



DN-010-001206

Seat No. _____

B. B. A. (Sem. II) (CBCS) Examination

April / May – 2015

206 - Principles & Practice of Accounting - II

Faculty Code : 010

Subject Code : 001206

Time : Hours]

[Total Marks : 70

1 Multiple Choice Questions (Select appropriate option for 20 each question) :

(1) By the companies amendment act 1999, the implementation of Accounting Standards have been made compulsory with effect from _____.

(A) 31-10-1998 (B) 31-10-1999

(C) 31-10-1997 (D) 31-10-1992

(2) Formulation of accounting standards is done in India by _____.

(A) ASB (B) IASC

(C) ICA (D) None of the above

(3) Accounting standard 6 represents _____.

(A) Depreciation accounting

(B) Accounting for fixed assets

(C) Revenue recognition

(D) Accounting for investments

- (4) The loss in usefulness of an asset occasioned due to technological changes, market changes etc. is known as _____.
- (A) Obsolescence (B) Amortization
- (C) Depletion (D) Depreciation
- (5) Pandit purchased a machine for Rs. 100000. The residual value of the machine after 6 years is Rs. 16000, then what is the rate of depreciation as per straight line method?
- (A) 16% (B) 14%
- (C) 18% (D) 16.67%
- (6) Continuous stock taking by means of book records as well as physical count throughout the year is termed as _____.
- (A) Periodic Inventory
- (B) Perpetual Inventory
- (C) Average Inventory
- (D) None of the above
- (7) From the following details, find out the value of purchase. Opening stock Rs. 40000, Sales Rs. 275000, Closing stock Rs. 60000 and gross profit margin — 20% on sales.
- (A) 230000 (B) 240000
- (C) 235000 (D) 250000

- (8) What among following does not belong to Receipt and Payment account ?
- (A) It is only a summary of cash transactions
 - (B) Only transactions related to current year are included in it
 - (C) Non cash transaction are not recorded in it
 - (D) Both capital and revenue items are recorded in it
- (9) What among following does not belong to Income and Expenditure account ?
- (A) There is no opening and closing balance of cash in it
 - (B) Only revenue income and expenses are recorded
 - (C) Non cash transactions are not entered
 - (D) It is always accompanied by the balance sheet
- (10) Which accounting system reveals the true profit or loss of the business activity?
- (A) Cash system
 - (B) Single entry system
 - (C) Mercantile system
 - (D) None of the above

- (11) Solicitor is a link between;
- (A) Court and advocate
 - (B) Advocate and his creditor
 - (C) Client and advocate
 - (D) Advocate and their association
- (12) What is not true about single entry accounting system?
- (A) All transactions do not have two effects
 - (B) Only personal accounts are opened in the ledger
 - (C) All transactions have single effect
 - (D) Trial balance can't be prepared
- (13) Debtors account is prepared to find out _____ under single entry system.
- (A) Cash received on maturity of Bills receivable
 - (B) Bills payable accepted
 - (C) Amount paid for purchase
 - (D) Amount of Bills Receivable received

- (14) What is not true about Partnership act 1932 provisions?
- (A) Profits and losses are divided equally among partners
 - (B) Partners are entitled for 6% interest on loan
 - (C) No interest can be charged on drawings
 - (D) Partners are entitled for 12% interest on capital
- (15) Interest on drawings is _____ for a partnership firm.
- (A) liability (B) Expense
 - (C) Current asset (D) Income
- (16) If the closing stock is under cast then _____.
- (A) The profit will increase
 - (B) The loss will decrease
 - (C) The profit will not change
 - (D) The profit will decrease
- (17) What is apprentice premium for a firm of professional person?
- (A) Expense (B) Liability
 - (C) Asset (D) Income

- (18) Which of the following is a revenue expense?
- (A) New telephone connection deposit
 - (B) Electric fitting
 - (C) Billiard table
 - (D) Canteen expense
- (19) What is the title of accounting standard 3?
- (A) Disclosure of accounting policies
 - (B) Valuation of inventories
 - (C) Depreciation accounting
 - (D) Cash flow statements
- (20) Which inventory valuation method will result in lower profit and lower valuation of inventory?
- (A) FIFO
 - (B) Average price method
 - (C) HIFO
 - (D) LIFO

2 A Co. Purchased machinery as follows : **10**

Date of Purchase	Cost of Machine (Rs.)
1.4.2006	60,000
1.10.2006	40,000
1.7.2007	20,000

On 1.1.2008 one-third of the machinery which was purchased on 1.4.2006 became obsolete and was sold for Rs. 6,000. The machinery was to be depreciated by Fixed Instalment Method at 10% p a.

Show how the Machinery Account would appear in the ledger of the Company for the years 2006. 2007 and 2008. Assume that the accounting year of the Company ends on 31st December every year.

OR

2 The Breeze trading company discloses the following **10**

information for the month of August 2013 :

Aug. 01 Beginning inventory : 600 units @ Rs. 5 each

Aug. 10 Sales : 400 units @ Rs.12 each

Aug. 11 Purchases : 1,600 units @ Rs.6

Aug. 15 Sales : 1000 units @ Rs.12.50

Aug. 20 Purchases : 1000 units @ Rs.6.50

Aug. 27 Sales : 600 units @ Rs.13.50

Assume the Breeze company uses perpetual inventory system, compute cost of goods sold (COGS), ending inventory and gross profit under :

(a) FIFO method

(b) LIFO method.

- 3 Given below is the Receipt and Payments account of 10
a club for the year ending on 31st December, 2010 :

<i>Particulars</i>	<i>Amount</i>	<i>Particulars</i>	<i>Amount</i>
To Balance	22500	By salaries	9000
Subscription		By expenses	1500
2009	750	By Drama Expenses	7500
2010	30000	By newspapers	1800
2011	1200	By municipal taxes	900
Sales of drama	15750	By charity	6000
tickets	750	By investments	30000
Sales of waste		By electric charges	3000
paper	12750	By payment of	
Entrance fees		account of new	15000
		furniture	9000
		By balance	

Prepare income and expenditure account and Balance sheet from the following information;

- (1) There are 400 members each paying Rs. 75 as annual subscription. Rs. 900 subscription is still outstanding for the year 2009.
- (2) Municipal taxes amounting to Rs. 900 per annum have been paid upto 31st March 2011.

- (3) 6% interest has accrued on investment for five months.
- (4) Building account shows a balance of Rs. 75000 on 1-1-10 and it is required to write off depreciation at 5% per annum.
- (5) Entrance fees are to be capitalized.

OR

- 3 Solicitor Bhushan submits to you the following trial balance for the financial year ending on 31-3-10, prepare his final accounts : 10

Trial Balance

<i>Particulars</i>	<i>Amount</i>	<i>Particulars</i>	<i>Amount</i>
Library books	45000	Capital	50000
Office equipment	30000	Reserve for	
Office building	75000	outstanding (1-4-09)	16000
Office expenses	25000	Bills of fees	196000
Salaries & allowances	30000	Apprentice premium	
Bank balance:		(received on 1-4-09	
Office	20000	for two years)	10000
Clients	10000	Outstanding salary	6000
Cash on hand	3000		
Debtors for fees	25000		
Client's sundry expenses	15000		
	278000		278000

Adjustments :

- (1) Rs. 6000 fee received in advance from clients is wrongly included in bills of fees.
- (2) Office expenses of Rs.1000 is included in sundry expenses for clients by mistake.
- (3) Interest is to be counted at 20% on capital.
- (4) Depreciate at 10% on office building, office equipment and library books.

4 Shri Yogendra commenced business with a capital of **10**

Rs. 100000 on 1-4-2009. During the year, 2009-10, he withdrew for his personal use goods costing Rs. 8000 and cash Rs.12000. He also paid life insurance premium of Rs. 4000 from his business.

During the year he received a gift of Rs. 20000 from his father in law by a cheque which was deposited in the bank account of the business.

On 31st march, 2010 his financial position was as under :

Machinery	80000	Unpaid expenses	2800
Furniture	8000	Prepaid insurance	800
Stock of goods	20000	Cash	1000
Debtors	32000	Bank balance as	
Creditors	12000	per passbook	5000

Additional information :

- (1) A Cheque of Rs. 2000 has been deposited in the bank on 28th march, 2010 but same was credited by bank on 2-4-10.
- (2) Provide depreciation on Machinery and furniture at 10% p.a.
- (3) Create reserve for doubtful debts Rs. 800 on debtors.

From the above information prepare statement of profit and loss for the year ended on 31st march, 2010 and balance sheet as on that date.

OR

- 4 Prashant gives you the following information in respect **10**
of his business :

Cash Payments to		Cash purchases	15750
creditors	47250	Cheque payment	
Total sales	518250	to creditors	400500
Discount allowed	5250	Drawings by cheque	31500
Cash in hand (31-3-10)	16500	Cash drawings	11250
Cheque received from debtors	324000	Cash deposited in bank	116250
Cash received from debtors	152250	Expenses paid by cheque	26250
Cash withdrawn from bank	33750	Bad debts written off	3750
Expenses paid in cash	25500	Discount earned	1500

Balances of accounts were as under :

<i>Particulars</i>	<i>1-4-09</i>	<i>31-3-10</i>
Debtors	??	112500
Stock	65250	78750
Cash and bank	104250	39750
Plant	42000	34500
Furniture	16500	16500
Creditors	45000	70500
Outstanding expenses	3750	6000

From the above information, prepare the Trading and Profit and loss account plus his balance sheet for the year ending 31-3-10.

- 5 (a) Jay, Viru and Gabbar share profits and losses in the ratio of 3:2:1. Gabbar was guaranteed a minimum share of Rs. 6000 in the profit of the firm by the other partners. If the profit of the year ending 31-3-10 was Rs. 30000 how would you distribute it among the partners? 4

If the guarantee is given by Jay alone, how would the distribution be affected ?

- (b) Anu and Virat are partners sharing profits and losses **6**
in the ratio of 3:2. Their capitals were Rs. 30000 and
Rs. 20000 respectively on 1st January, 2010. Interest
on capital is allowed at 10% p.a. and charged on
drawings at the same rate. Anu had withdrawn Rs. 2000
and Rs. 3000 respectively on 1st July, 2010 and 1st
September, 2010. Virat had withdrawn Rs. 1200 and
Rs. 1500 on 1st April and 1st May respectively. Salary
of Rs. 2000 p.a. is allowed to Virat. The profit of the
firm for 2010 before making any adjustments for the
above was Rs. 18000.

Prepare an account showing distribution of profit
and partners' capital accounts.

OR

- 5** Mahendra and Suresh are partners and they provide **10**
following financial details' of their firm for the year ended
31-3-10. Prepare their final accounts on that date :

<i>Particulars</i>	<i>Debit Rs.</i>	<i>Credit Rs.</i>
Capital accounts		
Mahendra		80000
Suresh		60000
Current accounts		
Mahendra		20000
Suresh	5000	
Stock of goods (31-3-10)	27300	

Trading account		30900
Cash on hand	280	
Cash at bank in current account	7000	
Fixed deposit with the bank	40000	
Book debts	18400	
Salaries	18500	
Freehold land	60000	
Plant and machinery	20000	
Furniture and fixtures	5000	
Lease of factory	30000	
(lease expires on 31-3-10)		
Loan from Suresh (1-10-09)		30000
Reserve for discount on debtors		380
Reserve for doubtful debts		1000
Insurance charges	1000	
Printing and stationery	600	
Trade creditors		12000
Bad debts	200	
Advertising	600	
Travelling expenses	400	
	234280	234280

Other details :

- (1) Prepaid insurance Rs. 200
- (2) Mahendra has utilized goods of the value of Rs. 2000 for his personal use, but no record has been made for it.
- (3) Goods of the value of Rs. 4000 had been received on 28th March 2010 but the accountant had deliberately suppressed the invoice and not recorded it in the purchase book during the year.
- (4) Of the total book debts Rs. 400 are bad and should be written off. The reserve for doubtful debts should be maintained at 5% on book debts and the reserve for discount on debtors is now considered unnecessary.
- (5) Depreciate plant and machinery by 20% and furniture and fixtures by 5%.

6 Write a detailed note on usefulness of accounting standards. **10**

OR

6 Differentiate between single entry and double entry system (minimum 5 points) **10**