

END TERM EXAMINATION

14

THIRD SEMESTER [BCA] DECEMBER-2012

Paper Code: BCA207

Subject: Principles of Accounting

Time : 3 Hours

Maximum Marks :75

Note: Attempt any five questions including Q.no.1 which is compulsory.
Calculator is allowed.

- Q1 State true or false with reason in support:- (1.5x10=15)
- (a) Journal proper is capable of recording every type of business transaction.
- (b) 'Closing stock and closing inventory is one and the same.
- (c) Some of the Accounting standards in India are mandatory.
- (d) Balance sheet is always balanced.
- (e) Profit and Loss account shows the financial position of the concern.
- (f) "Separate Business Entity" refers to separation of various businesses.
- (g) Accounting as a discipline is not related with other discipline like 'Law' etc.
- (h) Lower of cost or market value should be used in valuation of fixed assets.
- (i) Cash Account and Cash Book is one and the same.
- (j) Machinery account can have net credit balance.
- Q2 Explain the following:- (5x3=15)
- (a) Distinguish between bookkeeping and accounting.
- (b) Accounting equation is based on dual concept. Do you agree?
- (c) "Accrual concept is often described as matching concept".
- Q3 (a) Distinguish between LIFO and FIFO method of inventory valuation.
- (b) Distinguish between 'Simple Average Method' and 'Weighted Average Method' of inventory valuation.
- (c) Explain perpetual inventory control system. (5x3=15)
- Q4 Following is the Trial Balance of ABC Traders as on 31.3.12:- (15)

Debit balances	Rs.	Credit balances	Rs.
S. Debtors	1,60,000	Capital	4,20,000
Bills receivables	48,000	Creditors	1,20,000
Furniture	30,000	Bills payables	64,000
Machinery	2,00,000	Wages outstanding	5,000
Salaries	40,000	Reserve for doubtful debts	10,000
Electricity	12,000	Gross profit	1,00,000
Rent	20,000		
Advertising expenses	16,000		
Investment at 12% interest	1,20,000		
Bank	43,000		
Cash balances	30,000		
	7,19,000		7,19,000

Prepare profit and loss A/C for the year ended on 31.3.12 and a B/S as on that date:-

- (a) Rent prepaid Rs. 2000.
- (b) Depreciate machinery at 20% p.a. and furniture at 10% p.a.
- (c) Bills receivables includes a dishonoured bill for Rs. 6000.
- (d) $\frac{1}{4}$ of the advertising expenses is to be carried forward.
- (e) A provision for doubtful debts are to be made @10%.

- Q5 ABC corporation purchased a machine costing Rs.300000 that had an estimated useful life of six years and residual value of Rs. 18,000. The machine is expected to produce 35,25,000 units during its useful life as follows:-

Year	Units
1	930000
2	800000
3	580000
4	500000
5	415000
6	300000
	35,25,000

Required:-

- (a) What will be each year's depreciation charge if the company uses unit-of-production method?
- (b) Will this give significantly different depreciation charges in each year than the sum-of-the-years digits method?
- Q6 On March 31, the Mohan's shop had no water bottles on hand. During the next four months it first purchased 50 water bottles for Rs.14 each and then 75 more for Rs. 12 each. During these four months, 100 water bottles were sold. Required:
What will be the July 31 water bottle inventory amount and the four months cost of goods be if the Mohan's shop uses the periodic inventory method: (a) Average cost (b) FIFO (c) LIFO
- Q7 A company uses the periodic inventory method. In its most recent fiscal year 2011-12, the company had: beginning inventory Rs. 50,000, gross purchases of Rs. 1,67,000, freight in of Rs. 4000 and purchases returned to supplier totaling Rs. 8000 and ending inventory of Rs. 77,500. Make the year-end adjusting and closing entries to reflect the above information in the inventory, cost of goods sold and income summary accounts. Then assuming sales of Rs. 3,25,000, other expenses (excluding taxes) of Rs. 95000 and a tax rate of 30%, prepare an income statement for the year, reflecting the computation of the cost of goods sold amount.
- Q8 XYZ Electronics Company had the following transaction during April while conducting its television and mobile phone repair business.
- A new repair truck was purchased for Rs. 1,90,000.
 - Parts with a cost of Rs. 16000 were received and used during April.
 - Service revenue for the month was Rs. 3,34,000 but only Rs. 205000 was cash sales. Typically, only 95% of credit sales are realized.
 - Interest expenses on loans outstanding was Rs.8800.
 - Wages costs for the month totaled Rs. 100000. However Rs. 14000 of this had not yet been paid to the employees.
 - Parts inventory from the beginning of the month was depleted by Rs. 21000.
 - Utility bills totaling Rs. 15000 were paid. Rs. 7000 of this amount was associated with March's operations.
 - Depreciation expenses was Rs. 27000.
 - Selling expenses were Rs. 19000.
 - A provision for income taxes was established at Rs. 28000.
 - Administrative and miscellaneous expenses were recorded at Rs. 47000.
- Required: Prepare a detailed income statement.