

FA-1/BC-104

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(1st Semester)

COMMERCE

Paper No. : BC-104

(Financial Accounting—I)

Full Marks : 70

Pass Marks : 45%

Time : 3 hours

(PART : B—DESCRIPTIVE)

(Marks : 45)

*The figures in the margin indicate full marks
for the questions*

1. (a) "Accounting is the language of business." Comment the statement. 9

Or

- (b) Discuss the role of accounting principles in recording transactions.

2. (a) Nagaland & Co. furnished the following data for the years 2015 and 2016. You are required to calculate—

(i) percentage change in cost price;

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(2)

(ii) percentage change in selling price;

(iii) accounts for changes in gross.

Profit in the year 2016 :

| <i>Particulars</i> | 2015 (₹) | 2016 (₹) |
|--------------------|-------------|-------------|
| Sales | 2,25,000 | 2,32,875 |
| Cost of Goods Sold | 1,65,000 | 1,60,380 |
| Gross Profit | 60,000 | 72,495 |

During 2016, there was a decrease in volume by 10%.

3+3+3=9

Or

(b) Mr. A, who is a sole trader. The following is the trial balance as on 31st December, 2015 :

| | ₹ | | ₹ |
|------------------------------------|----------|------------------------|----------|
| Cash at Bank | 61,590 | Sales | 9,36,200 |
| Cash in Hand | 11,800 | 12% Bank Loan | 80,000 |
| Drawings | 20,000 | Capital | 1,60,000 |
| Bills Receivable | 39,600 | Bills Payable | 5,200 |
| Salary | 44,000 | Discount Received | 2,400 |
| Investment (Market value ₹ 28,000) | 24,000 | Sundry Creditors | 1,26,200 |
| Stock (01.01.15) | 1,27,360 | Income from Investment | 1,980 |
| Land & Building | 80,000 | Purchase Return | 7,400 |
| Travelling Expenses | 13,800 | | |
| Motor Van | 32,000 | | |
| Furniture | 16,000 | | |
| Telegram | 1,600 | | |
| Sundry Debtors | 1,28,000 | | |
| Discount Allowed | 3,600 | | |

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(3)

| | ₹ | ₹ |
|--------------------|------------------|------------------|
| Sundry Expenses | 37,240 | |
| Stationery | 3,200 | |
| Bank Loan Interest | 6,000 | |
| Establishment | 9,190 | |
| Advertisement | 2,000 | |
| Sales Return | 5,000 | |
| Purchase | 6,53,400 | |
| | <u>13,19,380</u> | <u>13,19,380</u> |

Additional Information :

- (i) Closing stock is valued at ₹ 2,40,000
- (ii) Maintain a reserve of 10% of debtors as reserve for debtors
- (iii) Provide a reserve of 5% on sundry debtors as reserve for discount and 5% on sundry creditors
- (iv) Stock worth ₹ 20,000 destroyed by fire on 25/11/2015 in respect of which the insurance company admitted the claim only ₹ 15,000
- (v) The manager of the business is entitled to get a commission of 10% of net profit after calculating such commission

Prepare a Trading and Profit & Loss Account on 31st December, 2015 and Balance Sheet on that date.

2014-15

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3. (a) What is hire-purchase system?
Discuss the accounting treatment of
repossessed goods on default made by
hire purchaser. 3+6=9

Or

- (b) Nagaland Ltd. purchased machinery
from Dimapur Ltd. under the instalment
payment system on 1st January, 2016.
It was agreed that ₹ 15,000 was to be
paid on signing the agreement and a
sum of ₹ 15,000 was to be paid
annually for 3 years. The cash price of
the machine was ₹ 52,300 and the rate
of interest was 10% depreciation is
charged @ 20% on the diminishing
balance method.

You are required to give journal entries
in the book of hire vendor. 9

4. (a) What do you mean by shortworking?
Explain how shortworking account is
maintained in the books of the lessee
and lessor. 3+6=9

Or

- (b) A Ltd. obtains from B. S. Ltd. a lease
of same coal-bearing land, the terms
being a royalty of ₹ 15 per ton of coal
raised subject to a minimum rent of
₹ 75,000 p.a. with a right of recoupment
of shortworking over the first four years

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of the lease. From the following details, show—

- (i) Shortworking Account;
- (ii) Royalty Account;
- (iii) B. S. Ltd. Account in the books of A Ltd.

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| <i>Year</i> | <i>Sales</i> (Tons) | <i>Closing Stock</i> (Tons) |
|-------------|------------------------|--------------------------------|
| 2012 | 2000 | 300 |
| 2013 | 3500 | 400 |
| 2014 | 4800 | 600 |
| 2015 | 5600 | 500 |
| 2016 | 8000 | 800 |

5. (a) What is revaluation account and why is it prepared? Give journal entries that have to be passed regarding the revaluation of assets and liabilities on the admission of a new partner. 2+2+5=9

Or

- (b) Following is the Balance Sheet of Karan and Sandeep who share profits and losses equally as on 31st March, 2016 :

| <i>Liabilities</i> | ₹ | <i>Assets</i> | ₹ |
|---------------------------|-----------------|---------------|-----------------|
| Capital : | | Bank | 40,000 |
| Karan | 1,00,000 | Debtors | 25,000 |
| Sandeep | 50,000 | Stock | 35,000 |
| Creditors | 30,000 | Machinery | 60,000 |
| Workmen Compensation Fund | 15,000 | Furniture | 40,000 |
| Bank Loan | 5,000 | | |
| | <u>2,00,000</u> | | <u>2,00,000</u> |

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(6)

The firm was dissolved on the above date :

- (i) Karan agreed to take over 50% of the stock at 10% less on its book value, the remaining stock was sold at a gain of 15%. Furniture and Machinery realized for ₹ 30,000 and ₹ 50,000 respectively
- (ii) There was unrecorded investments which was sold for ₹ 25,000
- (iii) Debtors realized ₹ 31,500 (with interest) and ₹ 1,200 was recovered for bad debts written off last year
- (iv) There was an outstanding bill for repairs which had to be paid ₹ 2,000

Prepare Realization Account, Capital Accounts and Bank Account. 4+3+2=9
