PUNJAB TECHNICAL UNIVERSITY, JALANDHAR
EXAMINATION - MAY 2014, B.COM-PROFESSIONAL: SECOND SEMESTER
BCOP 201: ADVANCED ACCOUNTING

Time Allowed: 3 Hours **Maximum Marks- 60**

Instructions:

- *Section A is compulsory and consists of 10 questions of 2 marks each.*
- *Section B includes six questions out of which the candidate is required to attempt any four questions. Each question is of 10 marks.*

SECTION-A

1. Write down the steps to be taken for converting single entry books into double entry books.
2. Give four points of distinction between Receipts and Payment Account and Income and Expenditure Account.
3. P purchased a TV set on hire purchase system. The cash price of TV was Rs. 7,200. He agrees to pay Rs. 200 at the time of agreement to pay four quarterly installments of Rs. 2,000 each. Calculate interest for each quarter.
4. Pass the required journal entries in the books of Landlord/Lessor with the given information: Royalty— Rs. 8,000 and Minimum Rent is Rs. 10,000 (When the short working can be recouped in next two years only).
5. What are the rules applicable in the absence of an agreement to the contrary among the partners under Indian Partnership Act, 1932?
6. A partner makes drawings of Rs. 1,000 per month. What would be the amount of interest @ 15% p.a. if the drawing is made:
   a. In the beginning of every month;
   b. At the end of every month.
7. Preeti, Mona and Nisha shares profits in the ratio of 3:2:1. The profits of the last three years were Rs. 1,40,000, Rs. 84,000 and Rs. 1,06,000 respectively. These profits were shared equally among partners wrongly. Pass the necessary journal entry to correct the error.
8. A and B are partners in firm sharing profits in the ratio of Rs. 5:3. They admit C into partnership for $3/10^{th}$ share in profits, which he takes $2/10^{th}$ from A and $1/10^{th}$ from B. C brings in cash Rs. 3,000 as premium in cash out of his share of Rs. 7,800. Journalize.
9. A, B and C are partners sharing Profits & Losses in ratio of 5:4:3. C retires and his share is taken up by A & B in ratio of 2:1. Calculate new profit sharing ratio.
10. What is order of payment at the time of dissolution of a partnership firm?

SECTION-B

1. On 1.1.2011 X, a television dealer, bought 5 television sets from Dolphin Television Company on hire purchases basis. The cash price of each set was Rs. 20,000. It was agreed that Rs. 25,000 should be paid immediately and the balance in three installments of Rs. 30,000 each at the end of each year. The television company charges interest @ 10% p.a. The buyer depreciates television sets at 20% p.a. on the diminishing balance method. X paid cash down and two installments but failed to pay the last installment. Consequently, the television company repossessed three sets, leaving two sets with the buyer and adjusting the value of 3 sets against the amount due. The sets repossessed were valued on the basis of 30% depreciation p.a. on the written down value. The sets repossessed were sold by the television company for Rs. 30,000 after necessary repairs amounting to Rs. 5,000 on 30^{th} June 2014. Open the necessary ledger accounts in the books of X.
2. The following is the balance sheet of Rama Stores on 31^{st} March, 2013:

Liabilities	Amount	Assets	Amount
Capital	10,00,000	Fixed Assets	4,00,000
Trade Creditors	1,40,000	Stock	3,00,000
Profit & Loss A/c	60,000	Debtors	1,50,000
		Cash at bank	3,50,000
Total	12,00,000	Total	12,00,000

The management estimates the purchases and sales for the year ended 31st March, 2014 as under:

	Upto 28.02.2014	March 2014
Purchases	14,10,000	1,10,000
Sales	19,20,000	2,00,000

It was decided to invest Rs. 1,00,000 in purchases of fixed assets, which are depreciated @ 10% on cost. The time lag for payment to trade creditors for purchase and receipt from sales is One Month. The business earns a gross profit of 30% on turnover. The expenses against gross profit amount to 10% of the turnover. The amount of depreciation is not included in these expenses.

You are required to draft a balance sheet as at 31st March, 2014 assuming that creditors are all trade creditors for purchases and debtors for sales and there is no other item of current assets and liabilities apart from stock and cash at bank balances.

3. Explain the following:
   a. Show the treatment of "Entrance Fees" while preparing final accounts of a non-trading firm
   b. Distinguish between Normal Loss and Abnormal Loss.
4. Differentiate between the following:
   a. Fixed and Fluctuating Capital.
   b. Dissolution of Partnership and Dissolution of Partnership Firm.
5. The partners of a firm distributed the profits for the year ended 31st March, 2013, Rs. 90,000 in the ratio of 3:2:1 without providing forth following adjustments:
   a. A and C were entitled to a salary of Rs. 1,500 per annum.
   b. B was entitled to a commission of Rs. 4,500.
   c. B and C had guaranteed a minimum profit of Rs. 35,000 per annum to A.
   d. Profit was to be shared in the ratio of 3:3:2.

   Pass the necessary journal entry for the above adjustments along with the Adujsted Profits & Losses Account in the book of the firm.
6. A, B and C are equal partners of a trading firm. The capital of the firm is Rs. 60,000 held equally by the partners. The firm has taken out a policy of Life Assurance for Rs. 18,000 on the joint lives of an annual premium of Rs. 1,000 debited to P & L A/c. Under the partnership deed:
   i. A and B were entitled to be credited at the close, of each year with partnership salaries of 1,800 and Rs. 1,600 respectively.
   ii. In the event of death of a partner, Goodwill was to be valued at one year's the average profits of the three years preceding the year of death.
   iii. Partners were to be charged 5% interest on their drawings and the same rate was to be allowed while calculating interest on their capital irrespective of the period.

   B dies on 31st December 2013. His drawings during 2013 amounted to Rs. 2,000. The profits of the three years preceding the death were: 2010—Rs. 8,000; 2011—Rs. 24,400 and 2012—loss of Rs. 5,400. Profits for the year 2013 were Rs. 9,000. Prepare B's Executor's A/c.