

12-12-24

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**Bachelor of Commerce (FYUP) 1<sup>st</sup> Semester  
(2124)**

### **PRINCIPLES OF FINANCIAL ACCOUNTING**

**Paper : NBCM101 (Same with B.A. 1<sup>st</sup> Semester)**

**Time Allowed : Three Hours] [Maximum Marks : 80**

**Note :—**Attempt any **FOUR** questions from Section A, each question carries **5** marks. Attempt **TWO** questions each from Sections B and C respectively, each question carries **15** marks.

#### **SECTION—A**

1. Define Accounting and explain various branches of Accounting.
2. Differentiate between Accrual basis of Accounting and Cash basis of Accounting.
3. A and Co. Limited having its Head Office at Delhi with Branches at Lucknow and Allahabad closes its annual accounts on 31<sup>st</sup> December, when the following transactions have taken place :
  - (a) Remittances of Rs. 4,500 made by Lucknow Branch to its Head Office on 30<sup>th</sup> December, received by Head Office on 5<sup>th</sup> January (next year).

- (b) Goods valued Rs. 2,200 despatched by Allahabad Branch on 27<sup>th</sup> December, under instructions from the Head Office and received by the Lucknow Branch on 30<sup>th</sup> December.
- (c) Depreciation amounting to Rs. 1,100 on Lucknow Branch Fixed Assets when accounts of such assets are maintained at the Head Office.
- (d) Goods worth Rs. 9,000 despatched by Head Office to Allahabad Branch on 30th December, received by that branch on 7<sup>th</sup> January (next year).

Pass adjusting Journal Entries in the books of Head Office and Branches.

4. Department R sells goods to Department S at a profit of 25% on cost and Department T at 10% profit on cost. Department S sells goods to R and T at a profit of 15% and 20% on sales respectively. Department T charges 20% and 25% profit on cost to Department R and S respectively.

Department managers are entitled to 10% commission on net profit subject to unrealized profit on departmental sales being eliminated. Department profits after charging manager's commission, but before adjustment of unrealized profits, are as under :

Department R — 54,000; Department S — 40,500;

Department T — 27,000.

Stocks lying at different departments at the end of the year are as under :

|                            | Dept. R<br>(Rs.) | Dept. S<br>(Rs.) | Dept. T<br>(Rs.) |
|----------------------------|------------------|------------------|------------------|
| Transfer from Department R | —                | 22,500           | 16,500           |
| Transfer from Department S | 21,000           | —                | 18,000           |
| Transfer from Department T | 9,000            | 7,500            | —                |

Find out the correct departmental profit after charging manager's commission.

5. Prepare Provision for Bad Debts Account for two years with the help of following information :

|                                    |               |
|------------------------------------|---------------|
| Provision as on 1-4-2022           | Rs. 1,500     |
| Sundry debtors as on 31-3-2023     | Rs. 60,000    |
| Provision required as on 31-3-2023 | 5% on debtors |
| Sundry debtors as on 31-3-2024     | Rs. 50,000    |
| Bad debts written off during 2024  | Rs. 500       |
| Provision required as on 31-3-2024 | 5% on debtors |

6. The Bharat Mining Company holds a lease of a coal mine for a period of 20 years, commencing from 1<sup>st</sup> April, 2018. The lease provided for the payment on 15<sup>th</sup> April, 2019 and (annually thereafter) a royalty of Rs. 2 per ton on coal produced in the previous year subject to a minimum rent of Rs. 8,000 per year. Shortworkings of each other can be

recouped out of royalty in excess of the minimum rent for the next two years only. In the year of strike the minimum rent was to be regarded as having been reduced proportionately having regard to the length of stoppage. The first year in respect of which minimum rent was payable expired on 31<sup>st</sup> March, 2019. The excess paid for the first year was Rs. 3,750, of the second year Rs. 3,000. In the third year the surplus was Rs. 3,200 and of the fourth year Rs. 4,000. In the fifth year actual royalties amounted to Rs. 14,000 and in the sixth year Rs. 7,500 only. During the sixth year there was a stoppage due to strike lasting three months.

Prepare analytical table showing royalty, short working, surplus, recoupable, unrecoupable and payment to landlord.

## SECTION—B

7. Explain Indian GAAP and discuss accounting concepts and conventions.
8. (a) Explain Accounting procedure of Branch Accounting under Debtors systems.  
(b) Explain Accounting procedure of Departments Accounting.
9. Hari Traders invoices goods to its branch at Delhi at cost. Goods are generally sold by the branch at a profit of 10% of cost. From the following information, prepare Branch

Account to find out profit/loss of the branch and also give necessary working notes :

|                           | Opening<br>Balance<br>(Rs.) | Closing<br>Balance<br>(Rs.) |
|---------------------------|-----------------------------|-----------------------------|
| Branch Stock              | 5,000                       | ?                           |
| Branch Debtors            | 7,500                       | ?                           |
| Branch Furniture          | 4,000                       | —                           |
| Branch Salary Outstanding | 2,500                       | —                           |
| Branch Cash               | —                           | 250                         |

|   | Rs.    |   | Rs.    |
|---|--------|---|--------|
| Goods sent to Branch  | 50,000 | Credit Sales  | 30,000 |
| Goods Received by<br>Branch   | 47,500 | Cash received from<br>Debtors                                       | 27,500 |
| Cash sent to Branch<br>for Expenses                                   | 12,500 | Discount  | 3,000  |
| Actual Branch<br>Expenses<br>(including Branch<br>Salary Outstanding) | 14,500 | Cash sent to Branch<br>for Direct<br>Purchases from<br>local market | 10,000 |
| Cash Sales  | 25,000 | Cost of direct<br>purchases   | 12,500 |

Cash remitted by branch to H.O., Rs. 2,750 was not received till close of the accounting period by H.O. Provide 10% depreciation on Furniture.

10. A company has two departments A and B. Department A sells goods to Department B at normal market price. From the following particulars, prepare a Departmental Trading and Profit & Loss Account for the year ended 31<sup>st</sup> March, 2024 :

|                                       | A<br>Dept.<br>(Rs.) | B<br>Dept.<br>(Rs.) | General<br>Total<br>(Rs.) |
|---------------------------------------|---------------------|---------------------|---------------------------|
| Opening stock                         | 15,000              | Nil                 |                           |
| Purchases                             | 2,50,000            | 40,000              |                           |
| Goods from A Dept.                    | —                   | 40,000              |                           |
| Wages                                 | 15,000              | 20,000              |                           |
| Salaries (Departments)                | 7,000               | 5,000               |                           |
| Closing stock at cost of<br>the Dept. | 80,000              | 20,000              |                           |
| Sales                                 | 2,60,000            | 1,45,000            |                           |
| Printing & Stationery                 | 2,500               | 1,500               |                           |
| Machinery                             | —                   | 15,000              |                           |
| Advertisements                        | —                   | —                   | 12,000                    |
| Salaries (General)                    | —                   | —                   | 18,000                    |

Depreciate machinery by 10%, General unallocated expenses are to be apportioned in the ratio of 2 : 1 to the departments A and B.

### SECTION—C

11. Explain why there is need of adjustments at the end of financial year; also discuss various types of adjustments and their accounting procedure for preparation of Final Accounts.

12. Define joint venture and explain accounting procedure followed for Joint Venture Account.

13. A, B and C carrying on business as merchants and sharing profits and losses in the ratio of 2:2:1, dissolved their firm as on February 16, 2024 on which date their Balance Sheet was as follows :

**Liabilities :**

|                       | Rs.           |
|-----------------------|---------------|
| Sundry Creditors      | 20,000        |
| Profit & Loss Account | 10,000        |
| J.L.P. Reserve        | 8,000         |
| Mrs. A's Loan         | 3,000         |
| Advance from C        | 1,000         |
| <b>Capital A/cs :</b> | <b>Rs.</b>    |
| A                     | 15,000        |
| B                     | 14,000        |
| C                     | 2,000         |
|                       | <u>31,000</u> |
|                       | 73,000        |

**Assets :**

|                                     | Rs.    |
|-------------------------------------|--------|
| Cash                                | 4,500  |
| Stock                               | 16,000 |
| Debtors                             | 10,000 |
| Less : Provision for Doubtful Debts | 500    |
| Joint Life Policy                   | 11,000 |
| Premises                            | 26,000 |
| A's Drawings                        | 1,000  |
| C's Drawings                        | 5,000  |
|                                     | 73,000 |

**Note :** A bill of Rs. 800 received from P is under discount. The assets except cash and joint life policy were sold to a Company for Rs. 45,500 cash. The policy was surrendered for and sum of Rs. 10,800 was received. P proved insolvent and a sum of Rs. 500 was received from his estate. Sundry creditors were paid Rs. 19,500 in full settlement. Realisation expenses amounted to Rs. 3,000.

C was declared insolvent. His private estate was worth Rs. 5,000 and his personal liabilities amounted to Rs. 4,900. An unrecorded asset worth Rs. 2,550 was given as a gift to the manager of the firm for services rendered by him.

Prepare Realisation Account, and Partners' Capital Accounts.

14. On 1<sup>st</sup> September, 2024 goods costing Rs. 33,000 were consigned by A to his agent B at proforma invoice of 20% profit on cost. A paid insurance and freight charges amounting to Rs. 1,250. B was allowed Rs. 3,000 per annum being the establishment cost; 5% commission on gross sales and 3% Del Credere commission on credit sales. He was also allowed 5% of the net profit as extra commission after charging such commission. B made an expense of Rs. 255 as landing charges.

Upto 31<sup>st</sup> December, 2024  $\frac{3}{4}$ <sup>th</sup> of the goods were sold at

$33\frac{1}{3}\%$  profit on cost, half of which were credit sales and  $\frac{1}{2}$  of the balance of goods were destroyed by fire and a claim lodged for Rs. 4,000 was settled at a discount of 20%.

You are required to prepare Consignment Account and Abnormal Loss Account in the books of A.