

- Royalty at ₹ 50 per machine sold.
- Minimum rent of ₹ 1,20,000 per annum.
- Recoupment of shortworkings on each year during three years following.
- The event of strike, the minimum rent could be taken pro-rata on the basis of actual number of months worked.

The results of working were as follows :

Year	Actual Royalties (₹)
2014-15	80,000
2015-16	60,000
2016-17 (Strike for three months)	1,20,000
2017-18 (strike for one month)	1,00,000
2018-19	1,70,000

Show that necessary accounts for each of the above years in the books of Mr. Q.

Roll No. 02222434.....

BBA-204(N)

B. B. A. (Second Semester)
EXAMINATION, May, 2019

(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.

- (A) Explain the conservatism concept and going concern concept of Accounting.
- (B) Explain how accounting is language of business with suitable examples.
- (C) What are the objectives of charging depreciation on plant and machinery in a proprietary concern ?
- (D) What are Consignment Account and Consignee's Account ?

- (E) Discuss the accounting treatment of goodwill upon admission of a partner.
- (F) Distinguish between Accounting Standards and International Accounting Standards.
- (G) Explain FIFO and LIFO methods of inventory valuation.
- (H) Distinguish between Fixed Assets and Current Assets giving two examples of each.
- (I) Mr. X purchased goods worth ₹ 12,000 from Mr. Y and sold these goods to Mr. Z for ₹ 14,400 who returned goods of the value of ₹ 3,000 to Mr. X which were again returned by Mr. X to Mr. Y. Give journal entries for these transactions in the books of Mr. X.
- (J) A bill of exchange of three months for ₹ 18,000 received by Mr. P from Mr. Q was discounted by Mr. P from his banker for ₹ 17,200. The bill was dishonoured on due date and noting charges of ₹ 90 were paid. Give journal entries in the books of Mr. P.

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 prepared under Historical Cost Accounting (HCA) method during periods of inflation ?

(B-12)

It is provided in the Deed of Partnership that in the event of death or retirement of a partner, goodwill is to be valued at two years' purchase of the average profits of the last four years. The profits of the last four years are given below :

Year	Profit (₹)
2015—16	3,00,000
2016—17	2,40,000
2017—18	2,00,000
2018—19	1,80,000

Furniture and Fittings and Land and Buildings are valued at ₹ 2,50,000 and ₹ 7,50,000 respectively. Stock is overvalued by 10%.

If was decided that Gold should be paid ₹ 5,00,000 immediately on retirement and the balance on his Capital Account is to be treated as a loan to the firm. Silver and Diamond contributed necessary sums in equal proportions for payments to Gold and to leave ₹ 2,00,000 cash as Working Capital. Assuming that Goodwill Account is not raised in the books and the above-mentioned arrangements are given effect to, you are required to show the Revaluation Account, Cash Account and Capital Accounts of the partners.

9. Mr. P owned the patent of a washing machine. He granted Mr. Q a licence for five years from 1st April, 2014 to manufacture and sell the washing machines on the following terms :

(B-12) P. T. O.

The general price indices at the beginning of the year and at the end of the year 2018-19 have been 150 and 240 respectively. Average Price Index Number for the year 2018-19 has been 180.

You are required to calculate cost of goods sold and value of closing inventory under the following two methods as per current purchasing power (CPP) method of Inflation Accounting :

- (i) First in First Out (FIFO) method
- (ii) Last in First Out (LIFO) method

Section—C

(Long Answer Type Questions)

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

6. Distinguish between Banking Company and General Insurance Company Accounts. How is Fire Insurance Revenue Account prepared in a General Insurance company at the end of the year ?
7. Distinguish between Hire Purchase and Instalment Payment Systems. Give Journal entries in the books of hire purchaser when machinery is purchased under hire purchase system, there is default in payment of second instalment at the end of second year and machinery is repossessed by Hire Vendor.
8. Write short notes on any two of the following :
 - (a) Royalty Accounts
 - (b) Independent Branch
 - (c) Dissolution of Partnership
 - (d) Memorandum Joint Venture Account

(B-12) P. T. O.

Capital : Sita Ram	91,500
Accounts Payable	40,000
Bills Payable	26,000
Legal charges	500
General Charges	8,000
Cash at Bank	20,000
Total	7,07,500
	7,07,500

The following adjustments are to be taken into account while preparing the Final Accounts of partnership firm :

- (i) Closing Stock on 31-03-2019 was valued at ₹ 1,20,000 but its market value was ₹ 1,30,000.
 - (ii) Interest on Bank Loan was outstanding ₹ 7,000.
 - (iii) Depreciate plant and machinery at 10%.
 - (iv) The owners Mr. Atmaram and Mr. SitaRam have each withdrawn the goods worth ₹ 10,000 for personal purposes. The Accountant has forgotten the said entries while preparing Trial Balance.
 - (v) The net profit or net loss in to be divided equally between Mr. Atmaram and Mr. Sita Ram.
5. The following information are given to you related to a business for the year ended 31st March, 2019 :
- | | |
|--------------------------|-------------|
| Stock 1st April, 2018 | ₹ 15,00,000 |
| Purchases | ₹ 84,00,000 |
| Stock (31st March, 2019) | ₹ 18,00,000 |

(B-12)

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Or

Gold, Silver and Diamond are partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. Gold vertires on 1st April, 2019 on which data the Balance Sheet of the firm stood as under :

Balance Sheet as on 1st April, 2019

Liabilities	₹
Capital Accounts :	
Gold	8,00,000
Silver	5,00,000
Diamond	<u>4,00,000</u>
General Reserve	17,00,000
Sundry Creditors	2,00,000
Bills Payable	9,00,000
	1,50,000
	29,50,000

Assets	₹
Goodwill	1,00,000
Furniture and Fittings	3,00,000
Office Equipments	2,50,000
Land and Buildings	6,00,000
Stock	7,70,000
Sundry Debtors	7,50,000
Cash	1,80,000
	29,50,000

(B-12)

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- How are Income and Expenditure Account and Balance Sheet of a Non-trading Concern prepared at the end of the year ? Explain.
- Prepare Trading and Profit & Loss Account and Balance Sheet of M/s Atmaram Sita Ram & Sons for the year ended 31st March, 2019 from the following information :

Trial Balance as on 31-03-2019

Particulars	Debit (₹)	Credit (₹)
Sales		3,00,000
Plant and Machinery	1,20,000	
Rent, Rates and Taxes	20,000	
Sales Returns	30,000	
Freight	4,000	
Accounts Receivable	70,000	
Opening Inventory	1,20,000	
Purchases	2,30,000	
Discount	5,000	
Interest	5,000	
Salaries	70,000	
Cash-in-Hand	5,000	
Purchases returns		10,000
Bank Loan		1,50,000
Capital : Atmaram		90,000

(B-12) P. T. O.