

B.B.A. (Part—I) Semester—II Examination
BBA/203 : FUNDAMENTALS OF ACCOUNTING

Time : Three Hours]

[Maximum Marks : 80

- Note** :—(1) There are **three** Sections (A, B and C).
(2) Section A – **20** Marks, Section B – **20** Marks and Section C – **40** Marks.
(3) All questions are compulsory.
(4) In Section A first solved MCQ will be taken into consideration.
(5) Sections B and C comprise of short and long questions respectively one each from respective unit having internal choice from the same unit.
(6) Show necessary working notes wherever necessary.

SECTION—A

1. An expenditure, which increases the earning capacity of a business, is known as :
(a) Revenue expenditure (b) Capital expenditure
(c) Deferred revenue expenditure (d) Capital profit 1
2. Amount spent on advertisement campaign the benefit of which is likely to last for three years is :
(a) Capital expenditure (b) Revenue expenditure
(c) Deferred revenue expenditure (d) None of these 1
3. Which one of the following items will not appear in Receipts and Payments A/c ?
(a) Sale of old newspapers (b) Expenses paid for the last year
(c) Subscription received in advance (d) Loss on sale of old furniture 1
4. Any income arising from the Special Fund will be credited to :
(a) Special Fund in Balance Sheet (b) Income and Expenditure A/c
(c) General Fund in Balance Sheet (d) None of these 1
5. Methods used for ascertaining profit or loss under single entry system is :
(a) Net worth (b) Final account method
(c) Conversion (d) Both (a) and (c) 1
6. Statement of affairs means :
(a) Estimated Expenses and Profits (b) P & I. A/c
(c) Estimated Assets & Liabilities (d) None of these 1
7. _____ A/c is not maintained under single entry system.
(a) Personal (b) Nominal
(c) Real (d) None 1

8. Which of the following is correct ?

- (a) Sales + Closing Stock - Purchases - Gross Profit = Opening Stock
- (b) Sales - Purchase + Gross Profit = Opening Stock
- (c) Sales + Gross Profit + Closing Stock = Opening Stock
- (d) All are incorrect

1

9. Hire Purchase Price - Cash Price + _____.

- (a) Down payment
- (b) Interest
- (c) Instalments
- (d) None of these

1

10. The relationship between hire purchaser and hire vendor is that of _____.

- (a) Bailee and Bailor
- (b) Seller and Buyer
- (c) Agent and Principal
- (d) None of these

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11. An amount paid by hire purchaser at the time of delivery is :

- (a) Cash payment
- (b) Instalment
- (c) Down payment
- (d) None of these

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12. Different methods of calculating interest under hire purchase system are :

- (a) Cost price is not given
- (b) Rate of interest is not given
- (c) Cash price and rate of interest are given
- (d) All the above

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13. Goods supplied from head office less goods received from head office represent :

- (a) Goods sent to branch
- (b) Goods in transit
- (c) Goods returned
- (d) None of these

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14. In case of dependent branch fixed assets accounts are maintained by :

- (a) Branch
- (b) Head office
- (c) Department
- (d) None of these

1

15. Accounting records are _____ maintained in all departments.

- (a) Centrally
- (b) Decentrally
- (c) Separately
- (d) None of these

1

16. In departmental accounts loading is calculated on _____.

- (a) Sales
- (b) Opening Stock
- (c) Sales and Purchases
- (d) Opening and Closing Stock

1

17. List C gives details regarding the :

- | | | |
|-------------------|------------------------------|---|
| (a) Current Asset | (b) Partly Secured Creditors | |
| (c) Fixed Asset | (d) Fully Secured Creditors | 1 |

18. Preferential Creditors are to be paid before :

- | | | |
|-----------------------------|------------------------------|---|
| (a) Fully Secured Creditors | (b) Partly Secured Creditors | |
| (c) Unsecured Creditors | (d) None of these | 1 |

19. Amount of deficiency is given under :

- | | | |
|------------|------------|---|
| (a) List A | (b) List B | |
| (c) List C | (d) List H | 1 |

20. A Statement of Affairs shows the assets at :

- | | | |
|--|---------------------|---|
| (a) Realisable value only | (b) Book value only | |
| (c) Book value as well as Realisable value | (d) All of above | 1 |

SECTION—B

1. From the following information, calculate the amount to be credited to Income and Expenditure A/c for the year ended 31st March, 2017 :

Amount of subscription received during 2016-17	Rs. 15,000	
Subscription outstanding on 31 st March, 2017	Rs. 1,000	
Subscription outstanding on 31 st March, 2016	Rs. 500	
Subscription received in advance on 31 st March, 2017	Rs. 2,000	
Subscription received in advance on 31 st March, 2016	Rs. 3,000	4

OR

From the following information calculate the amount to be shown in an Income and Expenditure A/c for the year ended 31st March, 2017 :

Stock of stationery on 1 st April, 2016	Rs. 4,000	
Creditors for stationery on 1 st April, 2016	Rs. 2,500	
Advances paid for stationery carried from 2015-16	Rs. 600	
Stock of stationery on 31 st March, 2017	Rs. 750	
Creditors for stationery on 31 st March, 2017	Rs. 1,500	
Advances paid for stationery on 31 st March, 2017	Rs. 1,500	
Amount paid for stationery during the year 2016-17	Rs. 12,000	4

2. Umesh started his business with Rs. 25,000 as Capital on January 1, 2017. During the year he introduced Rs. 4,000 as additional capital and withdrew at the rate of Rs. 600 per month. On 31st December, 2017 his position was as follows :

Bank Balance	Rs. 2,000	Cash in Hand	Rs. 500
Stock	Rs. 20,000	Creditors	Rs. 6,000
Debtors	Rs. 12,000	Outstanding Expenses	Rs. 400
Furniture	Rs. 500		

He keeps his books under the single entry method. Determine his profit or loss for the period.

4

OR

The undermentioned particulars have been extracted from the books of Bombay Boot House. You are required to prepare the Sales Ledger Adjustment A/c for 31st March, 2017 :

	Rs.	
Debtors on 1 st March, 2017	55,842	
Transactions during the month were :		
Sales (including cash sales Rs. 10,000)	1,08,602	
Cash received from Debtors	88,753	
Discount allowed to Debtors	480	
Acceptances received from Debtors	7,120	
Returns from Debtors	5,430	
Bills receivable dishonoured	1,120	
Bad debts written off	3,890	
Sundry charges debited to customers	378	
Transfers to Bought Ledger	100	
Provision for doubtful debts	2,500	4

3. Saket purchased a car from Aspa Auto whose cash price is Rs. 56,000 on 1st January, 2015. Rs. 15,000 is to be paid on signing the contract and the balance is to be paid in three equal instalments of Rs. 15,000 each. Calculate interest included in each instalment. 4

OR

A T.V. set is purchased under Hire Purchase System on 1st January, 2013. The Cash Price of T.V. set was Rs. 4,600. At the time of agreement paid Rs. 600 and then five equal yearly instalments of Rs. 800 each. Charged interest on outstanding cash price @ 15% p.a.

Prepare Analysis Table.

4

4. The Mumbai Head Office sent goods to Chennai Branch at 25% profit over costs. From the following details, prepare the Branch Account in the Head Office Books and ascertain the Net Profit at the Branch :

	Rs.
Opening stock of goods at Branch at invoice price	20,000
Goods sent to branch at invoice price	90,000
Loss of goods in transit at invoice price	6,000
Pilferage at Branch at Cost to Branch	1,200
Closing stock at Branch at its cost	16,000
Sales at Branch	1,05,000
Salaries and Wages at Branch	6,000
Other Expenses at Branch	3,000

Chennai Branch received Rs. 4,000 from the insurance company in settlement of the claim for the loss of goods in transit. 4

OR

In the month of January, 2017 the following purchases were made by a business house having three departments :

Department A – 1000 Units	}	At a total cost of Rs. 1,00,000
Department B – 2000 Units		
Department C – 2400 Units		

Stocks on 1st January, 2017 were :

Department A – 120 Units, Department B – 80 Units and Department C – 152 Units. The Sales for the month were :

Department A – 1020 Units at Rs. 20 each

Department B – 1920 Units at Rs. 22.50 each

Department C – 2496 Units at Rs. 25 each

The rate of gross profit is the same in each case. Prepare Departmental Trading A/c. 4

5. Distinguish between Statement of Affairs and Balance Sheet. 4

OR

From the following information prepare Deficiency A/c :

	Rs.
Bad debts	4,500
Drawings	10,800
Net loss arising from Business	3,600
Loss on speculation	7,080
Excess of Assets Over Liabilities	9,000
Loss on Realisation of Assets	16,800

4

SECTION—C

- From the following Income and Expenditure A/c and the Balance Sheet of a club, prepare its Receipts and Payments A/c for the year ended 31st March, 2017 :

Income and Expenditure A/c
for the year 2016-17

Expenditure	Rs.	Income	Rs.
To Upkeep of ground	10,000	By Subscription	17,320
To Printing	1,000	By Sale of Newspaper (Old)	260
To Salaries	11,000	By Lectures	1,500
To Depreciation on Furniture	1,000	By Entrance Fee	1,300
To Rent	600	By Misc. Income	400
		By Deficit	2,820
	23,600		23,600

Balance Sheet as on March 31, 2017

Liabilities	Rs.	Assets	Rs.
Subscription Advance (2017-18)	100	Furniture	9,000
Price Fund :		Ground and Building	47,000
Opening Balance	25,000	Price Fund Investment	20,000
(+) Interest	(+) 1,000	Cash in Hand	2,300
(-) Price given	(-) 2,000	Subscriptions (2016-17)	700
General Fund :			
Opening Balance	56,420		
(-) Deficit	2,820		
(+) Entrance Fees	1,300		
	54,900		
	79,000		79,000

The following adjustments have been made in the above accounts :

- (i) Upkeep of ground Rs. 600 and Printing Rs. 240 relating to 2015-16, were paid in 2016-17.
- (ii) One half of Entrance fees have been capitalized by transfer to general fund.
- (iii) Subscriptions outstanding in 2015-16 were Rs. 800 and for 2016-17 Rs. 700.
- (iv) Subscriptions received in advance in 2015-16 Rs. 200 and for 2017-18 Rs. 100. 8

OR

The following particulars related to Akola Sports Club :

Income and Expenditure for the year ended 31st December, 2017

Expenditure	Rs.	Income	Rs.
To Salaries	6,000	By Admission fee	15,000
To Printing and Stationery	2,500	By Subscription	25,000
To Advertising	1,000	By Rent receivable	4,800
To Insurance charges	900		
To Electricity charges	500		
To Depreciation on sports equipment	12,000		
To Excess of income over expenditure	21,900		
	44,800		44,800

Receipts and Payments A/c for the year ended 31st December, 2017

Receipts	Rs.	Expenditure	Rs.
To Balance	5,000	By Salaries (including Advance)	7,500
<u>To Admission Fees :</u>		By Printing & Stationery	2,500
2016 2,500		By Advertising	1,000
2017 13,500	16,000	By Insurance charges	
<u>To Subscription :</u>		(partly for next year)	1,200
2016 1,000		By Electricity	500
2017 23,000		By Purchase of Fixed Assets	20,000
2018 2,000	26,000	By Balance	17,900
To Rent	3,600		
	50,600		50,600

On 1st January, 2017 the club had following assets :

	(Rs.)
Land and Buildings	60,000
Sports and Equipment	30,000
Furniture	4,500

Prepare Opening and Closing Balance Sheets.

8

2. From the following information, prepare Two Sales Ledger Adjustment A/c as they would appear in General Ledger :

	Maharashtra (Rs.)	Out of Maharashtra (Rs.)
Opening Balance (Debit)	12,500	31,000
Opening Balance (Credit)	300	-
Sales	31,200	43,000
Returns	3,170	2,050
Cash Received	20,050	51,200
Discount Allowed	1,300	2,700
Bad debts written off	3,710	4,250
Provision for Bad debts	5,000	6,000
Allowances	420	370
Bills Receivable Received	1,300	-
Bills Receivable Dishonoured	500	-
Closing Balance (Credit)	720	210

From the Transfer Journal, Rs. 1,200 (Debit) in respect of a Calcutta party were wrongly posted in Maharashtra States Ledger Adjustment A/c. 8

OR

Distinguish between Single and Double Entry System. 8

3. Purchased a Radio set with a cash price of Rs. 1,620 on hire purchase basis. The amount is payable in 12 monthly instalments of Rs. 200 each. Show the calculation of interest. 8

OR

A cycle dealer sells bicycles on hire purchase at 24 monthly instalments of Rs. 50 each. The bicycle costs him Rs. 750. Ignoring interest and depreciation, show how much profit he makes when half the instalments are paid. What will be the profit if interest is not ignored? 8

4. Progressive Bros. of Kanpur opened branch at Kolhapur on 1st January, 2016. From the following information, prepare Kolhapur Branch A/c in the Books of Head Office for the year ended 31st December, 2016 and 31st December, 2017 :

	2016 (Rs.)	2017 (Rs.)
Goods sent to Kolhapur Branch	80,000	96,000
Expenses paid by Head Office :		
Rent	960	960
Salaries	4,800	4,800
Advertisement	480	640
Cash Sales at Branch	96,000	1,32,000
Remittance received from the Branch	?	1,28,400
Remittance made on 30th Dec. still in Transit	?	3,200
Expenses paid by Branch :		
Carriage	160	200
Petty Expenses	240	320
Stock on 31 st December	16,000	24,000
Petty Cash in Hand	160	?

OR

Sony Ltd. has three departments – TV Sets, Spares and Servicing. Each department is under the charge of a separate Manager, who, in addition to his salary, is entitled to a commission of 20% of the profit earned in his department. After the A/c for 2016-17 had been prepared, it was found that certain inter-departmental transfers had not been taken into account. These were (at cost) :

	(Rs.)
From : TV Sets to spares (Because of a damaged set)	10,000
Spares to servicing	25,000
Servicing to TV Sets	5,000
Servicing to Spares	10,000

The transfers are to be recorded at the selling price, the basis for which is :

TV Sets	–	Cost plus 10%
Spares	–	Cost plus 25%
Servicing	–	Cost plus 50%

Give Journal entry to adjust the position as may be required, assuming the servicing department still had 40% of the spares sent to it in stock. Previously, these had been somehow omitted from inventory sheets. 8

5. In what order the official assignee proceeds to distribute the amount realised ? 8

OR

Mahesh filed his petition in Bankruptcy on 31st December, 2017 on which date his books showed the following balances :

	Dr. (Rs.)	Cr. (Rs.)
Cash in Hand	200	-
Fixtures and Fitting (Estimated to produce Rs. 1,600)	5,000	-
Stocks (Estimated to produce Rs. 24,000)	36,000	-
Trade Creditors	-	40,000
Bills payable	-	44,000
<u>Debtors :</u>		
Good	20,000	-
Doubtful (Estimated to produce 50%)	40,000	-
Bad	40,000	-
Bank overdraft	-	24,000
Capital	-	33,200
	1,41,200	1,41,200

Preferential Creditors included Trade Creditors amounting to Rs. 700. Liability on Bill discounted was valued at Rs. 10,000; out of which Rs. 2,000 were expected to rank. His household furniture etc. was valued at Rs. 5,000. He owned a house valued at Rs. 15,000 having a mortgage on it of Rs. 12,000 at 4%. Interest was paid up to 30 June, 2017. Creditors for rates on the house Rs. 300. Prepare Statement of Affairs and Deficiency A/c. 8

