**BATCH :GCF-8 to GCF-13 &SCF-4**

**DATE: 27.09.2018** **MAXIMUM MARKS: 100** **TIMING: 3¼Hours**

**PAPER 1: PRINCIPLES & PRACTICE OF ACCOUNTING**

**INSTRUCTIONS TO CANDIDATES**

**Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium and answers in Hindi, his/her answers in Hindi will not be valued.**
**Question No. 1 is compulsory.**
**Candidates are required to answer any four questions form the remaining five questions.**
**In case, any candidate answers extra question(s)/sub-question(s) over and above the required number, then only the requisite number of questions best answered in the answer book shall be valued and extra question(s) answered shall be ignored.**
**Working notes should form part of the answer.**
**Wherever necessary, suitable assumptions may be made and indicated in the answer by the candidate.**

**Question 1:**

**(a)** State with reasons weather the following statements are true or false:

(i) Wages paid for installation of machinery is revenue expenditure.
(ii) Debentures can not be issue as collateral security.
(iii) Promissory noteis payable to bearer.
(iv) Rectification of error is done at the end of accounting year.
(v) Goodwill brought in by new partner is distributed among old partners in gaining ratio.
(vi) Joint venture is a going concern business.

**(6×2 = 12M)**

**(b)** Write short note on the following.

(1) Accommodation bill
(2) Del-Credre Commission.

**(2×2 = 4M)**

**(c)** From the following information, calculate the historical cost of inventories using adjusted selling price method: **(4M)**

| | |
|---|---|
| Sales during the year | 2,00,000 |
| Cost of purchases | 2,00,000 |
| Opening inventory | Nil |
| Closing inventory at selling price | 50,000 |

**(20 Marks)**

**Question: 2**

**(a)** A and B entered into a joint venture of underwriting the subscription of the entire share capital of the Copper Mines Ltd. consisting of 1,00,000 equity shares of Rs. 10 each and to pay all expenses upto allotment. The profits were to be shared by them in proportions of 3/5ths and 2/5ths. The consideration in return for this agreement was the allotment of 12,000 other shares of Rs. 10 each to be issued to them as fully paid. A provided funds for registrationfees Rs.12,000, advertisingexpensesof Rs.11,000, forexpensesonprintinganddistributingtheprospectus amounting to Rs. 7,500 and other printing and stationery expenses of Rs. 2,000. B contributed towards payment of office rent Rs. 3,000, legal charges Rs. 13,750, salary to clerical staff Rs. 9,000 andotherpetty disbursements of Rs.1,750. The prospectus was issued and applications fell short by 15,000 shares. A took over these on joint account and paid for the same in full. The venturers received the 12,000 fully paid shares as underwriting commission. They sold their entire holding at Rs. 12.50 less 50 paise brokerage per share. The net proceeds were received by A for 15,000 shares and B for 12,000 shares.

**Required**

Write out the necessary accounts in the books of A showing the final adjustments.

**(10Marks)**

**(b)**

AnandpurchasedgoodsfromAmirtha,theaverageduedateforpaymentincashis10.08.2016andthe totalamountdueisRs.67,500.HowmuchamountshouldbepaidbyAnandtoAmirtha, iftotalpayment ismadeonfollowingdatesandinterestistobeconsideredattherateof12%p.a.

(i) On average duedate.
(ii) On 25th August,2016.
(iii) On 30th July,2016.

**(5 Marks)**

**(c)** A trader prepared his accounts on 31st March, each year. Due to some unavoidable reasons, no inventory taking could be possible till 15th April, 2017 on which date the total cost of goods in his godown came toRs. 5,00,000. The following facts were established between 31st March and 15th April, 2017.

(i) Sales Rs. 4,10,000 (including cash sales Rs. 1,00,000)
(ii) Purchases Rs. 50,340 (including cash purchases Rs. 19,900)
(iii) Sales Return Rs. 10,000.

Goods are sold by the trader at a profit of 20% on sales.

You are required to ascertain the value of inventory as on 31st March, 2017.

**(5 Marks)**

**Question: 3**

**(a)** The following balances appeared in the Trial Balance of M/s Kapil Traders as at 31st March 2016:

| | Rs. |
|---|---|
| Sundry Debtors | 3,05,000 |
| Bad Debts | 5,000 |
| Provision for Bad-debts | 20,000 |

The partners of the firm agreed to record the following adjustments in the books of the firm. Further Bad-debts Rs. 3,000; maintain provision for Bad-debts 10%. Show journal entries and the Bad-debts Account, Provision Account, Debtors Account, Profit and Loss Account and Balance Sheet.

**(10 Marks)**

**(b)** Suresh started business on April 1, 2016 with a capital of Rs. 30,000. The following Trial Balance was drawn up from his books at the end of the year:

| **Particulars** | **Amount Rs.** | **Particulars** | **Amount Rs.** |
|---|---|---|---|
| Drawings | 4,500 | Capital | 40,000 |
| Plant & Fixtures | 8,000 | Sales | 1,60,000 |
| Purchases | 1,16,000 | Creditors | 12,000 |
| Carriage Inward | 2,000 | Bills Payable | 9,000 |
| Wages | 8,000 | | |

| | | | |
|---|---|---|---|
| Return Inward | 4,000 | | |
| Salaries | 10,000 | | |
| Printing | 800 | | |
| Advertisement | 1,200 | | |
| Trade Charges | 600 | | |
| Rent | 1,400 | | |
| Debtors | 25,000 | | |
| Bills Receivable | 5,000 | | |
| Investements | 15,000 | | |
| Discount | 500 | | |
| Cash at Bank | 16,000 | | |
| Cash in Hand | 3,000 | | |
| | 2,21,000 | | 2,21,000 |

The value of stock as at 31 March, 2017 was Rs. 26,000. You are required to prepare his Trading & Profit & Loss Account for the year ended 31st March 2017 and a Balance Sheet as at that date after taking the following facts into account:

(I) Interest on capital is to be provided at 6% p.a.

(II) an additional capital of Rs. 10,000 was introduced by Suresh on October 1, 2006.

(III) Plant & Fixtures are to be depreciated by 10% p.a.

(IV) Salaries outstanding on March 31, 2017 amounted to Rs. 500.

(V) Accurured interest on investment amounted to Rs. 750.

(VI) Rs. 500 are Bad Debts and a provision for Doubtful Debts is to be created at 5% on the balance of debtors.

**(10 Marks)**

**Question: 4**

**(a)** On 1st April, 2011 State Collieries Co. took on lease a mine from Omega Co. Under the contract, royalty was payable @ Rs. 10 per tonne of coal extracted with an annual minimum rent of Rs. 1,00,000. Short-workings, if any were recoverableonlyduringthefirstthree years ofthecontract. Theoutputforthefirstfouryears is notedbelow:-

| | | |
|---|---|---|
| For the year ended 31st March 2012 | 6,000 | tonnes |
| For the Year ended 31st March 2013 | 10,500 | tonnes |
| For the Year ended 31st March 2014 | 13,000 | tonnes |
| For the Year ended 31st March 2015 | 20,000 | tonnes |

Pass journal entries in the books of the landlord for all the four years.

**(10 Marks)**

**(b)** A, B & C were in partnership sharing profits in the proportions of 5:4:3. The balance sheet of the firm as on 31st March, 2015 was as under:

| **Liabilities** | **(Rs.)** | **Assets** | **(Rs.)** |
|---|---|---|---|
| Capital accounts: | | Goodwill | 40,000 |
| A | 1,35,930 | Fixtures | 8,200 |
| B | 95,120 | Inventories | 1,57,300 |
| C | 61,170 | Trade receivables | 93,500 |
| Trade payables | 41,690 | Cash | 34,910 |
| | 3,33,910 | | 3,33,910 |

A had been suffering from ill-health and gave notice that he wished to retire. An agreement was, therefore, entered into as on 31st March, 2015, the terms of which were as follows:

(i) The profit and loss account for the year ended 31st March, 2015 which showed a net profit of 48,000 was to be re-opened. B was to be credited with Rs. 4,000 as bonus, in consideration of the extra work which had devoled upon him during the year. The profit sharing was to be revised from 1st April, 2014, as 3:4:4.

(ii) Goodwill was to be valued at two years purchase of the average profits of the preceding five years. The fixtures were to be valued by an independent valuer. A provision of 2% was to be made for doubtful debts and the remaining assets were to be taken at their book values.

The valuations arising out of the above agreement were goodwill Rs. 56,800 and fixtures Rs. 10,980. B and C agreed, as between themselves, to continue the business, sharing profits in the ratio of 3:2 and decided to eliminate goodwill from the balance sheet, to retain the fixtures on the books at the revised value, and to increases the provision for doubtful debts to 6%

**Required:**

Submit the journal entries necessary to give effect to the above arrangements and to draw up the capital account of the partners after carrying out all adjusting entries as stated above.

**(10 Marks)**

**Question 5**

**(a)** On 31st March 2015, the bank column of the Cash Book of Mr. Sanjeev disclosed an overdraft balance of Rs. 8,300. On examining the cash book and bank statement you find that:

(i) Cheques were deposited into bank for Rs. 16,000, but of these cheques for Rs. 4,600 were cleared and credited in April 2015.

(ii) Cheques were issued for Rs. 7,500, out of which cheques for Rs. 6,000 had been presented for payment in March 2015.

(iii) In March Mr. Sanjeev had discounted with bank a bill of exchange for Rs. 10,000 and had entered this amount in the cash book, but the proceeds credited, as shown by the Pass Book, amounted to Rs. 9,600.

(iv) No entry is made in the cash book of an amount of Rs. 6,100 directly deposited by a customer in the bank account.

(v) Bank column of the payment side of the cash book was undercast by Rs. 1,000.

(vi) Payment of insurance premium of Rs. 2,000 and receipt of insurance claim of Rs. 8,000 appear in the Pass Book but not entered in the Cash Book.

(vii) A cheque for Rs. 3,500 issued to Mr. X was omitted to be recorded in the Cash Book.

(viii) A cheque for Rs. 2,800 issued to Mr. Y was entered in the cash column of the cash book.

Make the appropriate adjustments in the cash book and prepare a book reconciliation statement with the Amended Cash Book balance as on 31st March 2015.

**(10 Marks)**

**(b)** An accountant, while balancing his books found that there was a difference of Rs. 270 in the trial balance. Being required to prepare the final accounts he placed the difference to a newly opened Suspense Account, which was carried forward to the next year when the following errors were discovered:-

(a) Salary for the month of March was posted twice, Rs. 155.
(b) Interest on investments collected by the bankers, were posted directly in concerned accounts through the pass book, but no entry was made in the bank column of the cash book Rs. 75.
(c) Goods worth Rs. 700 were distributed as free samples but this fact has not been taken into Books.
(d) Rent of Rs. 350 received from Ashok credited both to Rent Account and Ashok Account.
(e) A purchase of a chair from Karnal Furniture Mart for Rs. 65 has been entered in purchases book as Rs. 56.
(f) Old machinery sold to the proprietor Keshav for Rs. 400 was entered in Sales Book as sale to Kishore.
(g) Cash Purchases from Ajay Rs. 189 were recorded in Cash Book as well as in Purchases Book and posted from both.
(h) Closing Stock has been under valued by Rs. 300.

Give necessary rectifying entries and prepare the Suspense Account.

**(10 Marks)**

**Question:6**

**(a)** Following is the Receipts and Payments Account of the Chandigarh Club for the year ended on 31st March, 2013

| **Receipts** | **Rs.** | **Payments** | **Rs.** |
|---|---|---|---|
| To Balance at Bank (1.4.2012) | | By Refreshment Expenses | |
| Current Account | 300 | (Foodstuffs purchased) | 8,000 |
| Deposit Account | 2,400 | By Crockery purchased | 3,000 |
| To Interest | 600 | By Books purchased | 2,000 |
| To Subscription | | By Newspapers | 200 |
| (Rs.800 is for 2011-12) | 12,500 | By Salaries | 11,000 |
| To Profit on Entertainments | 1,500 | By General Expenses | 1,200 |
| To Refreshment Receipts | | By Audit Fees | 800 |
| (Food-stuffs sale) | 12,000 | By Balance at Bank (31-03-2013) | |
| To Entrance Fee | 2,000 | Current Account | 100 |
| | | Deposit Account | 5,000 |
| | 31,300 | | 31,300 |

Assets on 1-4-2012 were : Building Rs. 20,000; Govt. Securities Rs. 10,000 and Stock of Foodstuffs Rs. 1,800. There was also a Reserve Fund of Rs. 3,500 on 1-4-2012.

Arrears of subscriptions for 2011-12 were Rs. 900 and arrears of subscription for 2012-13 were Rs. 1,300. Stock of Foodstuffs at the close of the year was valued at Rs. 1,500.

The by-laws of the club provide that 50% of the entrance fees and 10% of the surplus of any year are to be transferred to Reserve Fund.

Prepare Income and Expenditure Account of the club for the year ended 31st March, 2013 and a Balance Sheet as at that date.

**(10 Marks)**

**(b)** A company offered 1,00,000 shares of Rs. 10 each payable as Rs. 3 on application Rs. 2.50 on allotment, Rs. 2.50 on 1st call and Rs. 2 on the final call.
The public applied for 1,52,000 shares. The shares were allotted on a pro-rate basis to the applicants of 1,50,000 shares. All sharesholders paid the allotment money excepting one shareholder who was allotted 200 shares. These share were forfeited. The first call was made thereafter. The forfeited shares were re-issued @ Rs. 9 per share Rs. 8 paid up. The final call was not yet made.
You are required to pass journal entries.

**(10 Marks)**

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