

Roll No. ....

## **BBA-204(N)**

### **B. B. A. (Second Semester) EXAMINATION, May, 2017**

(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)**

1. Answer all the following questions. Each question carries 3 marks.
  - (A) Explain dual aspect concept of accounting.
  - (B) Explain FIFO and LIFO methods for inventory valuation as per accounting standard issued by the Institute of Chartered Accountants of India.

- (C) How is value of goodwill calculated as per super profit method in a partnership firm ?
- (D) What are the contents of partnership deed ?
- (E) Explain the terms minimum rent, royalty, short-workings and recoupment of shortworkings.
- (F) What do you mean by separate entity and conservatism concepts of accounting ?
- (G) Explain current purchasing power method of accounting for price level changes.
- (H) How is Memorandum Joint Venture Account prepared ?
- (I) Give names of any *four* International Accounting standards.
- (J) On what basis will you apportion rent rates and taxes, lighting, power consumed and depreciation between various departments while preparing Departmental Trading and Profit and Loss account ?

#### Section—B

##### (Long Answer Type Questions)

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

2. What do you mean by Accounting for price level changes ? What are the shortcomings in financial statements of a business entity prepared under Historical cost accounting method during periods of inflation ? Explain.
3. What do you mean by Balance Sheet of a Bank ? Give pro forma of Balance Sheet of a bank.
4. X in Kolkata consigns goods to Y in Mumbai for sale at invoice price or over. Y is entitled to a commission

of 5% on invoice price and 25% of any surplus price realised. X draws on Y at 90 days sight for 80% of the invoice price and upon sale Y remits the balance of proceeds after deducting his commission by sight draft.

Goods consigned by X to Y in the year 2016 cost X ₹ 10,45,000 including freight and were invoiced at ₹ 14,20,000. Sales made by Y were ₹ 13,38,000 and goods in his hand unsold at 31st December, 2016 represented an invoice price of ₹ 3,46,000 (original cost including freight ₹ 2,61,000). Sight drafts actually received by X from Y upto 31st December, 2016 were ₹ 3,140,000, others were in transit.

Prepare the following ledger accounts in the books of X :

- (i) Consignment to Y of Mumbai account
- (ii) Y's Account
- (iii) Goods sent on Consignment account

5. The Income and Expenditure account of the Repose Club is as under for the year ended 31st December, 2016 :

| Expenditure                       | (₹)      | Income       | (₹)      |
|-----------------------------------|----------|--------------|----------|
| Salaries                          | 1,75,000 | Subscription | 2,00,000 |
| General Expenses                  | 50,000   | Donations    | 1,05,000 |
| Depreciation                      | 30,000   |              |          |
| Excess of Income over expenditure | 50,000   |              |          |
|                                   | 3,05,000 |              | 3,05,000 |

Adjustments were made in respect of the following :

- (i) Subscriptions for 2015 unpaid at 1st January, 2016 ₹ 20,000; ₹ 18,000 of which were received in 2016.
- (ii) Subscriptions paid in advance at 01.01.2016 ₹ 5,000.
- (iii) Subscriptions paid in advance at 31.12.2016 ₹ 4,000.
- (iv) Subscriptions for 2016 unpaid at 31.12.2016 ₹ 7,000.
- (v) Sundry Assets at beginning of period ₹ 2,60,000, Sundry Assets after depreciation ₹ 2,70,000 at the end of period.
- (vi) Cash balance on 1st January, 2016 ₹ 16,000.

You are required to prepare Receipts and Payments account for the year ended 31st December, 2016.

#### Section—C

##### (Long Answer Type Questions)

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

- 6. Distinguish between Hire Purchase and Instalment Payment methods. What are the journal entries made in the books of hire purchaser when the asset is purchased under Hire Purchase system ?
- 7. What do you mean by final accounts of a partnership firm ? Give pro forma of Trading and Profit and Loss account of a partnership firm.

Or

P, Q and R were in partnership sharing profits and losses equally. On 1st January, 2017 P retired when the firm's Balance Sheet was as under :

| Liabilities        | (₹)       |
|--------------------|-----------|
| Capital Accounts : |           |
| P      8,00,000    |           |
| Q      6,80,000    |           |
| R <u>7,80,000</u>  | 22,60,000 |
| Reserve fund       | 6,00,000  |
| Creditors          | 6,92,800  |
|                    | 35,52,800 |

| Assets              | (₹)       |
|---------------------|-----------|
| Land and Building   | 4,20,000  |
| Plant and Machinery | 6,98,000  |
| Debtors             | 8,91,500  |
| Investments         | 8,00,000  |
| Cash                | 7,43,300  |
|                     | 35,52,800 |

According to partnership deed assets were agreed to be revalued on P's retirement as under :

|                     | (₹)      |
|---------------------|----------|
| Land and Buildings  | 5,80,000 |
| Plant and Machinery | 6,56,400 |
| Investments         | 8,40,000 |

Besides Goodwill was then valued at ₹ 9,60,000. P accepted the investments at their revalued figure in part payment of his dues. Q paid in ₹ 4,00,000 as further capital and P was paid off the balance of his account.

Prepare the Revaluation Account, Partners Capital Accounts and the revised Balance sheet of Q and R assuming that the Goodwill account is not raised in the books.

8. M/s. P. Company Limited of Delhi has a branch at Chennai to which the company charges out the goods at cost plus 25%. The Chennai Branch keeps its own sales ledger and transmits all cash received to the Head Office every day. All expenses are paid from the Head Office.

The transactions for the Chennai Branch for the year ended 31st March, 2017 are given below :

|                                  | (₹)      |
|----------------------------------|----------|
| Stock (01. 04. 2016)             | 1,10,000 |
| Debtors (01.04.2016)             | 17,000   |
| Petty cash (01.04.2016)          | 1,000    |
| Cash Sales                       | 26,500   |
| Goods sent to Branch             | 2,00,000 |
| Collections on Ledger accounts   | 2,10,000 |
| Goods Returned to Head Office    | 4,000    |
| Bad Debts                        | 3,000    |
| Allowances to customers          | 2,500    |
| Cheques sent to Chennai Branch : |          |
| Rent                             | 6,000    |
| Wages                            | 2,000    |

|                                                                              |          |
|------------------------------------------------------------------------------|----------|
| Salary and Other Expenses                                                    | 9,000    |
| Stock (31. 03. 2017)                                                         | 1,30,000 |
| Debtors (31. 03. 2017)                                                       | 20,000   |
| Petty Cash (31.03.2017) including<br>Miscellaneous Income ₹ 250 not remitted | 1,250    |

You are required to prepare Chennai Branch Account in the books of M/s. P. Co. Ltd. of Delhi for the year ended on 31st March, 2017.

9. M/s Bengal Coal Company limited got the lease of colliery on the basis of ₹ 5 per ton of coal raised subject to a minimum rent of ₹ 1,00,000 per annum.

The lessee has the right to recoup shortworkings during first four years of the lease and not afterwards. The output in four years was as follows :

| Year | Output      |
|------|-------------|
| 2012 | 18000 Tons  |
| 2013 | 26000 Tons  |
| 2014 | 50000 Tons  |
| 2015 | 60000 Tons  |
| 2016 | 100000 Tons |

You are required to give the journal entries in the books of M/s. Bengal Coal Company Limited.