

1/H-76 (iii) (Syllabus-2015)

2 0 1 7

(October)

COMMERCE

(Honours)

(**Financial Accounting**)

(BC-103)

Marks : 75

Time : 3 hours

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

1. (a) Give the meaning of accounting policies. Why is it necessary to disclose important accounting policies adopted by an enterprise? 5
- (b) Distinguish between cash basis and accrual basis of accounting. 5
- (c) What are closing entries? Why are they needed? Do we need a closing entry for carrying any account to a Balance Sheet? 2+2+1=5

(2)

Or

From the following balances and information extracted from the books of Ms. Meena on 31.03.2017, you are required to prepare the Trading and Profit & Loss Account for the year ended 31.03.2017 and a Balance Sheet as on that date :

4+5+6=15

	Dr. (₹)	Cr. (₹)
Ms. Meena's Capital Account		1,20,000
Plant and Machinery	36,000	
Depreciation on Plant	4,000	
Repairs	3,200	
Wages	56,000	
Salaries	8,000	
Income Tax	1,000	
Cash in Hand	4,000	
Land	49,000	
Depreciation on Building	5,000	
Purchases less Returns	2,47,000	
Sales		4,98,000
Bank Overdraft		27,600
Accrued Income	3,000	
Salaries Outstanding		4,000
Bills Receivable	62,000	
Bills Payable		6,000
Provision for Doubtful Debts		12,000
Bad Debts	2,000	
Discount		8,000
Sundry Debtors	68,000	
Sundry Creditors		46,600
Stock on Hand on 01.04.2016	74,000	
Buildings	1,00,000	
	<u>7,22,200</u>	<u>7,22,200</u>

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(Continued)

(3)

Additional Information :

- (i) Stock in hand on 31.03.2017 was ₹ 70,000
 - (ii) Write-off ₹ 6,000 as bad debts and maintain a provision for bad debts at 5% on sundry debtors
 - (iii) Bills receivables include a dishonoured bill of ₹ 2,000
 - (iv) Outstanding expenses were wages ₹ 2,500 and salaries ₹ 1,000 respectively
 - (v) General Manager is to be given commission at 10% after charging the commission of Works Manager and his own on net profit
 - (vi) Works Manager is to be given commission of ₹ 5,000
2. (a) How do you prepare an Income and Expenditure Account from a Receipts and Payments Account? Explain. 5
- (b) From the following particulars, ascertain the amount of credit sales and credit purchases for the year ended 31st March, 2017 : 5+5=10

	₹
Total creditors on 01.04.2016	4,00,000
Total debtors on 01.04.2016	7,00,000
Cash received from customers	14,50,000
Received for bill receivables	80,000

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(4)

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 on 31.03.2017	9,20,000
Total debtors on 31.03.2017	8,80,000
Bills receivable on 01.04.2016	60,000
Bills payable on 01.04.2016	1,40,000
Bills receivable on 31.03.2017	1,80,000
Bills payable on 31.03.2017	1,00,000

Or

The Income and Expenditure Account of Tura Sports Club for the year ended 31.12.2016 is as follows :

Dr.	Expenditure	₹	Income	₹
	To Salaries	2,40,000	By Subscription	3,40,000
	" Printing and Stationery	12,000	" Entrance Fees	8,000
	" Postage	1,000	" Contribution for Dinner	72,000
	" Telephone	3,000		
	" General Expenses	24,000		
	" Interest and Bank Charges	11,000		
	" Audit Fees	5,000		
	" Annual Dinner Expenses	50,000		
	" Depreciation	14,000		
	" Surplus	60,000		
		<u>4,20,000</u>		

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(Continued)

(5)

The account has been prepared after the following adjustments :

Subscription outstanding on 31.12.2015	₹ 32,000
Subscription outstanding on 31.12.2016	36,000
Subscription received in advance on 31.12.2015	26,000
Subscription received in advance on 31.12.2016	16,800
Salaries outstanding on 31.12.2015	12,000
Salaries outstanding on 31.12.2016	16,000
Audit fees for 2015 paid during 2016	4,000
The club owned a building since 2015	3,80,000
The club had sports equipments on 31.12.2015 valued at	1,04,000
At the end of the year, after depreciation of ₹ 14,000, sports equipment amounted to	1,26,000
In 2015, the club had raised a bank loan which is still unpaid	60,000
Cash in hand on 31.12.2016	57,000
Audit fees for 2016 not paid	5,000

Prepare the Receipts and Payments Account of the club for the year 2016 and a Balance Sheet as on 31.12.2016. All workings should form part of your answer. 7+5+3=15

3. (a) What is a Memorandum Revaluation Account? Distinguish between Revaluation Account and Memorandum Revaluation Account. 2+3=5

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(6)

(b) A, B and C are partners sharing profits in ratio of 2:2:1. They took out a Joint Life Policy in 2013 for ₹ 65,000. On 1st February, 2017 C died. The surrender value of the policy appearing in the books on that date was ₹ 15,000. The books closes on 31st December every year.

Pass the necessary Journal Entries to close Joint Life Policy Account. 5

(c) State the treatment of goodwill in case of change in the profit sharing ratio of partners. 5

Or

Lyngdoh, Sangma and Laloo undertook to built a four-storied building for National Housing Trusts Ltd. The contract price is agreed at ₹ 25,00,000 to be paid in cash ₹ 22,00,000 by four equal instalments and the balance amount in 13% debentures of the company. They agreed to share equally the profits and losses. They opened a joint bank account with the cash contributed as stated below :

	₹
Lyngdoh	3,00,000
Sangma	3,75,000
Laloo	2,00,000

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(7)

Lyngdoh arranges the preparation of the building plan etc., and pays ₹ 32,000 as architect's fees; Sangma brings a concrete mixer and other implements valued at ₹ 80,000 and Laloo brings a motor lorry valued at ₹ 75,000.

They paid out of joint bank account for the following :

	₹
Materials	12,26,800
Wages	7,32,200
Sundry expenses	20,000
Plant	60,000

On completion of the venture, the concrete mixer is sold for ₹ 60,000 and plant and other implements are sold as scrap for ₹ 10,000. Laloo takes back motor lorry at ₹ 40,000. Lyngdoh took over the debentures at a valuation of ₹ 2,80,000.

Show the necessary Ledger Accounts for the joint venture. 4+5+6=15

4. (a) Explain the provisions of Section 48 of the Indian Partnership Act dealing with the settlement of accounts at the time of dissolution of a firm. 7

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(b) Explain the Garner versus Murray rule. In what situations would it apply? Does it apply to firms constituted under the Indian Partnership Act? 4

(c) Write a short note on piece-meal distribution at the time of dissolution of a firm. 4

Or

Anu, Nimmi and Sonu sharing profits in the ratio of 4 : 3 : 2 decided to dissolve their firm on 31st March, 2017 on which date their Balance Sheet was as under :

<i>Liabilities</i>	₹	<i>Assets</i>	₹
Capitals :		Fixed Assets	1,00,000
Anu	82,000	Joint Life Policy	
Nimmi	60,000	(at surrender value)	20,000
Reserve Fund	18,000	Debtors	20,000
Joint Life		Less : Provision	
Policy Reserve	20,000	for Doubtful	
Creditors	38,000	Debts	<u>1,000</u>
Less : Reserve		Stock at	
for Discount	<u>1,000</u>	Invoice Price	20,000
Salary Payable	4,000	Less : Provision	
Investment		for Load	<u>4,000</u>
Fluctuation Fund	1,000	Investments	
		(face value ₹ 20,000)	16,000
		Capital Account—Sonu	4,000
		Bank	47,000
	<u>2,22,000</u>		<u>2,22,000</u>

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Investments were taken over by Anu at cost price. Creditors of ₹ 20,000 were taken over by Nimmi at ₹ 19,000. Remaining creditors were paid ₹ 15,000. Joint Life Policy was surrendered. Fixed assets realized ₹ 1,38,000 while stock and debtors fetched ₹ 30,000. One customer (not included in debtors above) whose account was written off as bad now paid ₹ 2,000. There was one unrecorded asset of ₹ 6,000, half of which was handed over to settle half of the unrecorded liability of ₹ 14,000 and the balance of the unrecorded liability was paid in cash. The remaining half of the unrecorded asset was sold in the market for ₹ 2,000.

Prepare necessary accounts to close the books of the firm. 6+6+3=15

5. (a) Distinguish between hire-purchase and instalment purchase. 5
- (b) Write a note on valuation of unsold stock in consignment. 3
- (c) From the following particulars, prepare Branch Account showing the profit or loss of the branch for the year ended 31.12.2016 : 5+2=7

	₹
Opening stock at the branch	30,000
Goods sent to branch	90,000

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(10)

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.

Or

- (a) State the objectives of keeping branch accounts. 5
- (b) John of Shillong consigned to Peter of Jowai goods to be sold at invoice price which represents 125% of cost. Peter is entitled to a commission of 10% on sales at invoice price and 25% of any excess realized over invoice price. The expenses on freight and insurance incurred by John were ₹ 10,000. The account sales received by John shows that Peter effected sales aggregating to ₹ 1,00,000 in respect of 75% of the consignment. His selling expenses to be reimbursed were ₹ 8,000. 10% of the

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(11)

consignment goods of the value of ₹ 12,500 were destroyed in fire at the Jowai godown and the Insurance Company paid ₹ 12,000 net of salvage. Peter remitted the balance in favour of Rahim.

Prepare Consignment Account and the Account of Peter in the books of John along with necessary workings.

6+2+2=10

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