2022

(February)

COMMERCE

(Honours)

(Financial Accounting)

(BC–103)

Marks : 75

Time : 3 hours

The figures in the margin indicate full marks for the questions

1. *(a)* Compare and contrast 'straight-line method' and 'diminishing balance method' of providing depreciation. Which one of the two methods would you recommend to provide depreciation on plant and machinery, and why? Explain. 7

(b) Write notes on any *two* of the following : 4×2=8

(i) Accounting Equivalence Concept

(ii) Group Depreciation Method

(iii) The Accounting Process

(iv) Users of Financial Statements

Or

From the following Trial Balance of Mr. *X*, prepare Trading and Profit & Loss Account for the year ended 31st March, 2021 and Balance Sheet as on that date after making necessary adjustments : 15

	Dr. (₹)	*Cr.* (₹)
Sundry Debtors/Creditors	5,00,000	2,00,000
Outstanding Expenses Paid	55,000	—
Wages	1,00,000	—
Freight Outward	1,10,000	—
Freight Inward	50,000	—
General Expenses	70,000	—
Cash Discounts	20,000	—
Bad Debts	10,000	—
Motorcar	2,40,000	—
Printing and Stationery	15,000	—
Furniture and Fittings	1,10,000	—
Advertisement	85,000	—
Insurance	45,000	—
Salesmen's Commission	87,500	—
Postage	57,500	—
Salaries	1,60,000	—
Rates and Taxes	25,000	—
Drawings/Capital	20,000	14,43,000
Purchases/Sales	15,50,000	19,87,500
Stock as on 1-4-2020	2,50,000	—
Cash at Bank	60,000	—
Cash in Hand	10,500	—
	36,30,500	36,30,500

Additional information :

(i) Value of Stock as on 31st March, 2021, ₹ 7,25,000

(ii) Depreciate Furniture & Fittings at 10% and Motorcar at 20%

(iii) A Provision for Bad and Doubtful Debts is to be created at 5% of Sundry Debtors

(iv) Goods withdrawn by Mr. *X*—₹ 25,000

(v) Sales include ₹ 75,000 goods sent to *S* & Co. on approval basis which is still awaited. Its cost to Mr. *X* was ₹ 50,000

(vi) Provide 5% of Sales as Salesmen's Commission

(vii) Debtors include ₹ 25,000 Bad Debts

(viii) Printing and Stationery Expenses ₹ 55,000 relating to the year 2019–20 had not been provided in that year has been paid during the current year. The same has been charged to Outstanding Expenses Paid

(ix) Purchases include ₹ 50,000 towards cost of furniture purchased

2. (a) Explain the process of profit determination under Single-Entry System. 3

(b) Explain the steps convert a set of books kept under Single-Entry System to Double-Entry System. 12

Or

The following are the accounts which have been prepared by the treasurer of Shillong Club. It is given that the club's money was not kept separately, rather it was mixed-up with his own money :

Balance Sheet of Shillong Club for the year ended 31st March, 2021

Particulars	*Amount* (₹)	*Particulars*	*Amount* (₹)
Opening Balance	750	Rent and Expenses	2,040
Arrears of Subscription	110	Salary	250
Subscription for Current Year	1,640	Cost of Charity Show	150
Sale of Charity Show Tickets	210	Club Day Collection Cost	100
Club Day Collections	140	Owing for Charity Show Ticket	50
Sale of Refreshment	2,350	Owing for Donations (Building)	70
Receipt from Games	170	Cost of Refreshment Bought	1,700
Donations (Building)	190	Stock of Refreshment	150
		Subscriptions (Owing)	80
		Cost of Furniture Bought	350
		Closing Balance	620
	5,560		5,560

Draft the accounts of Shillong Club in presentable form. 15

3. *(a)* *X*, *Y* and *Z* are in partnership sharing profits and losses in the ratio of 3 : 2 : 4. The Capital Accounts as on 31st March, 2021 stood as follows :

X—₹ 17,00,000
Y—₹ 11,00,000
Z—₹ 12,20,000

Additional information :

(i) Transfer to General Reserve—₹ 2,22,400

(ii) Partners are paid monthly salary—*X* (₹) 24,000, *Y* (₹) 16,000 and *Z* (₹) 18,000

(iii) Allow interest on Closing Capital at 6% p.a. and charge interest at 8% p.a. on drawings made

(iv) *X* and *Z* are entitled to commission at 8% and 10% respectively of net profit before making any appropriation

(v) *Y* is entitled to commission at 15% of net profit before charging interest on drawings but after making all other appropriations

(vi) Partners withdrew during the year—*X* (₹) 20,000 at the beginning of every month; *Y* (₹) 17,500 at the end of every month and *Z* (₹) 12,500 at the middle of every month

(vii) Accountant of the firm is entitled to a salary of ₹ 20,000 p.m. and a commission of 12% of net profit after charging such commission

Net profit of the firm for the year ended 31st March, 2021 before providing any of the above adjustment was ₹ 27,60,000. Prepare Profit and Loss Appropriation Account for the year ended 31st March, 2021. 9

(b) Differentiate between *(i)* 'joint venture' and 'consignment', and *(ii)* 'joint venture' and 'partnership'. 6

Or

(a) Differentiate between 'partnership' and 'limited liabilities partnership'. 5

(b) Is it necessary to revalue the assets and liabilities, if there is a change in the profit sharing ratio of existing partners? Explain giving reasons. 5

(c) *X* and *Y* are partners sharing profits and losses in the ratio of 7 : 3. They decided to admit *Z* as partner. *X* part with 1 / 7th of his share and similarly *Y* part with 1 / 3rd of his share in favour of *Z*. Calculate the new profit sharing ratio. 5

4. *(a)* Differentiate between 'dissolution of partnership' and 'dissolution of firm'. 5

(b) State the circumstances when a court may order for the dissolution of a firm. 5

(c) Does the rule in 'Garner vs. Murray' apply to a firm constituted under the Indian Partnership Act? Explain. 5

Or

A & Co. having *A* and *B* as equal partners decided to amalgamate with *C* & Co. having *C* and *D* as equal partners on the following terms and conditions :

(i) The new firm *AC* & Co. to pay ₹ 1,20,000 to each firm for Goodwill

(ii) The new firm to takeover investments at 10% Depreciation, Land at ₹ 6,68,000, Building at ₹ 5,30,000, Machinery at ₹ 90,000 and only the trade liabilities of both the firms. The Debtors being taken over at the given value

(iii) Typewriters (fully written-off in the books of *C* & Co.) worth ₹ 8,000 was also not taken over by the new firm

(iv) Bills Payables pertains to trade transactions only

(v) All the four partners in the new firm to bring in ₹ 16,00,000 as Capital in equal share

The following were the Balance Sheets of both the firms on the date of amalgamation :

	Amount (₹)			Amount (₹)	
Liabilities	*A & Co.*	*C & Co.*	*Assets*	*A & Co.*	*C & Co.*
Trade Creditors	2,00,000	1,00,000	Cash in Hand	1,50,000	1,20,000
Bills Payables	50,000	—	Investments	1,00,000	80,000
Bank Overdraft	20,000	1,00,000	Debtors	1,00,000	40,000
A's Loan	60,000	—	Provision for Bad Debts	(10,000)	—
Capitals :			Furniture	1,20,000	60,000
A	3,50,000	—	Building	3,00,000	—
B	2,20,000	—	Land	—	5,00,000
C	—	3,60,000	Machinery	1,50,000	—
D	—	2,00,000	Goodwill Purchased	90,000	—
General Reserve	80,000	30,000			
Investment Fluctuation Fund	20,000	10,000			
	10,00,000	8,00,000		10,00,000	8,00,000

Pass the Journal Entries to close the books of *A* & Co. and *C* & Co. assuming that bank overdraft is discharged immediately. Also pass the Journal Entries in the books of *AC* & Co. and prepare the Balance Sheet post-amalgamation. 15

5. *(a)* Explain briefly the system of accounting that you would like to recommend in case of *(i)* dependent branch and *(ii)* independent branch. 10

(b) What is an account sale? How does it differ from an invoice? 5

Or

(a) *A* Ltd. sell consumer durables under instalment payment system. It is known that 20% of the total dues are paid on delivery and the balance in eight equal quarterly instalments commencing from the last day of the quarter in which the goods have been delivered. Also given that 15% of the total dues are attributed towards interest for which credit to revenue is taken as *(i)* in the year of sales—30%, *(ii)* next year—50% and *(iii)* the year after next year—20%. Total dues for goods sold and delivered during the last three years had been—2018–19 (₹) 80,00,000; 2019–20 (₹) 1,00,00,000; and 2020–21 (₹) 1,20,00,000. On April 1, 2020, Instalment Debtors Account and Interest Suspense Account showed balances of ₹ 67,00,000 (Dr.) and ₹ 12,90,000 (Cr.) respectively. The deliveries have been made evenly

throughout the year and all the instalments had been collected on due date. Prepare Instalment Debtors Account and Interest Suspense Account as they would appear for 2020–21. 10

(b) What entries are to be made in the books of hire-vendor and hire-purchaser in case of repossession? 5

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