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Bachelor of Commerce 1st Semester

(1129)

PRINCIPLES OF FINANCIAL ACCOUNTING

Paper—BCM-105

Time Allowed : Three Hours]

[Maximum Marks : 80

Note :— The students are required to attempt *four* questions from Section-A of short answer type, *two* questions from Section-B and Section-C each of essay type. Marks are indicated against each question.

SECTION—A

I. Explain the following in brief :

- (i) Differentiate between proforma invoice and account sales. 5
- (ii) What are the objectives of IFRS ? 5
- (iii) Kabir took a lease of coal mine @ Rs. 16 per ton of coal extracted subject to a minimum rent of Rs. 70,000 p.a. with a right to recoup short workings over the first three years of the lease. From the following information, prepare analytical table to show amount payable to the landlord :

Year	1	2	3	4	5
Output (tons)	2500	3500	5500	5000	8600

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- (iv) The Huge Bazaar Departmental Stores has 3 departments D, E and F. The following information relates to the 3 departments for the year ended March 31, 2016. Calculate the departmental net profits :

Particulars	Departments		
	D	E	F
Opening Stock	78,000	91,000	39,000
Purchases	91,000	97,500	61,100
Sales	1,56,000	1,30,000	78,000
Direct Expenses	26,260	18,850	9,230
Closing Stock	1,01,660	1,16,350	46,930

The total indirect expenses of the organisation for the above period was Rs. 18,200. The indirect expenses vary with sales. 5

- (v) From the following balances on 31-12-2018, prepare provisions for bad debts account :

Sundry debtors : Rs. 20,600

Bad debts : Rs. 2,000

Provision for

bad debts A/c : Rs. 1,500

Additional bad debts : Rs. 600

New provision required @ 5%. 5

(vi) Draft journal entries for the following transactions for independent branch in the books of H.O. :

- (a) Cash collected by Branch Rs. 5,000 on behalf of Head Office.
- (b) Machine purchased for Branch by Head Office Rs. 15,000.
- (c) Depreciation on Branch assets Rs. 2,000.
- (d) Head Office expenses charged to branch Rs. 3,000.
- (e) Branch paid Head Office creditors Rs. 8,000. 5

SECTION—B

- II. What do you mean by basic accounting concepts and conventions ? Discuss in brief the important concepts and conventions of accounting. 15
- III. What is the meaning of departmental accounts ? Give suitable basis for the distribution of indirect expenses in departmental accounts. 15
- IV. The following is the Trial Balance of Mr. Rajeev Grewal on 31st March, 2019 :

Particulars	Dr.	Cr.
Cash in Hand	10,800	—
Cash at Bank	52,600	—
Purchases	8,13,500	—
Sales Account	—	19,75,600
Returns Inward	13,600	—
Returns Outward	—	10,000

Particulars	Dr.	Cr.
Wages	2,09,600	—
Fuel and Power	94,600	—
Carriage on Sales	64,000	—
Carriage on Purchases	40,800	—
Stock (1-4-2018)	1,15,200	—
Building	6,00,000	—
Freehold Land	2,00,000	—
Machinery	4,00,000	—
Salaries	3,00,000	—
Patents	1,50,000	—
General Expenses	60,000	—
Insurance	12,000	—
Capital	—	14,20,000
Drawings	1,04,900	—
Sundry Debtors	2,90,000	—
Sundry Creditors	—	1,26,000
	35,31,600	35,31,600

Taking into account the following adjustments, prepare Trading and Profit & Loss A/c and the Balance Sheet :

- (i) Stock on hand on 31st March, 2004 is Rs. 1,36,000.
- (ii) Machinery is to be depreciated @ 10% and patents @ 20%.
- (iii) Salary for the month of March, 2004 amount to Rs. 30,000 were unpaid.
- (iv) Insurance includes a premium of Rs. 1,700 due in next year.
- (v) Wages include a sum of Rs. 40,000 spent on the erection of cycle shed for employees and customers.
- (vi) A provision for bad debts is to be created to the extent of 5% on sundry debtors.

1. Mayur Stores Ltd. with their Head Office in Delhi, invoiced goods to its branch at Noida at 20% less than the list price which is cost plus 100% with instructions that cash sales were to be made at invoice price and credit sales at list price. From the following particulars, prepare Branch Stock Account, Branch Debtors Account, Branch Expenses Account, Branch Adjustment Account and Branch Profit & Loss Account for the year ended 31st December, 2018 :

	Rs.		Rs.
Branch Stock on 1-1-2018		Loss of Goods by Fire	
at Cost of Branch	40,000	at Invoice Price	2,400
Branch Debtors on		Transfer of Goods to	
1-1-2018	30,000	Faridabad Branch at I.P.	6,000
Goods Received from H.O.		Pilferage at I.P. (Normal)	1,000
at Invoice Price	3,60,000	Remittance to Head Office	3,30,000
Cash Sales	90,000	Insurance Claim Admitted	
Credit Sales	3,00,000	against Loss by Fire	1,200
Cash Received from Debtors	2,40,000	Debtors on 31-12-2018	88,000
Goods in Transit	40,000	Stock on 31-12-2018 at	
Branch Expenses	40,000	Invoice Price	60,000
Bad Debts	2,000		

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- (iv) The Huge Bazaar Departmental Stores has 3 departments D, E and F. The following information relates to the 3 departments for the year ended March 31, 2016. Calculate the departmental net profits :

Particulars	Departments		
	D	E	F
Opening Stock	78,000	91,000	39,000
Purchases	91,000	97,500	61,100
Sales	1,56,000	1,30,000	78,000
Direct Expenses	26,260	18,850	9,230
Closing Stock	1,01,660	1,16,350	46,930

The total indirect expenses of the organisation for the above period was Rs. 18,200. The indirect expenses vary with sales. 5

- (v) From the following balances on 31-12-2018, prepare provisions for bad debts account :

Sundry debtors : Rs. 20,600

Bad debts : Rs. 2,000

Provision for

bad debts A/c : Rs. 1,500

Additional bad debts : Rs. 600

New provision required @ 5%. 5

SECTION—C

- VI. Pass journal entries in the books of lessee when :
 (a) Minimum rent account is to be opened
 (b) Minimum rent account is not to be opened. 15
- VII. What is joint venture ? How it differ from consignment ?
 Explain memorandum joint venture method in detail. 15
- VIII. A, B and C are in partnership sharing Profit and Losses equally.
 On 31st March, 2004 their Balance Sheet was as follows :

	Rs.		Rs.
Creditors	13,000	Cash	1,500
B's Loan	2,500	Debtors	12,500
Bills Payable	500	Stock	29,000
Reserve Fund	3,000	Furniture	1,000
A's Current A/c	1,500	Machinery	5,000
B's Current A/c	1,500	C's Current A/c	3,000
Capitals : Rs.		Goodwill	10,000
A 20,000			
B 10,000			
C 10,000	40,000		
Rs.	62,000	Rs.	62,000

On the date they dissolved their partnership the following arrangements were made among the partners :

- (i) A agrees to pay creditors.
- (ii) B takes over the stock at an agreed valuation of Rs. 25,000.
- (iii) C takes over goodwill at Rs. 15,000.
- (iv) Bills payable were cleared off, Rs. 10 being allowed for discount.
- (v) The remaining assets were auctioned and realised Rs. 15,000. Expenses of realisation amounted to Rs. 120.
- (vi) B's loan was also paid off.

Show the Realisation Account, B's Loan Account, Bank Account, Current Accounts and the Partners' Capital Accounts.

IX. Oswall Mills Ludhiana consigned 5,000 kg of Vanaspati Ghee to Rajendra Bros. of Delhi. Each kg Ghee cost Rs. 8. Oswall Mills paid Rs. 50 for carriage, Rs. 250 for freight and Rs. 200 for insurance in transit. During transit 500 kgs were accidentally destroyed for which the insurance company paid directly to the consignors Rs. 2,500 in settlement of the claim.

After 3 months from the date of consignment of the goods to Delhi, Rajendra Bros. reported that 1,500 kg of Ghee was sold at Rs. 9.50 per kg. Expenses being on godown rent Rs. 500 and on salesman's salary Rs. 750. Rajendra Bros. are entitled to commission of 5 per cent on sales. They also reported a loss of 20 kg due to leakage.

Prepare the consignment account and consignee's account in the books of consignor.

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