

(i) Printed Pages : 8

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(ii) Questions : 14

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**Bachelor of Commerce 1<sup>st</sup> Semester**

**(2123)**

**PRINCIPLES OF FINANCIAL ACCOUNTING**

**Paper : BCM-105**

**Time Allowed : Three Hours]**

**[Maximum Marks : 80**

**Note :—**(1) Attempt any **four** questions from Section-A. Each question carries **5** marks.

(2) Attempt any **two** questions from Section-B. Each question carries **15** marks.

(3) Attempt any **two** questions from Section-C. Each question carries **15** marks.

**SECTION—A**

1. Explain the rule of 'Garner Vs Murray'.
2. Following are the applications of some accounting principles or assumptions. State the name along with brief explanation of the relevant accounting assumptions or principle herein :
  - (i) Appending notes to the financial statements.
  - (ii) Accounting of a small calculator as an expense and not as an asset.

3. Following balances are given in the Trial Balance :

Particulars	Debits (Rs.)	Credit (Rs.)
Capital	—	1,00,000
Drawings	20,000	—
Bad Debts	1200	—
Sundry Debtors	20,500	—
Provision for Doubtful Debts	—	2,000
Salaries Outstanding	—	1,000
Prepaid Insurance	200	—
Interest on Investment Account	—	500
Commission Received in Advance	—	400

Adjustments :—

- (i) Further Bad debts Rs. 500
- (ii) Make Provision for doubtful debts @ 5% on Sundry Debtors.
- (iii) Interest on Capital Rs. 10,000
- (iv) Interest on drawings Rs. 1,000.

Show how the above items will appear in the final accounts.

4. The Bangla Mine Company obtained a mine on lease for a period of 30 years beginning from the 1st January, 2020 on the following terms :
- To pay minimum rent of Rs. 24,000 per year.
  - Shortworkings can be recovered during the subsequent two years.
  - Due to accident or strike minimum rent is to be reduced by 25 per cent for that year.
  - Royalty was to be calculated at 50 paise per tonne.

Production during four years from 2020 to 2023 was as follows :

Year	2020	2021	2022	2023
Production in tons	28,000	36,000	60,000	44,000

(Strike for three months)

Prepare the analytical table showing the calculation of shortworking and recoupment of shortworking.

5. Shri Gangaram sells two products manufactured in his own factory. The goods are made in two Departments A & B for which separate sets of accounts are maintained. Some of the manufactured goods of Department A are used as Raw Materials by Department B and Vice versa.

From the following particulars, you are required to ascertain the total cost of goods manufactured in Department A and Department B :

	Dept. A	Dept. B
Total Units manufactured	10,00,000	5,00,000
Total cost of manufacture	Rs. 10,000	Rs. 5,000

Department A transferred 2, 50,000 units to Department B and the latter transferred 1,00,000 units to the former.

6. A consigned to B 200 cycles at proforma invoice price of Rs. 150, which was 25% above cost. B was entitled to commission at 5% on cost of goods sold plus 20% of excess price realised over cost price of goods sold. B sold 140 cycles at Rs. 180 each. Calculate the amount of commission payable to B.

## SECTION—B

7. What do you mean by "Generally Accepted Accounting Principles ?" Briefly state the concepts and conventions of accounting with suitable examples.
8. What are departmental accounts ? What are the objective and advantages of preparing these accounts ? Explain the basis of allocation of expenses over various departments of an organization.
9. From the following balances prepare 'Trading and Profit and Loss A/c for the year ended 31<sup>st</sup> March 2023 and a Balance Sheet of X as at that date from the Trial Balance after taking into consideration the following adjustments :

### **Adjustments :—**

- (a) Closing Stock was Rs. 30,000.
- (b) Write off Rs. 3,000 bad debts and maintain a provision of 5% on debtors.
- (c) Rs. 1200 paid as rent was debited to landlord account and included in the list of debtors.
- (d) General managers is to be given commission at 10% after charging the commission of work manager and his own.
- (e) Works manager is to be given commission at 5% after charging the commission of general manager and his own.

Debit Balances	Rs.	Credit Balances	Rs.
Plant and machinery	18,000	X's Capital A/c	50,000
Depreciation on Plant	2,000	Sales	2,49,000
Repair to Plant	1,600	Overdraft	3,800
Wages	28,000	Salary Outstanding	2,000
Salaries	4,000	B/P	3,000
Income tax	500	Provision for Bad	
Cash in hand	2,000	Debts	6,000
Land and Building	74,500	Discount	4,000
Depreciation on Building	2,500	Creditors	23,300
Purchases	1,23,500		
Accrued Income	1,500		
B/R	10,000		
Bad Debts	1,000		
Debtors	35,000		
Stock (1.4.2022)	37,000		
	3,41,100		3,41,100

10. Multi Chained Stores Ltd. Delhi has its branches at Lucknow and Chennai. It charges goods to its branches at cost plus 25%. Following information is available of the transactions of the Lucknow Branch for the year ended 31st March, 2023 :

	Rs.
Stock at Branch on 1-4-2022 at I.P.	30,000
Debtors on 1-4-2022	10,000
<i>Transactions during the year :</i>	
Goods sent to Lucknow Branch at I.P.	3,25,000
Goods returned to H.O. at I.P.	10,000
Good returned by Lucknow debtors direct to H.O.	5,000
Cash sales	1,09,000



	<b>Rs.</b>
Cash received from Lucknow debtors	1,70,000
Allowances to Lucknow customers off selling price (already adjusted while invoicing)	2,000
Normal Loss at I.P.	1,000
Goods Lost in fire at I.P.	5,000
Insurance Co. paid to H.O. for loss by fire at Lucknow	3,000
Cash sent for Expenses :	
• Recurring	32,820
• Non-recurring	1,000
Bad Debts at Branch	500
Goods transferred to Chennai Branch under H.O. advice	15,000
Goods returned by Debtors	500
Branch Debtors cheques dishonoured	2,000
Stock at Branch on 31-3-2023 at I.P.	48,500
Debtors on 31-3-2023	14,000
Prepare all accounts under Stock and Debtors System.	

### SECTION—C

11. What is Royalty Accounts ? Give journal entries in the books of Lessee when :
  - (i) When minimum rent account is opened
  - (ii) When minimum rent account is not opened.
12. What is Joint Venture ? Explain various methods of recording Joint Venture transactions.
13. On 1<sup>st</sup> April, 2022, Mr. Doshi of Darjeeling consigned 2,000 kgs. of Tea costing Rs. 60 per kgs to Mr. Naik of Nagpur. Mr. Doshi incurred the following expenses : Freight Rs. 2,000; Insurance Rs. 400; Sundry Expenses Rs. 600. During the year ended 31<sup>st</sup> March, 2023, Mr. Nail incurred the following expenses : Selling Expenses Rs. 600; Godown Rent Rs. 500; Carriage to godown Rs. 1,000.

On 1st December, 2022, Mr. Naik sold 1,200 kgs. of tea for cash at a profit of 25% on Sales. On 15<sup>th</sup> December, 2022, Mr. Naik returned 150 kgs of Tea, which were of poor quality to Mr. Doshi and paid return freight and carriage of Rs. 250. Out of the remaining tea, 200 kgs being partially damaged were valued at 30% less than cost. Mr. Naik charged his commission at 5% and sent the balance so far due from him to Mr. Doshi on 31<sup>st</sup> March, 2023. Mr. Doshi closes his books every year on 31<sup>st</sup> March.

You are required to prepare the following accounts in the books of Mr. Doshi :

- (1) Consignment to Nagpur, and
- (2) Personal account of Mr. Naik.

14. Bini, Mini and Tini are partners sharing profits and losses in the ratio of 4 : 3 : 2.

Their Balance Sheet as on 31<sup>st</sup> March, 2020 stood as follows :

Liabilities	Rs.	Assets	Rs.
Creditors	20,000	Cash	2,000
Bank Overdraft	15,000	Debtors 18,000	
(Secured against stock)		Less Provision <u>1,000</u>	17,000
Loan	25,000	Stock	25,000
(Secured against machinery)		Machinery	40,000
Capital		Profit and Loss Account	9,000
Bini	20,000		
Mini	10,000		
Tini	3,000		
	<u>93,000</u>		<u>93,000</u>

The firm was dissolved. Stock was taken over by the Banker and it realised Rs. 20,000. Bank paid back Rs. 4,000 after recovering its overdraft and interest due thereon. Machinery was disposed off for Rs. 24,000 and debtors realised Rs. 14,000 only. Loan was fully paid off along with interest due Rs. 1,000. There was an unrecorded asset valuing Rs. 5,000 which was taken over by creditor at Rs. 2,000. Expenses amount to Rs. 300 which were paid by Bini. Tini became insolvent. Tini's private liabilities amount to Rs. 1,000 while his private estate realised Rs. 1,950.

Prepare necessary Ledger Accounts to close the books of the firm.