Roll No. ....

BBA–105(O)

B. B. A. (First Semester) EXAMINATION, Dec., 2013

(Old Course)

Paper Fifth

PRINCIPLES OF ACCOUNTANCY

Time : Three Hours] [*Maximum Marks : 75*

Note : Attempt all questions. Question No. **1** is objective type questions. All questions carry equal marks.

1. State whether the following statements are true *or* false. (Attempt any *fifteen*) :

   (i) Outstanding Salary Account is a Nominal Account.

   (ii) Goodwill is current asset.

   (iii) The balance sheet gives information regarding the financial position as on a particular date.

   (iv) The basic concepts relating to balance sheet are cost concept and business entity concept.

   (v) All intangible assets are fictitious assets.

   (vi) Net profit plus expenses is equal to gross profit.

   (vii) Debit balance of Profit & Loss Account is real asset.

   (viii) When salary is paid to Mohan, Mohan's Account will be debited and cash account will be credited.

(ix) In case of Nominal Account the rule of debit and credit is, "Debit what comes in and credit what goes out."

(x) Fixed assets are stated in the balance sheet at their market values.

(xi) Depreciation is an amortised expenditure.

(xii) Land is also a depreciable asset.

(xiii) In case of rising prices, profits will be higher under FIFO method than LIFO method of inventory valuation.

(xiv) The Trial Balance checks the honesty of the book-keeper.

(xv) Customs duty paid on imported machinery is capital expenditure.

(xvi) The balance in the petty cash book represents income.

(xvii) Sales of Office furniture should be credited to sales account.

(xviii) Cash Account will show a debit balance.

(xix) Ledger is a book of original entry.

(xx) The double entry system of accounting originated in Italy.

2. X Co. Ltd. purchased a machine on 1st April, 2005 for ₹ 1,60,000. On October 1, 2006 another machine was purchased for ₹ 1,40,000. On October 1, 2007 the first machine was sold for ₹ 1,20,000. On the same date, another machine was purchased for ₹ 1,00,000. On October 1, 2008 the second machine was sold for ₹ 92,000.

Rate of depreciation was 10% on original cost annually on 31st March. On 31st March, 2009 the method of charging depreciation was changed to diminishing balance method, the rate being 15%.

Prepare Machine Account for the years ending 31st March, 2006, 2007, 2008 and 2009.

Or

Explain the following methods of inventory valuation giving their merits and demerits :

(i) FIFO method

(ii) LIFO method

(iii) Weighted Average Cost method

3. 1000 toys consigned by Roy & Co. of Calcutta to T. Nu of Rangoon at an invoice cost of ₹ 150 each. Roy & Co. paid freight ₹ 10,000 and insurance ₹ 1,500. During the voyage 100 toys were totally damaged by fire and had to be thrown overboard. T. Nu took delivery of the remaining toys and paid ₹ 14,400 as customs duty.

T. Nu sent a bank draft to Roy & Co. for ₹ 50,000 as advance payment and later sent an account sales showing that 800 toys had been sold at ₹ 220 each. Expenses incurred by T. Nu on godown rent and advertisement, etc., amounted to ₹ 2,000 T. Nu was entitled to commission of 5 per cent. One of the credit customers could not pay for 5 toys. Prepare the Consignment Account, T. Nu's Account and Profit & Loss Account in the books of Roy & Co., assuming that nothing has been recovered from the insurers due to a defect in the policy. T. Nu settled his account immediately.

Or

Write short notes on any *two* of the following :

(a) Memorandum Joint Venture Account

(b) Dissolution of partnership firm

(c) Incorporation of Branch Trial Balance in the books of head office in case of independent branch

(d) Rectification of errors

4. The following was the Balance Sheet of A, B and C sharing profits and losses in the proportion of 6/14, 5/14 and 3/14 respectively :

	₹		₹
Creditors	18,900	Land and Building	50,400
Bills Payable	16,300	Furniture	17,350
Reserve	7,000	Stock	29,400
Capital Account : ₹		Debtors	26,460
A 39,900		Cash at Bank	8,890
B 33,600			
C 16,800	90,300		
	1,32,500		1,32,500

They agreed to take D into partnership and give 1/8th share of profits on the following terms :

(i) That D brings in ₹ 16,000 as his capital.

(ii) That furniture be written down by ₹ 920 and stock be depreciated by 10%.

(iii) That provision of ₹ 1,320 be made for outstanding repair bills.

(iv) That the value of land and building be written up to ₹ 65,100.

(v) That the value of goodwill be fixed at ₹ 8, 820.

(vi) That the capitals of A, B and C be adjusted on the basis of D's capital by opening current accounts.

Give the necessary journal entries, and the balance sheet of the firm as newly constituted.

Or

How are Receipts and Payments Accounts, Income and Expenditure Account and Balance Sheet of non-profit organizations prepared ? Give their pro forma.

Or

Define bill of exchange and accommodation bills. What are the journal entries made in the books of drawer and accepter in case of accommodation bills ?

5. The following are the balances of Johri A. Ltd. as on 31st March, 2013 :

Credit	₹
Share Capital	40,00,000
12% Debentures	30,00,000
Profit & Loss Account	2,62,500
Bills Payable	3,70,000
Creditors	4,00,000
Sales	41,50,000
General Reserve	2,50,000
Bad Debt Provision on 1-4-2012	35,000
	1,24,67,500

Debit	₹
Premises	30,72,000
Plant	33,00,000
Stock	7,50,000
Debtors	8,70,000
Goodwill	2,50,000
Cash and Bank	4,06,500
Calls-in-Arrear	75,000
Interim Dividend paid	3,92,500
Purchases	18,50,000
Preliminary Expenses	50,000
Wages	9,79,800
General Expenses	68,350
Salaries	2,02,250
Bad Debts	21,100
Debenture Interest paid	1,80,000
	1,24,67,500

Additional Information :

(a) Depreciated plant by 15%.

(b) Write off ₹ 5,000 from Preliminary Expenses.

(c) Half year's Debenture Interest due.

(d) Create 5% Provision on Debtors for Doubtful Debts.

(e) Provide for Income-tax @ 50%.

(f) Stock on 31st March, 2013 was ₹ 9,50,000.

(g) A claim of ₹ 25,000 for workmen's compensation is being disputed by the company.

(h) Ignore corporate dividend tax.

Prepare Final Accounts of the company.

400