

Paper Code : 21211

F-211

B. B. A. (Second Semester)

EXAMINATION, 2017

(New Course)

Paper No. BBA—(N)—204

PRINCIPLES OF ACCOUNTING

Time : Three Hours] [Maximum Marks : 70

Note : Attempt five questions in all selecting *one* question each Unit. All questions carry equal marks.

Unit—I

1. How accounting standard are framed in India ? Explain the procedure.

Or

2. Explain the technique for accounting for price level charges. Explain different methods.

Unit—II

3. Williams of Chennai consigned 300 chests of tea at ₹ 2,000 per chest to Johnson of New Delhi paying freight ₹ 4,000 and other expenses ₹ 2,000. Johnson sold 250 chests at ₹ 2,500 per chest on credit and 25 chests at ₹ 2,200 per chest for cash. Johnson spent for

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freight and octroi ₹ 3,000 and other expenses ₹ 1,000. He remitted the amount due to Williams after deducting his' commission at 5% (normal), 2.5% (overriding), and 5% del credere (del credere commission to be given on total sales). Johnson found that one customer to whom credit of 40 days was allowed paid only ₹ 4,800 out of the total amount of ₹ 5,000 due from him in full statement of account. Other customers paid the amount on due dates. The physical stock taking at Johnson's godown revealed the actual stock as 22 chests.

Prepare the relevant accounts in the books of both the parties.

Or

4. Ram and Rahim enter into a Joint Venture to take a building contract for ₹ 24,00,000. They provide the following information regarding the expenditure incurred by them :

	Ram (₹)	Rahim (₹)
Materials	6,80,000	5,00,000
Cement	1,30,000	1,70,000
Wages	—	2,70,000
Architect's fee	1,00,000	—
Licences Fees	—	50,000
Plant	—	2,00,000

Plant was valued at ₹ 1,00,000 at the end of the contract and Rahim agreed to take it at the value. Contract amount of ₹ 24,00,000 was received by Ram. Profits or losses to be shared equally.

You are asked to show :

- Joint Venture account and Rahim's account in the books of Ram.
- Joint Venture account and Ram's account in the books of Rahim.

Unit—III

5. Roma Industries, Tilak Nagar invoices goods to its Noida branch with instruction to make credit sales at catalogue price which is cost + 50% and cash sales at invoice price which is cost + 20%. The following information is made available :

Opening balances	₹
Branch stock	18,000
Branch debtor	7,000
Transaction during the year :	
Goods received by branch	2,30,000
Goods returned by branch	8,000
Credit sales	2,00,000
Cash sales	27,000
Goods returned by credit customers to branch	1,050
Goods returned by credit customers to direct H.O.	3,000
Goods returned by cash customers to direct H.O.	7,200
Closing balances :	
Branch stock	10,450
Branch debtor	2,950
Branch cash	25,000

Goods invoiced worth ₹ 10,000 were still in transit. Cash customers who returned goods direct to H.O. were settled accounts to the extent of ₹ 6,000 only at accounting date. Prepare the necessary accounts in the books of Roma Industries according to stock and debtor system. <http://www.mjpruonline.com>

Or

6. The following balances were extracted from the books of A. You are required to prepare the Departmental Trading and Profit & Loss Account for the year ended 31st December, 2015 after adjusting the unrealised profits if any :

	Deptt. X (₹)	Deptt. Y (₹)
Opening stock	50,000	40,000
Purchases	6,50,000	9,10,000
Sales	10,00,000	15,00,000

The following information is provided :

- General expenses incurred for both the departments were ₹ 1,25,000.
- Closing stock of department X ₹ 1,00,000 including goods from department Y for ₹ 20,000 at cost to department X.
- Closing stock at department Y ₹ 2,00,000 including goods from department X for ₹ 30,000 at cost to department Y.
- Opening stock of department X and Y including goods of the value of ₹ 10,000 and ₹ 15,000 respectively taken from department Y and department X respectively at cost of transferee departments.
- The gross profit is uniform from year to year.

Unit—IV

7. On 1st April, 2015 Mr. B purchased from Mr. V a machine on hire purchase basis. The hire purchase price was ₹ 80,000 payable as to ₹ 20,000 as down payment and three annual instalments of ₹ 20,000 each; the first annual instalment being payable on 31st March, 2016 Mr. V disclosed that he was charging interest @ 5% per annum. Mr. B charged depreciation the machine @ 15% per annum on diminishing balance of the machine. He closes his books of account every year on 31st March.

Calculate the cash price of the machine. Also prepare for the three accounting years in Mr. B's ledger the following accounts :

- (i) The account of Mr. V, the hire-vendor
- (ii) Machinery account
- (iii) Interest Account
- (iv) Depreciation Account

Or

8. A owned certain patent rights. He granted a licence to B to use such rights on royalty basis. The following are the relevant particulars :

Year	Minimum rent (₹)	Royalty earned (₹)
1	1,750	1,500
2	2,000	1,800
3	2,250	1,900
4	2,500	2,750
5	2,500	2,600

The deficiency of any year is to be set-off against excess payable within the next two years. Give journal entries and the short-workings account in the books of B.

Unit—V

9. Basu and Das are partners sharing profits and losses equally. On 30th June, 2015 their Balance Sheet was as under :

Liabilities	₹
Sundry creditors	39,800
Capital :	
Basu	45,000
Das	36,000
	1,20,800

Assets	₹
Freehold premises	26,000
Machinery	42,000
Stock	12,000
Bank balance	2,800
Sundry debtors	38,000
	1,20,800

It is agreed that Basu will retire as from 30th June, 2015 and that Das will take over the business on the following terms :

- (i) Goodwill of the firm to be valued at ₹ 11,000
- (ii) Stock to be agreed as worth ₹ 10,000

- (iii) A reserve for doubtful debts to be created at 2%
- (iv) Basu to be paid out as to ₹ 20,000 of the amount found to be due to him by a loan taken at 9 per cent and as the balance by a bill of exchange payable after 12 months.

Show journal entries to record the above transactions and also the Balance Sheet to Das after the adjustments have been made. <http://www.mjpruonline.com>

Or

10. The following is the balance sheet of A, B and C sharing profits and losses in the proportion of 6/14, 5/14 and 3/14 respectively :

Liabilities	₹
Creditors	18,900
Bills payable	6,300
General reserve	10,500
A's capital	35,400
B's capital	29,850
C's capital	14,550
	1,15,500

Assets	₹
Cash	1,890
Debtors	26,460
Stock	29,400
Furniture	7,350
Land and buildings	45,150
Goodwill	5,250
	1,15,500

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

- The furniture be depreciated by ₹ 920.
- That stock be depreciated by 10%.
- That a provision of ₹ 1,320 be made for outstanding repair bills.
- That the value of land and building having appreciated be brought upto ₹ 59,850.
- That the value of goodwill be brought upto ₹ 14,070.
- That D should then bring in ₹ 14,700 as his capital.
- That after making the above adjustment the capital accounts of the old partners be adjusted on the basis of the proportion of D's capital to his share in the business, i. e., actual cash to be paid off or brought in any old partners as the cash may be.

Pass the necessary journal entries and prepare the Balance Sheet of the new firm.

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