

Roll No.

BBA-204(N)

B. B. A. (Second Semester) EXAMINATION, May/June, 2016

(New Course)

Paper Fourth

PRINCIPLES OF ACCOUNTING

Time : Three Hours] [Maximum Marks : 70

Note : Question No. 1 in Section A is compulsory which carries 30 marks. Answer four more questions selecting *two* questions each from Sections B and C. All questions in Section B and Section C carry 10 marks each.

Inst. : The candidates are required to answer only in serial order. If there are many parts of a question, answer them in continuation.

Section—A

(Short Answer Type Questions)

Note : Answer all questions. Each question carries 3 marks.

1. (A) What do you mean by Accounting Standards ?
Give names of any *three* accounting standards issued by the Institute of Chartered Accountants of India (ICAI).

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- (B) Explain Dual Aspect concept of Accounting.
- (C) What are the shortcomings in financial statements prepared under Historical Cost Accounting Method (HCA) during periods of inflation ?
- (D) Give pro forma of income and expenditure account of a non-trading concern.
- (E) Explain the basis of appointment of rent, rates and taxes, lighting, depreciation and power consumed while preparing departmental Trading and Profit and Loss Account.
- (F) How is Realisation Account prepared in case of dissolving of a partnership firm ?
- (G) What do you mean by banking companies and insurance companies ?
- (H) How is Cost of Sales Adjustment (COSA) calculated while preparing final accounts of companies under Current Cost Accounting (CCA) method of accounting for price level changes ?
- (I) What are the factors affecting valuation of goodwill in a partnership firm ?
- (J) Define royalty, shortworkings, minimum rent and sub-lease in regard to royalty accounts.

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Section—B

(Long Answer Type Questions)

Note : Attempt any *two* questions. Each question carries 10 marks.

2. What do you mean by Generally Accepted Accounting Principles (GAAP) ? Explain separate entity concept, materiality concept and conservatism concept of accounting.

Or

X Ltd. follows LIFO system. From the particulars given below ascertain the cost of sales and closing inventory under CPP method of inflation accounting :

	₹	General price index
Inventory on 31-12-2014	5,000	150
Purchases for 2015	28,000	180 (average for 2015)
Inventory on 31-12-2015	6,000	240

Or

A Ltd. started business with a capital of ₹ 1,00,000 for which property was acquired. After several years of business the property was sold for ₹ 1,50,000. In the meantime the general price index has risen from 100 to 130 and the specific index has risen from 100 to 145. Indicate the profit made if the capital is to be maintained on the basis of (a) Historic cost concept, (b) Current purchasing power, (c) Current cost concept of accounting for price level changes.

3. The following particulars relate to Roshan Ara Club for the year ended 31st March, 2011 and you are required to prepare therefrom an Income and Expenditure Account and Balance Sheet :

Summary of Cash Book

	₹
Balance from last year	2,350
Entrance Fees	300
Subscription :	
2009-10	50
2010-11	3,500
2011-12	75
Profit from Refreshment	100
Locker's Rent	200
Sundry Income	120
	6,695

	₹
Salaries	1,200
Electricity	120
Newspaper and Journals	525
Fixed Deposits	2,500
Utensils	200
Creditors	1,000
Balance on 31-3-2011	1,150
	6,695

The assets and liabilities on 1st April, 2010 were :
Utensils ₹ 800; Furniture ₹ 2,500; Consumable stores ₹ 350, Creditors ₹ 1,200.

On 31st March, 2011 the value of Consumable stores was ₹ 700; Creditors amounted to ₹ 550; the subscription outstanding were ₹ 75; and interest accrued on fixed deposits ₹ 25.

4. 100 bicycles were consigned by Hero Cycle Company, Ludhiana to Agarwal Cycle Co., Patna at ₹ 1,500 each. Hero Cycle Co. paid freight ₹ 10,000 and insurance in transit ₹ 1,500. During transit 10 cycles were totally damaged by fire. Agarwal Cycle Co. took delivery of the remaining cycles and paid ₹ 1,530 for octroi.

Agarwal Cycle Co. sent a bank draft to Hero Cycle Co. for ₹ 50,000 as an advance payment and later sent an account sale showing that 80 cycles were sold at ₹ 2,200 each. Expenses incurred by Agarwal Cycle Co. on godown rent and advertisement etc. amounted to ₹ 2,000. Agarwal Cycle Co. is entitled to a commission of 5%.

Prepare the following :

- Consignment Account
- Agarwal Cycle Co. Account
- Abnormal Loss Account in the books of Hero Cycle Co., Ludhiana,

Assume that a claim from insurance company was settled for ₹ 14,000.

Or

M and N entered into a joint venture for the purchases and sale of second-hand motor cars and to share profit and losses in the ratio of 3 : 2.

On 15th January, 2001, M bought 5 cars for ₹ 43,000 and on 20th January, 2011 he paid tax and insurance amounting to ₹ 1,600. On 31st January, he sold these cars for ₹ 58,000 out of which he remitted ₹ 11,000 to N paying the balance into his own bank account.

On 20th January, 2011 N bought 3 cars for ₹ 36,000 and on 25th January, 2011 he paid tax and insurance ₹ 1,400 and repair charges amounting to ₹ 2,000. He sold one car on 2nd February, 2011 for ₹ 14,000 which he paid into his own bank account. M then took over other cars at a valuation of ₹ 26,000 and the venture was closed on 10th February, 2011.

Prepare the Memorandum Joint Venture Account and the account of the joint venture with N in the books of M.

5. What do you mean by dependent branch and independent branch ? How is Branch Account prepared when goods are sent by head office to branch as per invoice price method ?

Section—C

(Long Answer Type Questions)

Note : Attempt any *two* questions. Each question carries 10 marks.

6. Write short notes on any *two* of the following :
- (a) Hire purchase system

- (b) Royalty accounts
(c) General insurance company accounts

7. Dr. Amit Bhattacharya wrote a book on Advanced Accounting and got it published from Swaraj Bhawan, Agra on the terms that royalties will be paid at ₹ 5 per copy sold, subject to a minimum rent of ₹ 15,000 per year, with a right of recoupment of shortworkings over the period of three years of the royalty agreement. The details are as under :

	No. of Copies Printed	No. of Copies in Closing Stock
2012-13	2000	100
2013-14	3000	200
2014-15	4000	400
2015-16	5000	500

Pass Journal entries in the books of Swaraj Bhawan, Agra.

8. National Transport Company purchased from Metro Motors, three trucks costing ₹ 50,000 each on the Hire Purchase system, payment was to be made ₹ 30,000 down and the remainder in three equal instalments together with interest @ 9% p. a. National Transport Company write off depreciation @ 20% on the reducing balance. It paid the instalment due at the end of the first year but could not pay the next. Metro Motors agreed to leave one truck with the purchaser adjusting the value of the other two trucks against the

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amount due. The trucks are valued on the basis of 30% depreciation annually. Show the necessary accounts in the books of National Transport Company for two years.

Or

What are the journal entries made in the books of hire purchaser when machine is purchased under hire purchase system and there is default in payment by purchaser and machine is repossessed by the vender ?

9. Define Goodwill. Discuss accounting treatment of goodwill upon admission of a partner and retirement of a partner.

Or

Chaudhary and Gupta are partners in a firm sharing profits in the ratio of 3 : 1. On April 1, 2016 their Balance Sheet was as follows :

Liabilities	Amount (₹)
Sundry Creditors	22,000
Bills Payable	5,000
General Reserve	16,000
Capital A/c :	
Chaudhary ₹ 50,000	
Gupta ₹ 25,000	75,000
	1,18,000

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Assets	Amount (₹)
Plant	50,000
Furniture	4,000
Stock	15,000
Sundry Debtors ₹ 30,000	
Less : Bad Debts Reserve ₹ 3,000	27,000
Investment	14,000
Cash	8,000
	1,18,000

They admitted Sah for 1/5th share on the following terms :

- Sah will bring ₹ 25,000 for capital.
- Goodwill of the firm was valued at ₹ 20,000 but it was agreed that no Goodwill Account will be opened.
- The assets were revalued as under :
Plant ₹ 45,000, Stock ₹ 13,500, Investment ₹ 20,000.
- Reserve for Bad debts to be reduced by ₹ 2,000.
- Furniture to be taken up by Chaudhary and Gupta in their profit sharing ratio.

Give journal entries to record the above transactions and prepare Partner's Capital Accounts and new Balance Sheet.

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