

Odd Semester, 2020

(Held in March, 2021)

COMMERCE

(Honours)

(BC-103)

(Financial Accounting)

(Under Revised Syllabus)

*Marks : 75**Time : 3 hours**The figures in the margin indicate full marks
for the questions*

1. (a) "Accounting standards aim to protect users of financial reports by providing reliable and comparable financial statements." Do you agree with this statement? Give reasons. 5
- (b) Explain the following : 2×3=6
- (i) Money measurement concept
- (ii) Realisation concept
- (iii) Objective evidence concept

- (c) Distinguish between cash basis and accrual basis of accounting. 4

Or

From the following Trial Balance of Mr. Roshan and additional information, prepare Trading and Profit and Loss Account for the year ended 31st December, 2020 and a Balance Sheet as on that date : 4+6+5=15

	Dr. (₹)	Cr. (₹)
Capital		1,00,000
Furniture	20,000	
Purchases	1,50,000	
Debtors	2,00,000	
Interest earned		4,000
Salaries	30,000	
Sales		3,21,000
Purchase returns		5,000
Wages	20,000	
Rent	15,000	
Sales return	10,000	
Bad debt written off	7,000	
Creditors		1,20,000
Drawings	24,000	
Provision for bad debts		6,000
Printing and stationery	8,000	
Insurance	12,000	
Opening stock	50,000	
Office expenses	12,000	
Provision for depreciation		2,000
	<u>5,58,000</u>	<u>5,58,000</u>

Additional information :

- (i) Depreciation on furniture by 10% on original cost
- (ii) A provision for doubtful debts is to be maintained at 5% on sundry debtors
- (iii) Salaries for the month of December, 2020 amounting to ₹ 3,000 were unpaid which must be provided for. However, salaries included ₹ 2,000 paid in advance
- (iv) Insurance amounting to ₹ 2,000 is prepaid
- (v) Provide for outstanding office expenses ₹ 8,000
- (vi) Stock used for private purpose ₹ 6,000
- (vii) Closing stock-in-trade ₹ 60,000

2. (a) Briefly explain the defects of Single-Entry System of Accounting. 3
- (b) From the following Receipts and Payments Account of Pine Club, prepare Income and Expenditure Account for the year ended 31.12.2020 and its Balance Sheet as on that date : 12

<i>Receipts</i>	₹	<i>Payments</i>	₹
Cash in hand	4,000	Salary	2,000
Cash at bank	10,000	Repair expenses	500
Donations	5,000	Purchase of furniture	6,000
Subscriptions	12,000	Miscellaneous	
Entrance fees	1,000	expenses	500
Interest on investments	100	Purchase of investments	6,000

<i>Receipts</i>	₹	<i>Payments</i>	₹
Interest received from bank	400	Insurance premium	200
Sale of old newspapers	150	Billiard table	8,000
Sale of drama tickets	1,050	Paper, ink, etc.	150
		Drama expenses	500
		Cash in hand (closing)	2,650
		Cash at bank (closing)	7,200
	<u>33,700</u>		<u>33,700</u>

Information :

- (i) Subscription in arrear for 2020 is ₹ 900 and subscription in advance for 2021 is ₹ 350
- (ii) Insurance premium prepaid ₹ 40
- (iii) Miscellaneous expenses outstanding ₹ 90
- (iv) 50% of donation is to be capitalised
- (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 was paid for it in that year

Or

- (a) Distinguish between Income and Expenditure Account and Receipts and Payments Account. 5

(5)

- (b) From the following particulars, ascertain the amount of credit sales and credit purchases for the year ended 31st December, 2020 : 10

	₹
Total creditors : 1.1.2020	4,00,000
Total debtors : 1.1.2020	7,00,000
Cash received from customers	14,50,000
Received for bills receivable	80,000
Paid to sundry creditors	5,60,000
Bills payable met	1,20,000
Discount allowed to customers	20,000
Discount earned	10,000
Sales returns	60,000
Purchase returns	80,000
Bad debts	30,000
Total creditors : 31.12.2020	9,20,000
Total debtors : 31.12.2020	8,80,000
Bills receivable : 1.1.2020	60,000
Bills payable : 1.1.2020	1,40,000
Bills receivable : 31.12.2020	1,80,000
Bills payable : 31.12.2020	1,00,000

3. (a) Write a note on the main features of Limited Liability Partnership (LLP). 5
- (b) List out the contents of a partnership deed. 5
- (c) Is registration of a partnership firm mandatory? What are the consequences of non-registration? 5

(6)

Or

X and Y are partners sharing profits and losses in proportion to their capital. Their Balance Sheet as on 31st December, 2020 is given below :

Liabilities	₹	Assets	₹
Creditors	9,000	Freehold Premises	10,000
Bills Payable	6,000	Plant	3,500
Reserve	2,100	Furniture	1,750
Capital A/cs :		Office Equipment	550
X	20,000	Stock	14,100
Y	15,000	Bills Receivables	3,060
		Debtors	17,500
		Bank	1,590
		Cash	50
	<u>52,100</u>		<u>52,100</u>

On 1.1.2021, they admit Z on the following terms :

- (i) Z is to bring in ₹ 10,000 as his capital and to pay ₹ 3,500 for goodwill and he will get $\frac{1}{4}$ th share of profit
- (ii) Provision for bad debts is to be made on debtors at 2%
- (iii) Stock is to be written down by 5%
- (iv) Freehold premises is to be revalued at ₹ 11,400; plant at ₹ 2,800; furniture ₹ 1,540 and office equipment ₹ 495

- (v) Partners agreed that the values of the assets and liabilities are remaining the same and as such, there should be no change in their book value as a result of the above-mentioned adjustments. You are required to make necessary adjustments in the Capital Accounts of the partners and show the Balance Sheet of the new firm.

15

4. A, B and C are partners in a firm sharing profits and losses in the ratio of 3:2:1 respectively. Their Balance Sheet as at 31.12.2020 was as follows :

Liabilities	₹	Assets	₹
Sundry Creditors	1,50,000	Cash	40,000
General Reserve	1,20,000	Bills Receivable	90,000
Partners' Capital		Sundry Debtors	1,80,000
Accounts :		Stock	1,20,000
A	2,10,000	Fixed Assets	2,60,000
B	1,40,000		
C	70,000		
	<u>6,90,000</u>		<u>6,90,000</u>

From 1.1.2021, they agreed to change their profit-sharing ratio as 4:6:5. It is also decided that—

- the fixed assets be valued at ₹ 3,21,000;
- the stock be reduced to ₹ 1,10,000;
- sundry debtors be reduced by ₹ 9,000;
- the goodwill of the firm at this date be valued at three years' purchase of the average net profits of the last five years before charging insurance premium.

There is a joint life insurance policy for ₹ 2,00,000 for which an annual premium of ₹ 10,000 is paid, the premium being charged to Profit and Loss Account. The surrender value of the policy on 31.12.2020 was ₹ 81,000. The net profits of the firm for the last five years were as follows :

₹ 16,000, ₹ 20,000, ₹ 25,000,
₹ 23,000 and ₹ 26,000

Goodwill and surrender value of the joint life policy are not to appear in the books.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet after giving effect to the above adjustments. 4+6+5=15

Or

X, Y and Z sharing profits in the ratio of 3:1:1 decided to dissolve their firm. On 31.12.2020, their position was as follows :

Liabilities	₹	Assets	₹
Creditors	6,000	Cash at Bank	3,500
Loan	1,500	Debtors	24,200
Capital :		Less :	
X	27,500	Reserve for	
Y	11,000	Doubtful Debts	<u>1,200</u>
Z	10,000	Stock	8,300
		Furniture	1,200
		Sundry Assets	20,000
	<u>56,000</u>		<u>56,000</u>

It is agreed that—

- (i) X is to take over all the furniture at ₹ 1,000 and debtors amounting to ₹ 20,200 at ₹ 18,000. X also agrees to pay the creditors;
- (ii) Y is to take stock at book value and some of the sundry assets at ₹ 7,200 (being book value less 10%);
- (iii) Z is to take over the remaining sundry assets at 90% of the book value and assume responsibility for the discharge of the loan;
- (iv) the remaining debtors were taken over by a debt-collecting agency at 80% of book value;
- (v) the expenses of dissolution amounted to ₹ 200.

Prepare Realisation Account, Bank Account and Capital Accounts of the partners.

6+3+6=15

5. (a) Distinguish between joint venture and consignment. 5
- (b) A and B are co-venturers in a joint venture sharing profits and losses in the proportion of 4/5 and 1/5 respectively. A supplies goods to the value of ₹ 50,000 and incurs expenses amounting to ₹ 5,400. B supplies goods to the value of ₹ 14,000 and his expenses amount to ₹ 800. B sells

goods on behalf of the joint venture and realises ₹ 92,000. B is entitled to a commission of 5% on sales. B settles his account by bank draft.

Give Journal entries to record the above transactions in the books of A. 10

Or

- (a) Distinguish between Hire Purchase and Instalment Purchase. 5
- (b) From the following particulars, prepare Branch Account showing the profit or loss of the branch for the year ended 31.12.2020 : 10

₹

Opening stock at the branch	30,000
Goods sent to branch	90,000
Cash sales	1,20,000
Expenses met by head office :	

Salaries	10,000
Other expenses	4,000

Closing stock could not be ascertained, but it is known that the branch usually sells at cost plus 20%. The branch manager is entitled to a commission of 5% on the profit of the branch before charging such commission.

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