

(iv) The value of land and buildings was to be increased by 15%.

(v) The capital of the partners in the new firm are to be in the project sharing ratio, the capital of C was to be taken as the basic capital. The excess amount of capital, if any, was to be paid off in cash.

Show the journal entries in the books of new firm M/s. A, B and C, capital accounts of partners and Balance Sheet of new firm as on 1st April, 2018.

Or

Write short notes on any two of the following :

- (a) Final accounts of non-trading institutions
- (b) Journal entries in the books of lesser
- (c) International Accounting Standards
- (d) Retirement of a partner

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**B. B. A. (Second Semester)
EXAMINATION, May, 2018**

(New Course)

Paper Fourth

PRINCIPLES OF ACCOUNTING

Time : Three Hours]

[Maximum Marks : 70

Note : Attempt questions from all Sections as directed.

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 : Attempt all questions. Each question carries 3 marks.

1. (A) Give name of any four Indian Accounting Standards.
- (B) Explain separate entity concept and dual aspect concept of accounting.
- (C) How is Memorandum Joint Venture Account prepared ?
- (D) What are the items shown in debit and credit sides of Receipts and Payments account ?

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- (E) What is the accounting treatment of goodwill upon admission of a partner ?
- (F) Distinguish between hire purchase and instalment payment systems.
- (G) Explain minimum rent, shortworkings and royalty in relation to lease of coal mines.
- (H) How can a partnership firm be dissolved ?
- (I) Given subscriptions outstanding at the beginning of the year ₹ 1,500 and at the end of the year ₹ 1,000, subscriptions received in advance at the end of the year ₹ 800 and at the beginning of the year ₹ 900 and the amount of subscriptions shown as income in income and expenditure account at the end of year ₹ 25,500. Calculate the amount of subscriptions actually received during the year in cash.
- (J) The balance of Machinery Account in the beginning of the year is ₹ 8,000 and at the end of the year ₹ 17,500 and depreciation charged during the year is ₹ 4,700. Calculate the amount of cash paid for purchase of machinery during in the year. There is no credit purchase of machinery during the year.

Section—B

(Long Answer Type Questions)

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

2. Distinguish between historical cost accounting and accounting for price level charges. What are the

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- deficiencies which arise in financial statements of a business prepared at the end of the year under Historical Cost Accounting method during periods of inflation.
3. What do you mean by Consignment Account ? How is consignment account prepared under invoice price method in the books of consigner ? Explain.
4. X of Bombay sent goods worth ₹ 7,50,000 to Y of Chennai to be sold by the later on project sharing basis. The profit sharing ratio being 3 : 2 after charging all expenses and commission.
- X paid ₹ 55,000 for freight and insurance and drew a bill for ₹ 3,00,000 on Y. The bill was discounted by X for ₹ 2,50,000.
- Y paid ₹ 30,000 for clearing and storage. Y also paid selling expenses ₹ 25,000 and forwarded a sight draft for the balance due to X after charging commission on sales at 5% on the gross proceeds. The goods were sold by Y for ₹ 12,50,000.
- Write up joint venture with Y account and Y's personal account in the books of X.
5. Sumane Ltd. invoices goods to their branches at Calcutta and Chennai at cost plus 50%. Branches remit all cash received to the Head Office and expenses are met by Head Office. Prepare necessary ledger accounts under Stock and Debtors system in the books of Head Office to show the profit earned at the branches namely Branch Stock account, Branch Debtors account, Branch

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Stock Adjustment account and Branch Profit and Loss account having amount columns in the debit and credit sides for Calcutta and Chennai branches :

	Calcutta (₹)	Chennai (₹)
Stock on 1-1-2017 at invoice price	9,30,000	15,60,000
Debtors on 1-1-2017	6,80,000	8,70,000
Goods invoiced to branches at cost price sales at branches :		
Cash Sales	34,00,000	36,00,000
Credit sales	25,00,000	35,00,000
Cash collected from debtors	31,00,000	30,10,000
Goods returned by branch at invoice price	30,40,000	29,80,000
Goods transferred from Chennai branch to Calcutta branch	1,50,000	—
Goods returned by debtors	2,10,000	2,10,000
Surplus of stock at invoice price	1,20,000	1,50,000
Shortage of stock at invoice price	—	30,000
Discount allowed to debtors	45,000	—
Expenses at branches	20,000	35,000
	5,40,000	6,70,000

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Section—C

(Long Answer Type Questions)

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

6. On 1st April, 2011 Raj Mohan delivered to Ajay Prakash a machine on hire purchase system. ₹ 5,000 being paid on delivery and the balance in 5 instalments of ₹ 5,000 each payable on 31st March at the end of every financial year. The cash price of the machine was ₹ 25,000.

Give journal entries in the books of Ajay Prakash for five years assuming that he closes his books on 31st March at the end of every financial year and the rate of depreciation is @ 10% per annum on Diminishing Balance method.

7. What do you mean by Balance Sheet of a bank ? Give pro forma of Balance Sheet of a commercial bank.
8. M/s. Bengal Collieries Ltd. on 1st April, 2013 took a coalmine on lease from landlord at a given rate of royalty with a minimum rent of ₹ 4,00,000 per year. Each year's excess of minimum rent over royalty is recoverable out of the royalties for the next two years. In the event of strike and the minimum rent not being realised, it was provided that the actual royalties earned for that year would be the full royalty obligation for that year.

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The results of the working were as under :

Year	Actual Royalties (₹)
2013-14	Nil
2014-15	1,20,000
2015-16 (strike)	3,60,000
2016-17	4,50,000
2017-18	6,00,000

Draw up Shortworkings Account, Landlord's Account and Royalty Account in the books of M/s. Bengal Collieries Ltd. for each of the five financial years ending on 31st March every year.

9. A and B have been carrying on business in partnership sharing profits and losses in the ratio of 3 : 1. Their Balance Sheet on 31st March, 2018 was as follows :

Liabilities	₹
Capital Accounts : ₹	
A 60,00,000	
B <u>32,00,000</u>	
Creditors	92,00,000
General Reserve	75,00,000
	8,00,000
	<u>1,75,00,000</u>

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Assets	₹
Land and Buildings	50,00,000
Furniture	2,00,000
Debtors	33,00,000
Less :	
Reserve for bad and doubtful debts	<u>1,00,000</u>
Bills Receivable	32,00,000
Stock	6,00,000
Cash at Bank	40,00,000
	45,00,000
	<u>1,75,00,000</u>

C is admitted as a partner on 1st April, 2018 and the following arrangements were agreed upon :

- C is to bring ₹ 29,00,000 as his capital and to be entitled to one fifth share in the profits.
- The goodwill of the firm was valued at ₹ 50,00,000. C was to bring half of his share of goodwill in cash and the other half was to be purchased by him from the existing partners by book adjustment. The necessary amount was debited to C's current account. No goodwill account was to be raised in the books of the firm.
- The value of stock and furniture was to be reduced by 10% and the reserve for bad and doubtful debts was to be brought upto 10% of the debtors.

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