

**BACHELOR'S DEGREE PROGRAMME**

**Term-End Examination**

**December, 2007**

**ELECTIVE COURSE : COMMERCE**

**ECO-2 : ACCOUNTANCY-I**

Time : 2 hours

Maximum Marks : 50

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**Note :** Attempt any **four** questions, including question no. 1 which is **compulsory**. Give working notes, wherever necessary.

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1. Answer any **two** questions of the following : 7+7
- (a) Explain Business Entity concept and state its accounting implications.
  - (b) What is Joint Venture ? How does it differ from partnership ? Explain.
  - (c) Distinguish between capital reserves and revenue reserves.
  - (d) What is depreciation ? What is the difference between fixed instalment method and diminishing balance method of depreciation ?
2. (a) Why do we prepare Trial Balance ? Explain.
- (b) Give necessary adjusting journal entries for the following items : 4+8

- (i) Salary due but not paid Rs. 5,600
  - (ii) Bad debts to be written off Rs. 20,400
  - (iii) Unexpired insurance Rs. 6,000
  - (iv) Commission received in advance Rs. 4,000
3. (a) Distinguish between Income and Expenditure Account and Receipts and Payments Account.
- (b) From the following information, prepare Income and Expenditure Account of National Nursing Home for the year ended 30<sup>th</sup> June, 2006 :

Receipts	Rs.	Payments	Rs.
Bank balance (as on 1-7-2005)	4,020	Salaries	1,312
Subscriptions	2,230	Laundry	760
Fee from non-members	540	Rent & taxes	400
Municipal grant	2,000	Cost of carpet	4,000
Donations for Building Fund	3,120	Cleaning expenses	1,680
Interest	76	Drugs and other expenses	1,340
		Balance c/d	2,494
	11,986		11,986

A donation of Rs. 200 received as Building Fund was wrongly included in the Subscription account. A bill of medicines purchased during the year amounting to Rs. 256 was outstanding.

5+7

4. (a) What do you mean by Secret reserves ? How do you create Secret reserves ?

(b) A machine was purchased for Rs. 25,000 on 1<sup>st</sup> January, 2004. Depreciation is to be provided annually according to the straight line method. The useful life of the asset is 10 years and residual value is Rs. 5,000. You are required to find out its annual depreciation. Another machine was purchased on 1<sup>st</sup> July, 2005 with a working life of 10 years for Rs. 50,000 with no residual value. Also ascertain the annual depreciation for this machine and prepare Machinery account for 2004, 2005 and 2006, assuming the firm closes accounts on 31<sup>st</sup> December of every year.

2+2+8

5. (a) Explain different types of errors with suitable examples.

(b) Prepare Manufacturing Account from the following information relating to the year ended on 31<sup>st</sup> December, 2005 :

6+6

	<u>Rs.</u>
Purchase of raw material	4,00,000
Stock of raw material on 1.1.2005	40,000
Work-in-progress on 1.1.2005	20,000
Factory wages	60,000
Factory rent	20,000
Fuel and power	8,000
Carriage inward	4,000
Repairs of plant	8,000
Depreciation on plant	20,000
Sale of scrap	2,000
Stock of raw materials (31.12.2005)	80,000
Stock of work-in-progress (31.12.2005)	30,000

6. Write explanatory notes on any **two** of the following : 6+6
- (a) Bank Reconciliation Statement
  - (b) Petty Cash Book
  - (c) Normal loss and Abnormal loss
  - (d) Features of Consignment