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**Bachelor of Commerce 1st Semester
Examination**

1127

**PRINCIPLES OF FINANCIAL ACCOUNTING
Paper : BCM-105**

Time : 3 Hours]

[Max. Marks : 80

Note :- Attempt *four* questions form Section-A of short answer type, *two* questions each from Section-B and Section-C each of essay type. Marks are indicated against each question.

Section-A

5 each

1. Explain the following in brief :

(i) Briefly enumerated the provisions of AS-06.

NA-102

(1)

Turn Over

- (ii) Following balances have been taken from the books of Miss. Ankita as on 31st March, 2016 :

| | Amt. (in Rs.) | |
|------------------|---------------|--------|
| | Dr. | Cr. |
| Sundry Debtors | 80,000 | — |
| Sundry Creditors | — | 65,000 |

Adjustment :

Above balances include Rs. 10,000 due from Shruti and Rs. 5,000 due to Shruti for raw materials purchased. Give adjusting entry and show its treatment in Final Accounts.

- (iii) Differentiate between proforma Invoice and Account Sales.

(iv) Following are the particulars of Shimla Branch.

Its Head Office is in Chandigarh. Prepare Shimla

Branch Account in the head office books :

| Amt. (in Rs.) | |
|--------------------------------|--------------------|
| Stock as on 01.04.2015 | 32,000 |
| Goods supplied to Branch | 1,00,000 |
| Expenses paid by Head Office : | |
| Insurance upto 31st July, 2016 | 2,400 |
| Rent paid from 01.04.2015 to | |
| 30.06.2016 | 1,500 |
| Wages from 01.04.2015 to | |
| 31.07.2016 | <u>4,800</u> 8,700 |
| Cash remitted to Head Office | 1,30,000 |
| Stock as on 31.03.2016 | 10,000 |

- (v) Soni informed the following particulars of his transactions relating to the goods consigned for the year ended 31.03.2016 :

| Amt. (in Rs.) | |
|-----------------------------|----------------------|
| Goods sent (10000 kg.) | 2,00,000 |
| Soni's Expenses | 20,000 |
| Rani's Expenses : | |
| Freight and Insurance | 2,000 |
| Selling Expenses | <u>10,000</u> 12,000 |
| Goods sold (8000 kg.) | 2,24,000 |
| Loss due to natural wastage | |
| (100 kg.) commission @ 5% | |
| on gross sales. | |

You are required to prepare 'Consignment Account' and show the detailed calculation of unsold goods in the books of Soni.

(vi) Ajay and Vijay were partners, sharing profits and losses in the ratio of 2 : 1. On 1st April, 2016 they dissolved partnership. Their books at that date show the following :

| Amt. (in Rs.) | | Amt. (in Rs.) | |
|------------------|--------|------------------|--------|
| Book Debts | 70,000 | Bank overdraft | 3,120 |
| Stock | 34,000 | Sundry creditors | 24,440 |
| Investments | 18,000 | Capital : | |
| Goodwill | 40,000 | Ajay | 92,220 |
| Furniture | 8,800 | Vijay | 52,220 |
| Cash in Hand | 1,200 | | |

The Stock realised 75% of its book value and book debts Rs. 55,600. Furniture was sold for Rs. 10,000. Goodwill provide unrealisable. Investments were taken over by Ajay for Rs. 24,000. Prepare "Realisation Account".

Section-B

2. Explain the distinguishing features between Departmental Accounts and Branch Accounts and the advantages of Departmental Accounts. $7\frac{1}{2}, 7\frac{1}{2}=15$
3. What do you mean by "Generally Accepting Accounting Principles" ? Briefly state the various concepts and conventions of accounting with suitable examples. $3, 12=15$

4. On 31st March, 2016 the following Trail Balance

was extracted from the books of Mr. R. Dogra :

| Dr. Balances | Amt. (in Rs.) | Cr. Balance | Amt. (in Rs.) |
|--------------------|------------------|-------------|------------------|
| Drawings | 18,000 | Capital | 80,000 |
| Purchases | 82,600 | Sales | 1,55,000 |
| Stock (01.04.2015) | 42,000 | Return | |
| | | Outward | 1,600 |
| Carriage Inward | 1,200 | 8% Bank | |
| Wages | 4,000 | Loan | 25,000 |
| Power | 6,000 | Creditors | 18,900 |
| Machinery | 50,000 | | |

| | | |
|--------------|-----------------|-----------------|
| Furniture | 14,000 | |
| Rent | 22,000 | |
| Salary | 15,000 | |
| Insurance | 3,600 | |
| Debtors | 20,600 | |
| Cash in hand | 1,500 | |
| | 2,80,500 | 2,80,500 |

Adjustments :

- (i) Closing stock Rs. 64,000.
- (ii) Wages outstanding Rs. 2,400.
- (iii) Bad debts Rs. 600 and make provision for bad and doubtful debts to be 5%.

(iv) Rent is paid for 11 months.

(v) Loan from Bank was taken on 1st October,
2015.

(vi) Provide depreciation on Machinery @ 10% and
on Furniture @ 5%.

(vii) Goods of Rs. 2,000 were received on 29th
March, 2016 but purchase invoice was omitted
to be recorded in purchase book.

Required :

Prepare Trading and Profit and Loss Account for the
year ended 31st March, 2016 and Balance Sheet as

on that date.

3,7,5=15

5. Patial Ltd., invoiced goods at its branch at Dharmshala at cost plus $33\frac{1}{3}\%$. From the following particulars, prepare Branch Stock Account, Branch Adjustment Account and Branch Profit and Loss Account as they could appear in the books of Head Office :

| | Amt. |
|---|-----------|
| | (in Rs.) |
| Stock at the beginning at Branch at I.P. | 1,50,000 |
| Stock at the end at Branch at I.P. | 1,20,000 |
| Goods sent to Branch during the year | 10,00,000 |
| at I.P. (including goods invoiced at Rs. 20,000 to branch on 30th March, 2016, but not received by branch before the close of the year) | |

Returns of goods to H.O. at Invoice Price 50,000

Cash sales at Branch 9,00,000

Credit sales at Branch 50,000

Invoice price of goods Pilferaged 10,000

Normal loss at branch due to deterioration

of stock at Invoice Price 15,000

6,6,3=15

Section-C

6. What is Joint Venture ? How does it differ from

consignment ? 5,10=15

7. Explain Garner Vs. Murray Rule. Does this rule

apply to India ? 10,5=15

8. On 1st January, 2013, ITC Ltd., of Bhopal consigned 10,000 kgs. of sunflower oil, Costing Rs. 40 per kg to Ramesh and company of Pune. ITC Ltd., paid Rs. 40,000 as freight and insurance 200 kg of oil were lost on 15.01.2013 in transit. The insurance claim was settled for Rs. 7,500 and was paid to the consignor directly. Ramesh & Co. took delivery of the consignment on 29th January, 2013, and accepted a bill drawn upon them by ITC Ltd., for Rs. 2,00,000 for 2 months. On 31st March, 2013 an Account sales was received from Ramesh & Co., containing the information given ahead :

- (i) 8000 kg were sold @ Rs. 55 per kg
- (ii) Unloading charges Rs. 9,500
- (iii) Godown rent Rs. 1,250
- (iv) Printing and advertisement Rs. 10,000 and
- (v) 200 kg were lost due to leakage which is considered as normal.

Ramesh & Co. is entitled to commission @ 5% on sales. They paid the amount due in respect of the consignment on 31st March, itself.

You are required to show :

- (i) Consignment to Pune Account
- (ii) Ramesh & Co. Account, and

(iii) Loss in transit Account in the books of ITC

Ltd.

7,5,3=15

9. Pawan took a lease of mines form Naresh w.e.f.

1st January, 1998 for 25 years. The terms provided for the royalty payment @ Rs. 6 per ton raised, subject to a Minimum Rent of Rs. 1,20,000 p.a. with a right to recoup short workings within next 3 years. It was also agreed that the minimum rent should be reduced proportionately in case of strikes or lock-outs in any year. The following are the details of output in tons :

2005 - 23,000;

2006 - 18,700;

2007 – 15,400 (Strike for 3 months);

2008 – 19,000;

2009 – 20,600;

2010 – 22,600.

The balance is short working Account as on 1st January, 2005 was Rs. 49,000, of which Rs. 22,000 arose in 2002 and the balance in 2003.

You are required to show the Royalties Account;

Short workings Account and Naresh's Account in

the books of Pawan for all the above 6 years. $3,6,6=15$