

Roll No.....

## **BBA-204 (N)**

### **BBA (Semester-II) Examination-2014**

#### **(New Course)**

#### **Principles of Accounting**

#### **Paper: Fourth**

Time: Three Hours] [Maximum Marks: 70

**Note: Attempt all questions. Each question carries 14 marks. (14x5=70)**

1. What are the various generally accepted accounting principles concepts and conventions? Explain.

**Or**

What are the deficiencies in financial statements prepared under Historical Cost Accounting (HCA) method during periods of inflation? Explain any two methods of accounting for price level changes.

**Or**

T. Ltd. purchased 2 machines costing ₹80,000 each from A. Ltd. on 1.1.2010 on the hire purchase system. The terms were as follows:

Payment on delivery ₹20,000 for each machine, remainder in 3 equal installments and also separately the interest at 10% p.a. to be paid at the end of each year.

T. Ltd. writes off 25% depreciation each year on the diminishing balance method. T. Ltd. paid the installments due on 31.12.2010 and on 31.12.2011 but could not pay the final installment.

A. Ltd. re-possessed one machine on 31.12.2012 adjusting its value against the amount due. The re- possession was done on the basis of 30% depreciation on the diminishing balance method, assuming that the balance, still lying due, will be paid off next year in 2013.

Write up the ledger accounts in the books of T. Ltd. showing the above transactions, upto 31.12.2012.

2. What do you mean by non-trading concerns? How are Income and Expenditure Account and Balance sheet of Non-trading concerns prepared?

Or

What do you mean by Consignment Account? Give proforma of consignment account and method of valuation of abnormal loss of goods by fire in godown of consignee and closing stocks with consignee.

Or

On 1<sup>st</sup> July 2012 Mantu of Chennai consigned goods of the value of ₹5,00,000 to Pandey of Patna. This was made by adding 25 % on the cost. Mantu paid thereon ₹25,000 for freight and ₹15,000 for insurance. During transit one tenth of the goods was totally destroyed by fire and a sum of ₹24,000 was realized from the Insurance company.

On arrival of the goods Pandey paid ₹18,000 as carriage to godown. During the year ended 30<sup>th</sup> June 2013 Pandey paid ₹36,000 for godown rent and ₹19,000 for selling expenses.

One ninth of the remaining goods was again destroyed by fire in godown and nothing was recovered from Insurance company.

On 1<sup>st</sup> June 2014 Pandey sold half the original goods for ₹3,00,000 and charged a commission of 5% on sales. On 30<sup>th</sup> June 2014 Pandey sent a bank draft for the amount so far due from him.

You are required to prepare the following ledger accounts in the books of Mantu of Chennai for the year ended 30<sup>th</sup> June 2013-

- Consignment to Patna Account
- Abnormal Loss Account and
- Personal Account of Pandey

3. What are the journal entries made in the books of Head Office for incorporation of branch trial balance in case of independent branch? Explain.

Or

A Head office in Mumbai has a branch in Ahmadabad to which goods are invoiced by the head office at cost plus 25%. All cash received by branch is daily remitted to the Head office. All expenses are paid from Mumbai. From the following particulars, show how the Branch Account will appear in the Head office books (entries are made at invoice price):

Stock on 1 <sup>st</sup> April 2013 (at invoice price)	₹	12,50,000
Debtors on 1 <sup>st</sup> April 2013		12,00,000
Goods invoiced from Mumbai		40,00,000
Remittances to Mumbai:		45,50,000
Cash Sales	16,00,000	
Cash received from debtors	29,50,000	
Goods returned to Head Office		2,40,000
Cheques received from Head office:		
Wages and Salaries	11,00,000	
Rent, Rates and Taxes	3,00,000	
Sundry Expenses	51,000	
Stock on 31 <sup>st</sup> March 2014		15,00,000
Debtors on 31 <sup>st</sup> March 2014		22,50,000

Explain the following terms relating to Royalty Accounts:

- (i) Minimum Rent
- (ii) Royalty
- (iii) Short workings
- (iv) Recoupment of short workings
- (v) Sub-lease

Or

A colliery company took the lease of a coal field for a period of 25 years from 1<sup>st</sup> January 2009 on a royalty of 25 paise per ton of coal raised with a dead rent of ₹2,500 and power to recoup short workings during the first three years of the lease. The actual output was as follows-

Year	2009	2010	2011	2012	2013
Production (Tonnes)	6,000	11,000	15,000	9,000	12,000

Show the Journal entries and the Landlord Account for the five years in the books of the Colliery Company.

5. Write short notes on any two of the following-

- Final accounts of a Partnership firm
- Dissolution of Partnership
- Balance sheet of a Bank
- Hire Purchase and Installment payment system

Or

Sun and Moon are two partners in a firm sharing profits and losses in the ratio of 3:2. Their Balance Sheet as at 30<sup>th</sup> June, 2013 is as follows:

Liabilities	₹	Assets	₹
Sundry Creditors	14,000	Cash in hand	40,000
Bank Overdraft	6,000	Sundry Debtors	22,000
		Less: Reserve for Bad Debts	<u>2,000</u>
			20,000
Reserve	10,000	Furniture	10,000
Capital Accounts:		Stock	30,000
Sun	25,000		
Moon	45,000		
	<u>70,000</u>		
	<u>1,00,000</u>		<u>1,00,000</u>

Star is to be taken as a third partner with effect from 1<sup>st</sup> July, 2013 on the following terms:

- The new profit sharing ratio of Sun, Moon and Star shall be 5:3:2.
  - Reserve for bad debts is to be created at 10 % out of Reserve.
  - Goodwill is to be created in the books for ₹40,000; 50% of which will be withdrawn by partners.
  - Book value of goodwill is to be written off after admission.
  - Star is to pay off the Bank Overdraft and to bring such an amount in cash so as to make his capital one-sixth of total capital of the new firm after above adjustment.
- You are asked to journalize the entries in the books of the firm and also show the resultant Balance Sheet of the new firm.