(**Financial Accounting—I**)

Full Marks : 70

Pass Marks : 45%

Time : 3 hours

(PART : B—DESCRIPTIVE)

(Marks : 45)

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

1. (a) "Accounting is the language of business." Comment the statement. 9

Or

- (b) Discuss the role of accounting principles in recording transactions.

2. (a) Nagaland & Co. furnished the following data for the years 2015 and 2016. You are required to calculate—

(i) percentage change in cost price;

(ii) percentage change in selling price;

(iii) accounts for changes in gross.

Profit in the year 2016 :

Particulars	2015 (₹)	2016 (₹)
Sales	2,25,000	2,32,875
Cost of Goods Sold	1,65,000	1,60,380
Gross Profit	60,000	72,495

During 2016, there was a decrease in volume by 10%. 3+3+3=9

Or

(b) Mr. A, who is a sole trader. The following is the trial balance as on 31st December, 2015 :

	₹		₹
Cash at Bank	61,590	Sales	9,36,200
Cash in Hand	11,800	12% Bank Loan	80,000
Drawings	20,000	Capital	1,60,000
Bills Receivable	39,600	Bills Payable	5,200
Salary	44,000	Discount Received	2,400
Investment (Market value ₹ 28,000)	24,000	Sundry Creditors	1,26,200
Stock (01.01.15)	1,27,360	Income from Investment	1,980
Land & Building	80,000	Purchase Return	7,400
Travelling Expenses	13,800		
Motor Van	32,000		
Furniture	16,000		
Telegram	1,600		
Sundry Debtors	1,28,000		
Discount Allowed	3,600		

	₹	
Sundry Expenses	37,240	
Stationery	3,200	
Bank Loan Interest	6,000	
Establishment	9,190	
Advertisement	2,000	
Sales Return	5,000	
Purchase	6,53,400	
	<u>13,19,380</u>	<u>13,19,380</u>

Additional Information :

- (i) Closing stock is valued at ₹ 2,40,000
- (ii) Maintain a reserve of 10% of debtors as reserve for debtors
- (iii) Provide a reserve of 5% on sundry debtors as reserve for discount and 5% on sundry creditors
- (iv) Stock worth ₹ 20,000 destroyed by fire on 25/11/2015 in respect of which the insurance company admitted the claim only ₹ 15,000
- (v) The manager of the business is entitled to get a commission of 10% of net profit after calculating such commission

Prepare a Trading and Profit & Loss Account on 31st December, 2015 and Balance Sheet on that date.

2+3+4=9

3. (a) What is hire-purchase system?
Discuss the accounting treatment of
repossessed goods on default made by
hire purchaser. 3+6=9

Or

- (b) Nagaland Ltd. purchased machinery
from Dimapur Ltd. under the instalment
payment system on 1st January, 2016.
It was agreed that ₹ 15,000 was to be
paid on signing the agreement and a
sum of ₹ 15,000 was to be paid
annually for 3 years. The cash price of
the machine was ₹ 52,300 and the rate
of interest was 10% depreciation is
charged @ 20% on the diminishing
balance method.

You are required to give journal entries
in the book of hire vendor. 9

4. (a) What do you mean by shortworking?
Explain how shortworking account is
maintained in the books of the lessee
and lessor. 3+6=9

Or

- (b) A Ltd. obtains from B. S. Ltd. a lease
of same coal-bearing land, the terms
being a royalty of ₹ 15 per ton of coal
raised subject to a minimum rent of
₹ 75,000 p.a. with a right of recoupment
of shortworking over the first four years

of the lease. From the following details, show—

- (i) Shortworking Account;
 (ii) Royalty Account;
 (iii) B. S. Ltd. Account in the books of A Ltd.

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Year	Sales (Tons)	Closing Stock (Tons)
2012	2000	300
2013	3500	400
2014	4800	600
2015	5600	500
2016	8000	800

5. (a) What is revaluation account and why is it prepared? Give journal entries that have to be passed regarding the revaluation of assets and liabilities on the admission of a new partner. 2+2+5=9

Or

- (b) Following is the Balance Sheet of Karan and Sandeep who share profits and losses equally as on 31st March, 2016 :

Liabilities	₹	Assets	₹
Capital :		Bank	40,000
Karan	1,00,000	Debtors	25,000
Sandeep	50,000	Stock	35,000
Creditors	30,000	Machinery	60,000
Workmen Compensation Fund	15,000	Furniture	40,000
Bank Loan	5,000		
	<u>2,00,000</u>		<u>2,00,000</u>

The firm was dissolved on the above date :

- (i) Karan agreed to take over 50% of the stock at 10% less on its book value, the remaining stock was sold at a gain of 15%. Furniture and Machinery realized for ₹ 30,000 and ₹ 50,000 respectively
- (ii) There was unrecorded investments which was sold for ₹ 25,000
- (iii) Debtors realized ₹ 31,500 (with interest) and ₹ 1,200 was recovered for bad debts written off last year
- (iv) There was an outstanding bill for repairs which had to be paid ₹ 2,000

Prepare Realization Account, Capital Accounts and Bank Account. $4+3+2=9$

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(1st Semester)

COMMERCE

Paper No. : BC-104

(Financial Accounting—I)

(PART : A—OBJECTIVE)

(Marks : 25)

The figures in the margin indicate full marks for the questions

1. Indicate whether the following statements are True (T) or False (F) by putting a Tick (✓) mark : 1×5=5

(a) Accounting is recognized and characterized as a storehouse of information.

(T / F)

(b) Income increases due to decrease in unit cost price.

(T / F)

(c) In the hire-purchase system, the title of ownership of goods passes immediately on signing the agreement.

(T / F)

(d) At the time of payment of royalty, lessee debits royalty account.

(T / F)

(e) On the admission of a new partner, all accumulated profits and losses must be transferred to revaluation account.

(T / F)

2. Fill in the blanks :

1×5=5

(a) is often referred to as the language of the business.

(b) Accrued income is otherwise known as income.

(c) Each instalment includes payment towards cash price and

(d) Royalty account is a
account.

(e) The capital accounts of partners may be
..... or fluctuating.

3. Match the items of List—A with those of List—B by placing the codes from List—B in the brackets provided : 1×5=5

<i>List—A</i>		<i>List—B</i>
(a) AS-3	()	(i) Cash flow statement
(b) Prepaid income	()	(ii) Liabilities
(c) Gaining ratio	()	(iii) Partnership
(d) Shortworking	()	(iv) Redeemable dead rent
(e) Instalment purchase system	()	(v) Contract of sale

4. Write short notes on the following not exceeding more than 5 sentences each : 2×5=10

(a) Matching concept

(b) Direct expenses

(c) Instalment system

(d) Minimum rent

(e) Partnership deed
