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Bachelor of Commerce 1st Semester

1128

PRINCIPLES OF FINANCIAL ACCOUNTING

Paper : BCM-105

Time Allowed : Three Hours]

[Maximum Marks : 80

Note :— Attempt any **FOUR** questions from Section-A and any **TWO** questions each from Section-B and Section-C.

SECTION—A (5 Marks each)

- I. X consigned 100 cycles costing Rs. 150 each to his agent Y. Expenses incurred in sending them were Rs. 1,000. On the way 5 cycles were damaged. Y took the delivery of rest and incurred direct expenses of Rs. 285 and indirect expenses of Rs. 150. You are required to calculate the abnormal loss and the value of closing stock at the end, if Y sells away 80 cycles.

II. The following items are found in the Trial Balance of Mr. X on December 31, 2016 :

Sundry Debtors Rs. 16,000

Bad debts Rs. 400

He wishes to create a provision for bad and doubtful debts @ 5% and write off further Rs. 200 as bad.

Pass Journal entries in the books of Mr. X.

III. Total capital of partners A, B and C was Rs. 1,20,000 on the date of dissolution. Their profit sharing ratio was 3 : 2 : 4 and capital ratio was 15 : 7 : 8. Prepare a statement of surplus capital.

IV. Following purchases were made by a business house having three departments :

Department A — 1000 units

Department B — 2000 units

Department C — 2400 units

at a total price of Rs. 1,00,000.

The selling price of department A is Rs. 20 per unit; department B is Rs. 22.50 per unit and department C is Rs. 25 per unit.

Each department yields the same rate of gross profit. Calculate purchase price of each department.

V. Distinguish between Royalty and Rent.

VI. Explain the meaning and significance of the Matching Concept.

SECTION—B (15 Marks each)

VII. What do you mean by Accounting Conventions ? How it differs from accounting concepts ? Explain the conventions followed in the preparation of financial statements.

2+3+10

VIII. What is the meaning of Departmental Accounts ? Distinguish Departmental Accounts and Branch Accounts. Explain the basis of allocation of expenses of various departments. 2+5+8

IX. From the following Trial Balance of Mr. A prepare Trading and Profit and Loss Account for the year ended December 31, 2016 and Balance Sheet as on that date after giving effect to the undermentioned adjustments :

Debit Balances	Rs.	Credit Balances	Rs.
Drawings	3,250	Capital	15,000
Stock 1.1.2016	17,445	Returns outwards	840
Return inwards	554	Interest received	
Carriage inward	840	on Ashok's loan	25
Carriage outward	400	Rent outstanding	130
Deposit with Anand	1,375	Creditors	3,000

Debit Balances	Rs.	Credit Balances	Rs.
Loan to Ashok @ 5% given on 1.1.2016	1,000	Provision for doubtful debts	1,200
Rent	1,545	Sales	27,914
Purchases	12,970		
Debtors	4,000		
Goodwill	1,730		
Advertising Expenses	954		
Bad debts	400		
Cash	562		
Discount allowed	330		
Wages	754		
	48,109		48,109

Adjustments :—

- (1) The manager of Mr. A is entitled to commission @ 10% of the net profit calculated after charging such commission.
- (2) Increase bad debts by Rs. 600. Provision for doubtful debts to be 10% and provision for discount on debtors @ 5%.
- (3) Stock valued at Rs. 1,500 destroyed by fire on 25-12-2016 but the insurance company admitted a claim for Rs. 950 only.
- (4) Rs. 200 out of advertising expenses are to be carried forward to next year.
- (5) Value of closing stock as on 31-12-2016 was Rs. 8,500.

- X. Chandigarh Stores Ltd. with its head office in Chandigarh invoiced goods to its branch at Delhi at 20% less than the list price which is cost plus 100% with instructions that Cash Sales were to be made at the invoice price and Credit Sales at catalogue price (i.e. list price). From the following particulars available from the branch, prepare Branch Stock Account, Branch Adjustment Account and Branch Profit and Loss Account for the year ending 31st December, 2016 :

	Rs.		Rs.
Stock on 1.1.2016 (invoice price)	6,000	Cash received from customers	42,817
Debtors on 1.1.2016	5,000	Expenses at Branch	8,683
Goods received from Head Office (invoice price)	66,000	Remittances to Head Office	60,000
Sales : Cash	23,000	Debtors on 31.12.2016	12,183
Credit	50,000	Stock on 31.12.2016 (invoice price)	8,800

SECTION—C (15 Marks each)

- XI. What is Joint Venture ? Distinguish it from partnership. Give the various Journal Entries to be passed in case where separate set of books are maintained for recording joint venture transactions. 2,5,8

XII. Write notes on the following :—

(a) Recoupment of short workings

(b) Sub-lease

(c) Nazrana and its accounting treatment. 5,5,5

XIII. A of Amritsar consigned goods costing Rs. 93,000 to B of Batala at proforma invoice price of which is cost plus one-sixth profit on selling price. A paid insurance and other forwarding charges amounting to Rs. 7,510. B was allowed Rs. 1,500 per annum being the establishment cost; 8% commission on gross sales. He was also allowed 10% of the net profit as extra commission after charging such commission. B paid Rs. 1502 as landing charges. On June 30, 2017 the position was : Three-fourths of goods were sold at a profit of $33\frac{1}{3}\%$ on cost-half of which were credit sales. One-sixth of the goods consigned were destroyed by fire and claim lodged with the insurance company for Rs. 17,000. Insurance company admitted the claim for Rs. 15,000. Show the Consignment Account, Consignee Account and Abnormal Loss Account in the books of A. Goods were Consigned on January 1, 2017. A closes his books on June 30, every year. 9,3,3

XIV. A, B and C commenced business on Jan. 1, 2015 with Capitals of Rs. 50,000, Rs. 40,000 and Rs. 30,000 respectively. Profits and losses were shared in the ratio of 4 : 3 : 3. Capitals carried interest at 10% per annum. During 2015 and 2016, the firm made profits of Rs. 35,000 and Rs. 45,000 (before allowing interest on Capital). Drawings of each partner were Rs. 12,000 per year.

On December 31, 2016 the firm was dissolved. Creditors on that date were Rs. 19,000. The assets realised Rs. 1,30,000 net. Give the necessary accounts to close the books of the firm.