

2018

(2nd Semester)

COMMERCE

Paper No. : BC-204

(Financial Accounting—II)

Full Marks : 70

Pass Marks : 45%

Time : 3 hours

(PART : B—DESCRIPTIVE)

(Marks : 45)

*The figures in the margin indicate full marks
for the questions*

1. (a) What is meant by accounting theory?
Explain the approaches to accounting
theory. 2+7
- Or
- (b) Explain the roots of accounting theory. 9
2. (a) Distinguish between Statement of
Affairs and Balance Sheet. 9

8L/390a

(Turn Over)

Or

(b) Roshan finds himself insolvent on 31st December, 2016. His position was as follows :

	₹
Sundry debtors :	
Goods	5,000
Doubtful (estimated to produce ₹ 25,000)	30,000
Bad	15,000
1000 shares in A Co. Ltd. (estimated to produce ₹ 15,000)	25,000
Shares in B Co. Ltd. (estimated to produce ₹ 75,000)	91,500
Loss through betting	2,000
Creditors on open account	85,600
Creditors holding a second charge on the shares of B Co. Ltd. (to the extent of ₹ 25,000)	30,000
Creditors holding a first charge on the shares of B Co. Ltd.	40,000
Bills payable	4,000
Creditors for rent, rates and taxes, etc. (of which ₹ 4,600 are preferential)	5,000
Furniture and fixture (estimated to produce ₹ 3,000)	15,000
Cash in hand	550
Stock in trade (estimated to realise ₹ 30,450)	35,950
Bills receivable (estimated to produce ₹ 7,000)	9,000

Roshan started business with a capital of ₹ 70,000 on 1st January, 2014 and the business resulted in a profit of ₹ 8,900 and ₹ 10,000 for the first two years respectively and in a loss of ₹ 5,000 for the third year, after allowing ₹ 3,500 as interest on capital each year. Withdrawals for the whole period amounted to ₹ 30,000.

Prepare Statement of Affairs and Deficiency Account. 5+4

3. (a) Distinguish between Branch Accounts and Departmental Accounts. 9

Or

- (b) Following balances for the year ended 31st March, 2016 were extracted from the books of M/s. United Traders :

	₹
Stock on 1.4.2015 :	
Radio	45,000
Watches	21,000
Sales :	
Radio	2,94,000
Watches	1,46,000
Purchases :	
Radio	2,25,000
Watches	1,15,000
Salaries	12,600
Publicity Expenses	8,900

Rent and Taxes	₹ 3,200
Commission	10,600
Miscellaneous Expenses	5,000
Interest Received	400
Provision for Bad Debts	800

Prepare Departmental Trading and Profit & Loss Account for the year ended 31st March, 2016 after taking into account the following :

9

- (i) Stock as on 31st March, 2016 was radio ₹ 30,000, watches ₹ 24,000
- (ii) An amount of ₹ 1,200 out of sundry debtors of ₹ 16,800 has to be written off as bad and the provision for doubtful debts has to be increased thereafter to 10% of the debts outstanding
- (iii) Following expenses are outstanding on 31st March, 2016 :
 - Publicity—₹ 1,300
 - Salaries—₹ 1,200
 - Commission—₹ 1,700
- (iv) Provide 10% depreciation on furniture and fixture of ₹ 12,400
- (v) Revenue items to be allocated in the ratio of 2 : 1 as between radio and watches

4. (a) Give the specimen of Revenue Account as per IRDA. 9

Or

(b) From the following information, you are required to prepare the Profit and Loss Account of Punjab National Bank for the year ended 31st March, 2016 : 9

	₹ ('000)
Interest on loan	518
Interest on cash credit	446
Discount on bills discounted	390
Interest on overdraft	108
Interest on savings account	220
Interest on fixed deposits	554
Commission and brokerage	16.4
Rent and taxes	36
Auditors fees	2.4
Postage and telephones	2.8
Sundry charges	2
Advertisement	1.4
Director's fees	6
Printing and stationery	0.4
Law charges	1.4
Payment to employees	108
Locker's rent	0.7
Transfer fees	1.4
Depreciation on bank property	10

Additional Information :

- (i) Rebate on bills discounted ₹ 98,000
- (ii) Provide for bad debts ₹ 58,000
- (iii) Transfer ₹ 1,00,000 to reserves
- (iv) Transfer ₹ 50,000 to the Central Government

5. (a) What is self-balancing ledger? How are ledgers made self-balancing? Distinguish between self-balancing ledger and sectional balancing ledger. 2+3+4

Or

- (b) From the following particulars as extracted from the books of Narain and Co. who keeps a sales ledger, a bought ledger and a general ledger on the self-balancing system. Show how the various adjustments account will appear in each of the ledgers : 9

	₹
Debtors balance (1.1.2014)	45,750
Creditors balance (1.1.2014)	54,900
Transactions for the month of January :	
Credit purchase	20,500
Credit sales	22,700
Returns inward	400
Returns outward	600
Cash received from customers	25,500
Discount allowed to customers	450
Cash paid to creditors	30,700
Discount received from creditors	670
Acceptance received from debtors	8,500
Creditors bills accepted	12,000
Bills receivable returned and dishonoured	1,200
Bills payable returned and dishonoured	3,000
Bad debts written off	2,500
Sundry charges debited to customers	345
Allowance from creditors	275

2018

(2nd Semester)

COMMERCE

Paper No. : BC-204

(Financial Accounting—II)

(PART : A—OBJECTIVE)

(Marks : 25)

The figures in the margin indicate full marks for the questions

Answer **all** questions

SECTION—I

(Marks : 15)

1. State whether the following statements are *True (T)* or *False (F)* by putting a Tick (✓) mark : 1×5=5

(a) Accounting theory has followed practice rather than preceded practice.

(T / F)

(b) Preferential creditors are shown under list E.

(T / F)

(c) Under the stock and debtors system, Branch Stock Account is a Nominal Account.

(T / F)

(d) A banking company cannot grant loan to any of its directors.

(T / F)

(e) Life assurance fund represents profits of the life insurance company.

(T / F)

2. Fill in the blanks :

1×5=5

(a) Each and every banking company incorporated in India will prepare its final accounts

on date

(b) Creditors' ledger is called

(c) Life insurance is more appropriate to be

called

(d) Building expenses should be divided among the different departments according to the by each department.

(e) The unsecured creditors having a prior claim over the others are called creditors.

3. Choose the correct answer and place its code in the brackets provided :

1×5=5 .

(a) Rebate on bills discounted is

(i) an item of income

(ii) a liability

(iii) income received in advance

(iv) income outstanding []

(b) Every banking company is required to transfer to statutory reserve

(i) 10% of net profits

(ii) 15% of net profits

(iii) 25% of net profits

(iv) 30% of net profits []

(c) A Valuation Balance Sheet is prepared by a/an

(i) trading company

(ii) banking company

(iii) life insurance company

(iv) electricity company []

(d) Under the sectional balancing system, the ledger which is usually made self-balancing, is

(i) general ledger

(ii) purchase ledger

(iii) sales ledger

(iv) None of the above []

(e) Sold Ledger Adjustment Account is opened in

(i) sold ledger

(ii) bought ledger

(iii) general ledger

(iv) None of the above []

(5)

SECTION—II

(Marks : 10)

4. Write notes on the following in about 4 or 5 sentences each : 2×5=10

(a) Need for accounting theory

(b) Deficiency Account

(10) Mark

Write notes on the following in about 4 or 5 sentences each.
(a) Need for accounting theory

(7)

(c) Valuation Balance Sheet (5) Branch Account

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(8 .)

(d) Branch Account

(e) Money at call and short notice
