

2019

(1st Semester)

COMMERCE

Paper No. : BC-104

(**Financial Accounting—1**)

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) What is Generally Accepted Accounting Principle (GAAP)? Discuss the role of accounting principles in recording transactions. 3+6=9
- Or*
- (b) Write an outline of Accounting Standard in India. 9
2. (a) Explain various measurements of business income. 9

Or

- (b) The following is the Trial Balance of Mr. Ravi Mittal as on 31st December, 2018 :

<i>Particulars</i>	<i>Dr.</i>	<i>Cr.</i>
	₹	₹
Capital A/c	—	86,690
Stock (Opening)	46,800	—
Sales	—	3,89,600
Return Inward	8,600	—
Purchase	3,21,700	—
Return Outward	—	5,800
Freight	18,600	—
Rent	5,730	—
Salaries	9,300	—
Debtors	24,000	—
Creditors	—	14,800
Bank Loan @ 6% p.a.	—	20,000
Bank Interest on Loan	900	—
Printing	14,600	—
Miscellaneous Income	—	250
Cash at Bank	8,000	—
Discount Earned	—	4,100
Furniture	5,000	—
Discount Allowed	1,800	—
General Expenses	11,450	—
Insurance	1,300	—
Postage	2,300	—
Cash in Hand	380	—
Travelling Expenses	870	—
Drawing	40,000	—
	<u>5,21,330</u>	<u>5,21,330</u>

The following adjustments should be made :

- (i) Included amongst the debtors is ₹ 1,000 due from Mr. A and included among the creditors ₹ 1,000 due to him
- (ii) Provision for Bad and Doubtful Debts be created at 5% and Reserve for Discount @ 2% on Sundry Debtors
- (iii) Depreciation on Furniture @ 10%
- (iv) Personal purchases amounting to ₹ 600 had been included in the purchases day book
- (v) Credit purchase invoice amounting to ₹ 400 had been omitted from the books
- (vi) Stock (closing) was ₹ 78,600

You are required to prepare Trading A/c, Profit & Loss A/c and Balance Sheet.

9

3. (a) Describe the accounting treatment of hire-purchase transactions in the books of hire purchaser and the vendor.

9

Or

- (b) Arnab Taxi Services Co. purchased three taxis on 01.01.2016 from Auto Traders on hire-purchase system. It was agreed upon to make payment as under :

<i>Date</i>	<i>Particulars</i>	<i>Amount ₹</i>
01.01.2016	On signing the agreement	10,350
31.12.2016	At the end of first year	19,965
31.12.2017	At the end of second year	19,965
31.12.2018	At the end of third year	19,965
	Total hire-purchase price	<u>70,245</u>

Nothing more was payable after third instalment

All the instalments are duly paid by Arnab Taxi Services Co. Interest was reckoned @ 10% p.a., Depreciation was charged at the rate of 20% p.a. on diminishing balance method. Arnab Taxi Services Co. closes its books on 31st December every year

Prepare the following accounts in the books of Arnab Taxi Services Co. :

3+3+3-9

- (i) Auto Traders A/c
- (ii) Taxis A/c
- (iii) Interest A/c

4. (a) What Journal Entries are passed in the books of landlord and lessee in connection with royalties? 9

Or

- (b) Suleman owned certain patent rights. He granted a licence to Chabra to use such rights on royalty basis. The following are the relevant particulars :

Year	Actual Royalties	Minimum Rent
2014	5000	8000
2015	10000	9000
2016	8000	10000
2017 (strike)	8000	12000
2018	14000	13000

The deficiency of any year is to be set off against royalties payable in excess of the minimum rent in two following years. In the event of a strike and the minimum rent not being reached, it was provided that the actual royalties earned for the year would be the full royalty obligation for the year.

You are required to show the Royalties A/c, Suleman A/c and Shortworkings A/c in the books of Chabra. 3+3+3=9

5. (a) A, B and C were partners sharing profits as 50%, 30% and 20% respectively. On 31st March, 2017, their Balance Sheet stood as follows :

<i>Liabilities</i>	<i>Amount</i>	<i>Assets</i>	<i>Amount</i>
	₹		₹
Creditors	21,000	Premises	62,000
Profit & Loss A/c	15,000	Motorvans	20,000
Investment		Investment (market	
Fluctuation Fund	10,000	value ₹ 15,000)	19,000
General Reserve	25,000	Plant	12,000
A's Capital A/c	50,000	Stock	15,000
B's Capital A/c	40,000	Debtors	40,000
C's Capital A/c	20,000	Less : Provision	<u>3,000</u>
		Cash	16,000
	<u>1,81,000</u>		<u>1,81,000</u>

On 1st April, 2017, B retires and A and C agreed to continue on the following terms :

- Firm's goodwill was valued at ₹ 51,000 and it was decided to adjust B's goodwill into Capital Account to continuing partners
- There is a claim for workmen's compensation to the extent of ₹ 4,000. Investments are brought down to ₹ 15,000
- Provision for doubtful debts is to be reduced by ₹ 1,000

(iv) B will be paid ₹ 8,200 in cash and balance will be transferred to his Loan A/c

(v) A's and C's capital will be adjusted in their new profit sharing ratio, i.e., 3 : 2 through Cash Accounts

Prepare Revaluation A/c, Capital A/cs and Balance Sheet. 2+3+4=9

Or

(b) Explain the provisions of Section 48 of the Indian Partnership Act, 1932 dealing with settlement of accounts at the time of the dissolution of firm. 9

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(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) Making decision is the first phase of accounting cycle.

(T / F)

(b) The statement of financial position and the Balance Sheet are synonyms.

(T / F)

(c) Under hire-purchase system, the buyer does not get ownership of goods immediately.

(T / F)

(d) Royalty is the agreement between the buyer and the seller.

(T / F)

(e) Realization A/c is a Nominal A/c.

(T / F)

2. Choose the correct answer and place its code in the brackets provided : 1×10=10

(a) _____ is considered as the Father of Modern Accounting.

(i) Hendriksen

(ii) Luca Pacioli

(iii) Adam Smith

(iv) F. W. Taylor

[]

(b) The full form of IFRS is

(i) International Financial Reporting Standards

(ii) Indian Financial Reserve System

(iii) International Financial Recording Standards

(iv) None of the above

[]

- (c) Goodwill is a/an
- (i) fictitious asset
 - (ii) intangible real asset
 - (iii) tangible real asset
 - (iv) All of the above []
- (d) Excess of minimum rent over royalty is called
- (i) surplus
 - (ii) deficit
 - (iii) shortworkings
 - (iv) loss []
- (e) A, B and C share profit and loss in the ratio of $\frac{1}{2} : \frac{1}{3} : \frac{1}{6}$. B retires, gaining ratio of the firm will be
- (i) 2 : 1
 - (ii) 1 : 2
 - (iii) 3 : 1
 - (iv) 1 : 1 []
- (f) Accounting Standard Board was set up by
- (i) ICWAI
 - (ii) ICAI
 - (iii) AICPA
 - (iv) SEBI []

(g) Ownership of goods under hire-purchase agreement is transferred after the payment of

- (i) down payment
- (ii) first instalment
- (iii) last instalment
- (iv) None of the above []

(h) Realization A/c is prepared at the time of

- (i) change in profit sharing ratio
- (ii) admission of a partner
- (iii) retirement of a partner
- (iv) dissolution of a firm []

(i) Amount due to deceased partner is transferred to

- (i) Partner's Capital A/c
- (ii) Executor's to Deceased Partner
- (iii) Realization A/c
- (iv) Revaluation A/c []

(j) Reconstitution of the firm take place

- (i) when new partner is admitted
- (ii) on partner's retirement
- (iii) on death of a partner
- (iv) All of the above []

3. Write short notes on the following :

2×5=10

(a) Accounting Information System

(b) Revenue Expenditure

(c) Instalment System

(d) Minimum Rent

(e) Sacrificing and Gaining Ratio
