

**BACHELOR OF COMMERCE
First Semester**

Name of the Paper: Financial Accounting -I

Paper Code: BCM-02

Duration: 3 Hrs.

Full Marks: 70

(PART-B: Descriptive)

Duration: 2 hrs. 40 mins.

Marks: 50

1. Answer any five of the following questions:

2 × 5=10

- (i) What is meant by Generally Accepted Accounting Principles?
- (ii) What are the authorities that can set and issue Accounting Standard in India?
- (iii) What is Hire Purchase Price?
- (iv) What is Full Cash Price Method in Hire Purchase?
- (v) What is Royalty?
- (vi) What will be the accounting treatment of Royalty in the books of Lessee?
- (vii) What do you mean by self-balancing system?

2. Answer any five of the following questions:

3 × 5=15

- (i) Briefly explain three qualitative features of Accounting Information.
- (ii) Briefly explain the Going Concern Concept of Accounting Principles.
- (iii) Mention three defects of Hire Purchase System.
- (iv) Write three differences between Installment Purchase System and Credit Sale.
- (v) State three advantages of Hire Purchase System from the point of view of the Hire Purchaser.
- (vi) Briefly explain three features of Self Balancing System.
- (vii) Point out the importance of Minimum rent in Royalty agreement.

3. Answer any of one of the following questions:

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(i) M/s Mumbai Motors Ltd. Sells scooters on the hire purchase system. The terms of payment for the sale of a scooter are Rs.1,000 on delivery, Rs.1,040 at the end of the first year, Rs.960 at the end of the second year and Rs.880 at the end of the third year, inclusive of finance charges or interest. Calculate amount of interest included in each installment.

(ii) Give (a) Book-keeping entries and (b) self-balancing entries for the following transaction:

Purchased goods from Rabikant Rs.800 and sold goods to him Rs.200.

4. Answer any two of the following questions:

10 × 2=20

(i) From the following particulars, prepare Debtors Ledger Adjustments Account and Creditors Ledger Adjustment Account, as they would appear in the General Ledger of Bikash Trading Company as on 31st March, 2010:

	Rs.
Debtors balance as on 1.4.09 (Dr.)	50,000
Creditors balance as on 1.4.09 (Cr.)	35,000
Transactions of the year:	
Credit sales	42,000
Cash sales	15,000
Credit Purchases	30,000
Cash Purchases	12,000
Discount allowed to Debtors	400
Goods returned by the customers	1,000
Returns outward	600
Trade discount allowed to Debtors	700
Bills payable accepted	4,000
Bills Receivable received	5,000
Bills Receivable dishonoured	100
Interest charged on dishonoured bill	10
Cash paid to creditors	25,000
Cash received from Debtors	30,000

Discount allowed by Creditors	300
Bad Debts	500
Transfer form one ledger to another	200
Provision for bad and doubtful debts	1,000
Bad Debts Recovered	100

(ii) Roky company purchased a machine from Moon Company on Hire-Purchase System

On 1st January, 2008. The cash price of the machine is Rs.56, 000. As per agreement, payment to be made Rs.15, 000 down and the balance in three annual installments of Rs.15, 000 each payable on 31st December each year. Rate of interest is to be charged @5% per annum. The machine is to be depreciated @10% per annum of written down value method. Rocky Company closes its books on 31st December each year. Rocky company could not pay the second installment due on 31st December, 2009 and as a result the hire vendor took possession of the machine.

Prepare Moon Company Account and Machinery Account in the books of Rocky Company.

(iii) On 1st January 2006, M/ s Baruah and Baruah Ltd. Purchased a Truck on Installment Payment System from Eicher Ltd. The cash price of the machine was Rs.11, 175 and payment was to be made as follows: Rs.3, 000 on signing the agreement and the balance in three equal instalments of Rs.3, 000 each at the end of each year. 5% interest is to be charged by Eitcher Ltd. per annum. M/s Baruah and Baruah Ltd. has decided to write off 10% annually on diminishing balance of the cash price.

Give journal entries in the books M/s Baruah and Baruah Ltd.

(iv) Mahesh obtained from Sohan a coal mine on lease for five years from 1st January, 1988 on the following terms:

- (a) Royalty is to be paid @ Re.1 per ton
- (b) Minimum rent is Rs.1, 500 per year.
- (c) Each year's shortworking can be recouped during the subsequent two years subject to a maximum of Rs.350 per annum.
- (d) If there is any cessation of work due to strike the minimum rent may be reduced proportionately with regard to the length of the stoppage.

Production during the last five years are as follows:

Year	Quantity (tones)
1988	900
1989	1300
1990	2000
1991	1100
1992	1400

During the year 1991, there was a stoppage of production due to strike lasting four months.

From the above particulars prepare:

- (i) Shortworkings Account
- (ii) Sohan's Account in the books of Mahesh

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Duration: 20 minutes

Marks - 20

(PART-A: OBJECTIVE)

1. Choose the correct answer:

1x20=20

- (i) Accounting principles are generally based on
 - (a) practicability
 - (b) subjectivity
 - (c) convenience in recording
 - (d) none of these
- (ii) The accounting standards are intended to apply only to items which are
 - (a) material
 - (b) insignificant
 - (c) measured in terms of money
 - (d) none of these
- (iii) The practice of appending notes regarding contingent liabilities in accounting statements is in pursuance to:
 - (a) convention of consistency
 - (b) money measurement concept
 - (c) convention of conservation
 - (d) convention of disclosure
- (iv) According to the money measurement concept, the following will be recorded in the books of account of the business
 - (a) health of Managing Director of the company
 - (b) quality of company's goods
 - (c) value of plant and machinery
 - (d) all of these
- (v) The convention of conservatism is applicable
 - (a) in making provision for bad and doubtful debts
 - (b) in providing for depreciation
 - (c) in providing for discount on creditors
 - (d) none of these
- (vi) General Ledger Adjustment Account(s) is/are opened in
 - (a) Debtors Ledger
 - (b) Creditors Ledger
 - (c) in both Debtors and Creditors Ledger
 - (d) none of these

- (vii) Under Sectional Balancing Systems, the ledger which is usually made to balance is
- (a) the Debtors Ledger
 - (b) the Creditors Ledger
 - (c) the General Ledger
 - (d) all of these
- (viii) Bad debts previously written off now recovered will be recorded in
- (a) General Ledger Adjustment in the Sales Ledger
 - (b) General Ledger Adjustment in the Purchases Ledger
 - (c) Creditors Ledger Adjustment Account in the General Ledger
 - (d) none of these
- (ix) The buyer charges depreciation on
- (a) Hire Purchase Price of the Asset
 - (b) Cash Price of the Asset
 - (c) Lower of the two
 - (d) none of these
- (x) On seizure of the goods by the hire vendor, the balance in the asset account is transferred to:
- (a) Profit & Loss Account
 - (b) Hire Vendor's Account
 - (c) Goods Repossessed Account
 - (d) none of these
- (xi) In case of hire purchase, asset account is debited with
- (a) Hire Purchase Price
 - (b) Cash price
 - (c) Cost price to seller
 - (d) None of these
- (xii) The amount of interest is credited by the buyer to:
- (a) Interest Account
 - (b) Vendor's Account
 - (c) Asset Account
 - (d) None of these
- (xiii) In case of Installment System, total interest receivable by the seller is credited to
- (a) Interest Suspense Account
 - (b) Interest Account
 - (c) Sales Account
 - (d) none of these
- (xiv) From the point of view of the lessee, Royalty account is _____ account.
- (a) Personal
 - (b) Real
 - (c) Nominal
 - (d) All of these
- (xv) Royalty is calculated on the basis of.
- (a) output
 - (b) sales
 - (c) output or sales
 - (d) none of these

- (xvi) Royalty Payable is debited by the Lessee to _____ account.
- (a) Royalty
 - (b) Landlord
 - (c) Profit & Loss
 - (d) Shortworkings
- (xvii) Recoupable shortworkings are shown in the Balance Sheet as a
- (a) current asset
 - (b) fixed asset
 - (c) current liabilities
 - (d) none of these
- (xviii) _____ guarantees the landlord the receipt of the minimum amount in case of low output or sales
- (a) Dead Rent
 - (b) Shortworkings
 - (c) Royalty
 - (d) None of these
- (xix) Shortworking is the excess of Minimum Rent over _____
- (a) Actual Royalty
 - (b) Dead rent
 - (c) Surplus
 - (d) None of these.
- (xx) Under hire purchase system, the hire vendor charges interest on the _____
- (a) cash price
 - (b) hire purchase price
 - (c) outstanding balance
 - (d) none of these
