2011

COMMERCE

Paper : BC–1.1

(Financial Accounting)

Full Marks : 100
Pass Marks : 30

Time : 3 hours

(PART : B—DESCRIPTIVE)

(*Marks* : 60)

The figures in the margin indicate full marks for the questions

Answer *any* **three** questions

1. Mr. Thanga keeps his books on single-entry system. From the following information provided by him, prepare a Trading and Profit & Loss Account for the year ended on 31st December, 2009 and a Balance Sheet as on that date : 20

	31.12.2008 Rs	*31.12.2009* Rs
Furniture	20,000	24,000
Stock	12,000	4,000
Sundry Debtors	24,000	28,000
Prepaid Expenses	Nil	800
Sundry Creditors	8,000	Nil
Outstanding Expenses	2,400	4,000
Cash	4,400	1,200

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Debit Balance	Rs	*Credit Balance*	Rs
Printing and Stationery	600		
General Expenses	2,800		
Advertising	15,000		
Bills Receivable	3,000		
Drawings	6,000		
Salaries	18,000		
Manufacturing Wages	20,000		
Furniture and Fixtures	7,500		
Coal, Gas and Water	1,000		
Cash in Hand	2,000		
Cash at Bank	12,500		
	5,12,950		5,12,950

The following adjustments are required :

(i) The Closing Stock amounted to Rs 35,000

(ii) Plant & Machinery and Furniture & Fixtures are to be depreciated at 10% and 5% respectively

(iii) Bad Debts Reserve to be raised to 2·5% on Debtors

(iv) Provide for outstanding liabilities :

Factory Rent—Rs 300
Office Rent—Rs 600

(v) Insurance includes Rs 100 for the year 2009–2010

3. Mr. *X* and Mr. *Y* are partners in a firm. They share profits and losses in the ratio of 4 : 1. They decided to dissolve the firm on March 31, 2008 on which date the Balance Sheet of the same stood as follows :

Liabilities	Rs	*Assets*		Rs
Capital Account		Trademarks		1,200
Mr. *X* 16,000		Machinery		12,000
Mr. *Y* 6,000	22,000	Furniture		400
Bank Loan	1,500	Stock-in-trade		6,000
Creditors for Goods	8,000	Debtors	9,000	
Bills Payable	500	*Less* : Provision	400	8,600
		Cash in Hand		3,800
	32,000			32,000

The realization shows the following results :

(i) Debtors were realized at book value less 10%

(ii) Trademarks were realised for Rs 800

(iii) Machinery and Stock-in-trade were taken over by Mr. *X* respectively for Rs 14,400 and Rs 3,600

(iv) Creditors for goods were settled at a discount of Rs 80

(v) The expenses on realization were Rs 400

Prepare Realization Account, Cash Book and Capital Accounts of the partners. 20

4. Following is the Youngmen's Library Cash Account for the year ending 31st December, 2009 :

Receipts		Rs	*Payments*		Rs
To	Balance b/d	4,500	By	Salary and Wages	6,800
"	Admission fees	3,500	"	Rent	8,250
"	Subscriptions from members	19,500	"	Investments	3,500
"	Lecture Hall hire charges	2,500	"	Postage and Stationery	1,250
"	Miscellaneous	350	"	Electric Charges	730
"	Interest on Investments	600	"	Books	6,000
"	Life Subscriptions	2,000	"	Outstanding Expenses	700
			"	Balance	5,720
		32,950			32,950

You are required to prepare an Income and Expenditure Account for the year 2009 and a Balance Sheet as on 31.12.2009. 20

The following further information are also made available to you :

(i) On 31.12.2008 the Library had the following assets also :

Furniture—Rs 5,500
Books—Rs 45,000
Investments at cost—Rs 20,000

(ii) Subscriptions realised in advance this year amounted to Rs 600 and outstanding liabilities on 31.12.2009 are for salary and wages Rs 1,200 and for rent Rs 750

(iii) 60% of the admission fees and the whole of life subscriptions should be capitalised

(iv) Furniture and Library Books are to be depreciated at 6% and 10% p.a. respectively

5. Explain the meaning of depreciation. Why is it necessary to provide for depreciation? Discuss the advantages and disadvantages of fixed instalment method. 5+7+8=20

6. What is a foreign branch? Differentiate between a 'dependent branch' and an 'independent branch'. Explain the system of accounting that you will adopt in each case. 5+10+5=20

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2011

COMMERCE

Paper : BC–1.1

(Financial Accounting)

(PART : A—OBJECTIVE)

(*Marks* : 40)

The figures in the margin indicate full marks for the questions

Answer **all** questions

SECTION—I

(*Marks* : 10)

1. Choose the correct answer and place its code in the brackets provided : 1×4=4

(a) Assets are held for the purpose of

(i) earning revenue

(ii) resale

(iii) conversion into cash

(iv) None of the above [ ]

(b) Heavy advertising to launch a product is a

(i) deferred revenue expenditure

(ii) capital expenditure

(iii) revenue expenditure

(iv) None of the above [ ]

(c) Credit purchases are calculated by preparing

(i) Creditors Account

(ii) Debtors Account

(iii) Bills Receivable Account

(iv) None of the above [ ]

(d) Receipts and Payments Account records receipts and payments of

(i) both capital and revenue nature

(ii) capital nature only

(iii) revenue nature only

(iv) None of the above [ ]

2. Fill in the blanks : 1×3=3

(a) Goods are transferred by the head office to branches either at cost price or at selling p..... price.

(b) Income and Expenditure Account is prepared by Non-profit organisation.

(c) Unrecorded liability paid at the time of dissolution is to be debited to Realisation account.

3. Indicate *True (T)* or *False (F)* by a Tick (✓) mark : 1×3=3

(a) Depreciation is provided on current assets. ✓
(T / F)

(b) Closing stock should be valued at cost price or market price whichever is lesser. ✓
(T / F)

(c) Receipts and Payments Account is a real account. ✓
(T / F)

SECTION—II

(*Marks* : 30)

4. Write on the following in not more than *5* sentences each : 3×10=30

(a) Definition of accounting

(b) Separate entity concept

(c) GAAP

(d) Capital expenditure

(e) Single-entry system of accounting

(f) Accounting principles

(g) Gaining ratio

(old ratio – Sacrificing ratio)

(h) Debtors system

(i) Nontrading concerns

(j) Accounting information system

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