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(February)

COMMERCE

(Honours)

(Financial Accounting)

(BC–103)

(Under Revised Syllabus)

Marks : 75

Time : 3 hours

The figures in the margin indicate full marks for the questions

1. *(a)* Explain the functions of accounting. 5

(b) List out the qualitative characteristics of financial statements. Briefly explain each of them. 7

(c) What is accounting cycle? 3

Or

The following balances has been extracted from the books of *A* & Co. :

	₹
Salaries	86,400
Carriage Inward (Raw materials)	32,300
Carriage Inward (Finished goods)	10,600
Carriage Outward	3,700
Rent and Rates (Factory)	2,800
Rent and Rates (General)	1,600
Electric Charges (Factory)	3,800
Electric Charges (General)	1,700
Insurance (Factory)	2,100
Insurance (General)	700
Travelling Expenses	4,300
Brokerage on Purchases (Raw materials)	3,100
Commission on Sale	2,600
Advertisement	12,400
Sales	10,36,500
Returns Outward (Finished goods)	12,200
Returns Inward (Finished goods)	23,700
Repairs and Renewals (Factory)	8,500
Trade Expenses	10,200
Provision for Bad Debts	1,800
Bad Debts	1,800
Plant and Machinery	3,26,400
Furniture and Fixture	57,300
Sundry Trade Debtors	65,800
Sundry Trade Creditors	1,53,400

	₹
Office Equipments	8,400
Bills Receivable	4,600
Bills Payable	5,400
Loan on Mortgage (Oct 1, 2020– @ 6% p.a.)	1,20,000
Income Tax	10,000
Advance Income Tax	8,000
Capital	2,80,000
Drawings	22,000
Stock of Raw Materials (April 1, 2020)	35,500
Stock of Work in Progress (April 1, 2020)	30,700
Stock of Finished Goods (April 1, 2020)	40,500
Stock of Stores (April 1, 2020)	4,100
Cash in Hand	1,600
Cash at Bank	32,800
Purchase of Raw Materials	3,02,000
Purchase of Finished Goods	1,27,400
Purchase of Factory Stores	10,300
Factory Wages	3,09,600

Notes :

(i) Purchase of Finished Goods for ₹500 utilized for private use, which has not been duly adjusted

(ii) Two Bills Receivables for ₹200 and ₹300 respectively have been dishonoured and await adjustment

(iii) Closing Stock on 31-03-2021 :

	₹
Raw Materials	28,700
Work-in-progress	33,300
Finished Goods	43,800
Factory Stores	2,900

(iv) Interest on Mortgage Loan for six months to be provided

(v) Depreciation on Plant and Machinery and Furniture & Fixture @ 10% and on Office Equipments @ 20% to be provided

(vi) Provision for Bad Debts should be maintained at 5% of the Debtors

(vii) A quarter of advertisement represents payments in advance to advertising agency

You are required to prepare Manufacturing Account, Trading and Profit & Loss Account for the year ended 31st March, 2021 and a Balance Sheet as on that date. 4+3+4+4=15

2. *(a)* Briefly state the steps to convert Single Entry records into Double Entry System. 5

(b) From the following Receipts and Payments Account, prepare an Income and Expenditure Account for the year ended 31-12-2020 and a Balance Sheet as on that date : 2+4+4=10

Receipts	₹	*Payments*	₹
Cash in Hand	4,000	Salary	2,000
Cash at Bank	10,000	Repairs Expenses	500
Donations	5,000	Purchase of Furniture	6,000
Subscriptions	12,000		
Entrance Fees	1,000	Miscellaneous Expenses	500
Interest on Investment	100		
Interest Received from Bank	400	Purchase of Investments	6,000
Sale of Old Newspapers	150	Insurance Premium	200
Sale of Drama Tickets	1,050	Billiard Table	8,000
		Paper, Ink, etc.	150
		Drama Expenses	500
		Cash in Hand (Closing)	2,650
		Cash at Bank (Closing)	7,200
	33,700		33,700

Information :

(i) Subscription in arrear for 2020 is ₹900 and Subscription in advance for 2021 is ₹350

(ii) Insurance Premium Outstanding ₹40

(iii) Miscellaneous Expenses prepaid ₹90

(iv) 50% of donations is to be capitalized

(v) Entrance Fees are to be treated as revenue income

(vi) 8% interest has accrued on investment for five months

(vii) Billiard Table costing ₹30,000 was purchased during the last year and ₹22,000 were paid for it

Or

(a) List out the steps to convert a Receipts and Payments Account into an Income and Expenditure Account. 5

(b) From the following information, prepare Trading and Profit & Loss Account for the year ended 31-12-2020 and a Balance Sheet as on that date : 10

Balances	01-01-2020 ₹	31-12-2020 ₹
Cash and Bank	4,000	6,000
Stock	28,000	22,000
Debtors	50,000	45,000
Furniture	1,000	1,000
Creditors	22,000	24,000
Outstanding Salary	500	800

Cash transactions :	₹
Rent, Rates and Taxes	800
Postage	900
Salary	5,800
Payment to Creditors	78,000
Collections from Debtors	98,000
Travelling and Conveyance	500

Other transactions :	₹
Bad Debts	500
Discount Allowed	800
Discount Received	300
Purchases Return	1,000
Sales Return	2,000

Provide 10% Depreciation on Furniture and 5% Reserve for Doubtful Debts.

3. *(a)* Mention the clauses that should be inserted in partnership deed in order to avoid any future disputes among the partners. 5

(b) *X* and *Y* are in partnership, sharing profits and losses in the ratio of $\frac{3}{4} : \frac{1}{4}$ respectively. Their Balance Sheet on 31st March, 2021 was as follows :

	₹		₹
Sundry Creditors	12,000	Cash	1,000
Bank Overdraft	15,000	Sundry Debtors	25,000
Capital Accounts :		Stock	22,000
X — 15,000		Plant and	
Y — 10,000	25,000	Machinery	4,000
	52,000		52,000

On 1st April, 2021, they admitted *Z* into partnership on the following terms :

(i) *Z* is to purchase one-third of the Goodwill for ₹2,000 and provide ₹10,000 as Capital. Goodwill not to appear in the books

(ii) Future profits are to be shared by *X*, *Y* and *Z* equally

(iii) Plant and Machinery is to be reduced by 10% and ₹500 is to be provided for estimated Bad Debts. Stock is to be taken at a valuation of ₹24,940

(iv) By bringing in or withdrawing cash, the Capitals of *X* and *Y* are to be made proportionate to that of *Z* on their profit sharing basis

Prepare Revaluation Account, Partners' Capital Accounts and opening Balance Sheet of the new firm. 2+4+4=10

Or

(a) State the reasons why internally generated goodwill is not recognized in financial statement. 3

(b) Distinguish between Revaluation Account and Realization Account. 3

(c) *M* and *N* are partners in a firm sharing profit/loss in the ratio of 5 : 3. They admit their Manager *P* in the firm for $\frac{1}{4}$th share in profit which would be not less than the remuneration received by him as Manager. As Manager *P* is entitled for a salary of ₹32,000 per quarter and a commission of 10% on the net profit after charging such salary and commission. If the profit of the firm for the year ended 31st March, 2021 amounted to ₹4,80,000.

Show the distribution of firm's profit among the partners. 6

(d) Write a note on sleeping partner. 3

4. *D* & Co. is a partnership firm with partners *A*, *B* and *C* sharing profits and losses in the ratio of 5 : 3 : 2. The Balance Sheet of the firm as on 31st March, 2021 is as under :

	₹		₹
Capitals :		Land	10,000
A — 80,000		Buildings	2,00,000
B — 20,000		Plant and	
C — 30,000	1,30,000	Machinery	1,30,000
Reserves	20,000	Furniture	43,000
Long-term Debt	3,00,000	Investments	12,000
Bank Overdraft	44,000	Stock	1,30,000
Trade Creditors	1,70,000	Debtors	1,39,000
	6,64,000		6,64,000

It was mutually agreed that *B* will retire from partnership and in his place Mr. *D* will be admitted as a partner with effect from 1st April, 2021. For this purpose, the following adjustments are to be made :

(i) Goodwill is to be valued at ₹1,00,000 but same will not appear as an asset in the books of the reconstituted firm

(ii) Buildings and Plant & Machinery are to be depreciated by 5% and 20% respectively. Investments are to be taken over by the retiring partner at ₹15,000. Provision of 20% is to be made on Debtors to cover Doubtful Debts

(iii) In the reconstituted firm, the total capital will be ₹2,00,000 which will contributed by *A*, *C* and *D* in their new profit sharing ratio of 2 : 2 : 1

(iv) Surplus funds, if any, will be used for repaying the Bank Overdraft

(v) The amount due to the retiring partner shall be transferred to his Loan Account

You are required to prepare Revaluation Account, Partners' Capital Accounts, Bank Account and Balance Sheet of the reconstituted firm as on 1st April, 2021. 4+3+4+4=15

Or

(a) Explain the rule laid down in Garner vs. Murray. 3

(b) Ram, Rahim and Robert are partners of the firm *ABC* & Co., sharing profits and losses in the ratio of 5 : 3 : 2. The Balance Sheet of the firm as on 01-04-2021 is given below :

	₹		₹
Partners' Capital :		Goodwill	50,000
Ram	3,00,000	Machinery	4,55,000
Rahim	2,50,000	Furniture	10,000
Robert	2,00,000	Stock	2,00,000
General Reserve	1,05,000	Debtors	3,00,000
Loan	95,000	Cash and Bank	35,000
Sundry Creditors	1,00,000		
	10,50,000		10,50,000

Partners of the firm decided to dissolve the firm. They decided to settle the loan creditors directly. Ram took over Goodwill for ₹75,000. Rahim took over Machinery and Furniture at 90% of book value and Sundry Creditors at book value.

Robert took over Stock at 95% of book value and Debtors at 90% of book value. Partners have to pay cash if the assets taken over had exceeded the amounts due to them.

Prepare Realization Account, Partners' Capital Accounts and Cash Account of the firm to show the dissolution proceedings. 5+4+3=12

5. *(a)* Write a note on the classification of branches for Branch Accounting purpose. 3

(b) 2000 shirts were consigned by *B* & Co. of Delhi to Shreyans of Shillong at a cost of ₹150 each. *B* & Co. paid freight ₹20,000 and insurance ₹3,000.

During transit 200 shirts were totally damaged by fire. Shreyans took delivery of the remaining shirts and paid ₹28,800 as clearing charges.

Shreyans had sent a bank draft to *B* & Co. for ₹1,00,000 as advance payment. 1600 shirts were sold by him at ₹200 each. Expenses incurred by Shreyans on godown rent, advertisement, etc., amounted to ₹4,000. He is entitled to a commission of 5%.

One of the customers to whom the goods were sold on credit could not pay the cost of 10 shirts.

Prepare the Consignment Account and the Account of Mr. Shreyans in the books of *B* & Co. Shreyans settled his account immediately. Nothing was recovered from the insurers for the damaged goods. Workings should form part of your answer. 6+4+2=12

Or

(a) Explain Memorandum Joint Venture Account. 3

(b) On January 1, 2018, Mr. Moon purchased a machine from M/s. Star & Co. on a hire-purchase basis. The particulars are as follows :

(i) Cash price ₹10,000

(ii) ₹4,000 to be paid on signing the contract

(iii) Balance in three instalments of ₹2,000 plus interest

(iv) Interest charged on outstanding balance at 5%

(v) Depreciation at 5% p.a. on straight-line method

Prepare necessary Ledger Accounts for the year ended 31st December, 2018, 2019 and 2020 in the books of Mr. Moon. 4+4+2+2=12

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