

PRINCIPLES OF FINANCIAL ACCOUNTING

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

[1] Explain the following in brief :

- (i) What is dual aspect concept of accounting ? 5
- (ii) Give a suitable basis for distribution of indirect expenses in departmental accounts. 5
- (iii) Distinguish between Royalty and Rent. 5
- (iv) D of Delhi sends, 1000 kg. of oil at Rs. 130 per kg. to S of Chandigarh. The consignor spent Rs. 7,500 on Cartage, Insurance and Freight. On the way, due to leakage 50 kgs. of oil was spoiled (Normal loss). Mr. S took delivery of the consignment and spent Rs. 5,000 on octroi and cartage. His selling expenses were Rs. 4,000 on 800 kgs. of oil sold. Determine the value of stock. 5
- Ans. [Rs. 22,500]**

(v) On dissolution of a firm, its Balance Sheet revealed Capital Rs. 5,00,000; General Reserve Rs. 2,00,000; Creditors Rs. 1,00,000 and Cash balance Rs. 20,000. Assets were realised at 60%. What will be loss on realisation ? 5

Ans. [Rs. 3,12,000]

(vi) Make adjustment entries of the following :

- (a) Salary of a clerk of two months is outstanding @ of Rs. 2,000 per month. 2½
- (b) Insurance paid Rs. 1,000 in which Rs. 100 is for prepaid Insurance. 2½

**Ans. [(a) Salary A/c Dr and Salary Payable A/c Cr by Rs. 4,000;
(b) Insurance Prepaid A/c Dr and Insurance A/c Cr by Rs. 100]**

SECTION-B

[2] What is meant by accounting standards ? Name the accounting standards specified by the Institute of Chartered Accountants of India. 5,10

[3] Prepare Trading and Profit & Loss A/c for the year ended 31st March 2007 and a Balance Sheet as at that date from the following Trail Balance :

Dr. Balances	Rs.	Cr. Balances	Rs.
Stock on 1st April 2006	32,000	Sales Less Returns	2,20,000
Purchases Less Returns	76,000	General Reserve	7,800
Wages	15,400	Sundry Creditors	20,000
Carriage Inwards	2,600	Capital	60,000
Carriage outwards	1,500	Mortgage and	
Salaries	43,000	interest to date	10,600
Advertisements	9,000	Rent outstanding	1,000
Trade expenses	4,800		
Rent	12,000		
Establishment	5,400		
Stable expenses	2,100		
Mortgage interest	600		
Sundry debtors	40,000		
Cash in hand	2,500		
Machinery	72,500		
	319,400		319,400
	319,400		319,400

Adjustments :-

- (1) Closing stock was Rs. 41,000.
- (2) Goods costing Rs. 5,000 have been purchased and recorded in the books but the goods were not received till 31-3-2007.
- (3) Provision for doubtful debts be created on sundry debtors @ 5% and a provision for discount on sundry debtors and creditors at 2%.
- (4) A stationery bill for Rs. 200 remains unpaid and unrecorded.
- (5) Write off one third of advertisement expenses.
- (6) A B/R for Rs. 4,500 was discounted on 10th March, 2007 but is due in May. 5, 5, 5

Ans. [G.P. Rs. 1,40,000; N.P. Rs. 65,040; B/S Total Rs. 1,64,240]

[4] Kumar Textiles Ltd. with its Head Office at Delhi, invoiced goods to its branch at Amritsar 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 catalogue price (i.e. list price) :

	Rs.
Stock at invoice price on 1 st April, 2007	6,000
Debtors on 1 st April, 2007	5,000
Goods received from the Head Office at invoice price	66,000
Sales :	
Cash 23,000	
Credit <u>50,000</u>	73,000
Cash received from Debtors	46,000
Expenses at branch	8,500
Remittances to Head Office	60,000
Stock at invoice price on 31 st March, 2008	8,800

From the above particulars available from the Branch prepare Branch Stock A/c, Branch Adjustment Account, Branch Profit and Loss Account and Branch Debtors Account for the year ending 31st March, 2008. 4+4+4+3

Ans. [Surplus Rs. 10,000; Shortage Rs. 200; G.P. Rs. 33,625; N.P. Rs. 25,000; Closing Debtors Rs. 9,000]

[5] What is the meaning of Departmental Accounts ? Distinguish between Departmental Accounts and Branch Accounts. Also give any three advantages of preparing departmental accounts.

3+7+5

SECTION-C

[6] Following are the transactions entered for the venture by 'A' and 'B' :

	A	B
(1) Purchase of Goods	(Rs.) 10,000	—
(2) Expenses	(Rs.) 3,500	(Rs.) 2,500
(3) Sales	—	(Rs.) 20,000

The co-ventures share profit in the ratio of 3 : 1. Prepare the relevant accounts in the books of 'A' when separate books of accounts are not maintained and under memorandum method. 15

Ans. [Profit Rs. 4,000; Final amount paid to B Rs. 16,500]

[7] Write the difference between the following :

(a) Consignment and sale.

(b) Proforma invoice and Account sales.

(c) Normal loss and Abnormal loss.

5,5,5

[8] A, B and C are partners in a firm sharing profits and losses in

the ratio of $\frac{1}{2} : \frac{1}{3} : \frac{1}{6}$. At 31st March, 2007 their Balance Sheet was as follows :

	<u>Rs.</u>		<u>Rs.</u>
Sundry Creditors	24,500	Plant	50,000
Mrs. C's loan	20,000	Freehold property	1,12,000
Workmen Compensation Reserve	12,000	Patents	6,000
Capital Accounts :		Stock	40,000
A	1,00,000	Sundry Debtors	40,000
B	80,000	Less Provision (-)	<u>1,500</u>
C	<u>40,000</u>	Prepaid expenses	2,000
	2,20,000	Cash at Bank	28,000
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	2,76,500		2,76,500
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It was decided to dissolve the firm, A agreeing to take over the business (except cash at bank) at the following valuations :

Plant at a depreciation of 20%; freehold property at Rs. 1,50,000; Goodwill at Rs. 10,000; Patents at book value; Sundry debtors at Rs. 35,000 (Net); Half the stock at 30% more the its book value and remaining half at 50% less than the book value.

Mrs. C's loan was to be repaid and creditors were proved at Rs. 22,000 and were taken over by A. Expenses of dissolution came to Rs. 1,000. Close the books of the firm and prepare the Balance Sheet of A.

15

Ans. [Profit on Realisation Rs. 30,000; Final amount received from A Rs. 1,34,000; Final amount paid to— B: Rs. 94,000; C: Rs. 47,000; A's Balance Sheet Total Rs. 2,77,000]

[9] Pass journal entries in the books of lessee when:

(a) Minimum Rent Account is to be opened.

7½

(b) Minimum Rent Account is not to be opened.

7½