al No. of Questions : 9]   [Total No. of Printed Pages : 8

26)

Bachelor of Commerce 1st Semester (0011) Examination

0806

PRINCIPLES OF FINANCIAL ACCOUNTING (BCM–105)

me : 3 Hours]   [Maximum Marks : 80

te :– The students are required to attempt *four* questions from Section A of short answer type, *two* questions from Section B and C each of easy type. All questions carry equal marks.

Section–A

(a) Explain the meaning and need for IFRS.

(b) Explain the ways of incorporating Trial Balance of a branch in books of Head Office.

(c) Give two points of distinction each between :

(i) Consignment and sales

(ii) Invoice and pro forma invoice

(d) On 1st January, 2014 the reserve for discount on creditor was ₹ 1,200. The discounts earned during the year ammounted to ₹ 1,040. The creditors on 31st December, 2014 were ₹ 50,000 and a new reserve of 2½% is required. Show journal, ledger, profit and loss and Balance Sheet enteries relating to discount on creditors.

(e) Dabur Ltd. has three departments and submit the following information for the year ending 31st March, 2015 :

	A	B	C	Total (₹)
Purchase (units)	5,000	10,000	15,000	
Purchase (Amount)				8,40,000
Sales (units)	5,200	9,800	15,300	
Selling Price (₹ p. unit)	40	45	50	
Closing stock (units)	400	600	700	

You are required to prepare Departmental Trading Account of Dabur Ltd. assuming that the rate of profit on sales is uniform in each case.

(f) A company leased a colliery on 1st January, 2014 at a minimum rent of ₹ 20,000 merging into a royalty of ₹ 1.50 per ton with power to recoup shortworking with the first three years of the lease. The output of the colliery for the first four years was 9000 tons, 12000 tons, 16000 tons and 20000 tons respectively.

Pass the necessary journal entries for each of the four years in the books of the company.

Section–B

Define the term 'Accounting Standards'. Discuss the main objectives and scope of accounting standards.

What are the departmental accounts ? What are the objects and benefits of preparing their accounts ? Explain the basis of allocation of expenses over the various departments.

From the following figures extracted from the books of Shri Govind, you are required to prepare a Trading and Profit and Loss Account for the year ended 31st March, 2015 and a Balance Sheet as on that date after making the necessary adjustments :

	₹		₹
Shri Govind's Capital	2,28,800	Stock 1-4-2014	38,500
Shri Govind's Drawings	13,200	Wages	35,200
Plant and Machinery	99,000	Sundry Creditors	44,000
Freehold Property	66,000	Postage & Telegrams	1,540

Turn Over

Purchases	1,10,000	Insurance	1,760
Returns Outwards	1,100	Gas and Fuel	2,970
Salaries	13,200	Bad Debts	660
Office Expenses	2,750	Office Rent	2,860
Office Furniture	5,500	Freight	9,900
Discount A/c. (Dr.)	1,320	Loose Tools	2,200
Sundry Debtors	29,260	Factory Lighting	1,100
Loan to Shri Krishna @ 10% p.a. balance on 1-4-2014	44,000	Provision for D/D	880
Cash at Bank	29,260	Interest on Loan to Shri Krishna	1,100
Bills Payable	5,500	Cash on Hand	2,640
		Sales	2,32,440

Adjustment :

(i) Stock on 31st March, 2015 was valued at ₹ 72,600.

(ii) A new machine was installed the year costing ₹ 15,400 but it was not recorded in the books as no payment was made for it. Wages ₹ 1,100 paid for its erection have been debited to wages account.

(iii) Depreciate Plant and Machinery by $33\frac{1}{3}\%$; Furniture by 10%; Freehold property by 5%.

(iv) Loose tools were valued at ₹ 1,760 on 31-3-2015.

(v) Of the Sundry Debtors ₹ 660 are bad and should be written off.

(vi) Maintain a provision of 5% on Sundry debtors for doubtful debts.

(vii) The manager is entitled to a commission of 10% of the net profits after charging such commission.

5. Eicher Limited has its head office in Mumbai and a branch at Delhi. Branch keeps a debtors ledger and banks all cash received to the credit of Head Office Bank Account. Goods are invoiced to the Branch at cost plus $33\frac{1}{3}$ p. c.

On 1st January, 2014, the commencement of the financial year of the following balances appeared in the Head Office Ledger :

Branch Debtors Account ₹ 15,000; Branch Stock Account (at selling price) ₹ 6,000; Branch Adjustment Account (Cr.) ₹ 1,500.

The following were the transactions of the Branch during the year ended 31st December, 2014 :

Cash Sales ₹ 7,500; Credit Sales ₹ 1,50,000; Goods from Head Office at selling price ₹ 1,80,000; Cash received from Branch Debtors ₹ 1,44,000; Discount allowed to Branch Debtors ₹ 3,690; Branch expenses paid by Head Office ₹ 37,500.

The stock at the branch on 31st December, 2014 was ₹ 24,000 at selling price.

Prepare the necessary ledger accounts relating to Branch transactions, in the books of the Head Office according to Stock and Debtor's system.

Section–C

6. What is Joint Venture ? Make its comparison with consignment system and explain accounting method with separate set of books in joint venture.

7. Define Royalty Accounts. What is the procedure for recoupment of shortworking ? Provide the accounting treatment regarding royalty transactions in the books of both landlord and lessee.

8. S. Prasad of Mumbai consigned 100 units of commodity to S. Deep of Delhi. The goods were invoiced at ₹ 150 each so as to yield a profit of 50% on cost. S. Prasad incurred ₹ 1,000 on freight and insurance S. Deep incurred ₹ 500 on freight and ₹ 800 on rent. He sold 50 units for cash at ₹ 160 per

unit, 20 units at ₹ 175 per unit on credit. S. Deep noticed that 10 units were damaged on account of bad packing and he could sell them at ₹ 80 per unit. There was bad debt of ₹ 500 due to the insolvency of one of the customers. S. Deep settled his account with S. Prasad by bank draft retaining 5% + 1% del credere commission on sales.

Prepare the necessary Ledger Accounts in the books of S. Prasad.

9. A, B and C carrying on business sharing profits and losses equally agreed to dissolve the partnership on 31-3-2015. Balance Sheet of the partnership as on that date was as follows :

Liabilities		₹	*Assets*	₹
Capital A/cs :	₹		Land and Building	50,000
A	40,000		Plant and Machinery	40,000
B	10,000		Furniture	10,000
C	50,000		Stock	35,000
		1,00,000	Sundry Debtors	25,000
Loan from X		30,000	Cash in hand	15,000
Sundry Creditors		45,000		
		1,75,000		1,75,000

It was decided that A and B would take over the following assets at figures shown against each of them :

Land and Buildings ₹ 60,000; Plant and Machinery ₹ 30,000; Furniture ₹ 6,000.

X agreed to take the entire stock in full settlement of his loan. Sundry debtors were realised at ₹ 20,000 and creditors were settled at ₹ 34,000.

A and B decided to form a partnership sharing profits and losses in the ratio of 3 : 1. It was agreed that the firm will require total capital of ₹ 1,00,000 and A and B should bring sufficient capital for the purpose in such proportion so that their capitals be in the profits sharing ratios.

Drawing up the relevant accounts to close the books of A, B and C and prepare the opening Balance Sheet of A and B. Assuming that whatever cash was available with the old firm was paid to C.