(GCF-7, GCF-12, GCF-13, GCF-14, GCF-15, GCF-16, GCF-17, SCF-3, VDCF-2 & VCF-3)
DATE: 07.10.2019 MAXIMUM MARKS: 100 TIMING: 3 Hours

PAPER : PRINCIPLES & PRACTICE OF ACCOUNTING

Question no. 1 is compulsory.

Candidates are required to answer any four questions from the remaining five questions.

Question 1:

(a) Briefly explain the difference between the following; **(2 Marks each)**

(i) Errors of Principle and Errors of omission.

(ii) Bill of exchange and Promissory Note

(b) Write short notes on: **(2 Marks each)**

(i) Depletion method of depreciation

(ii) Red ink interest

(c) On 31st March 2001, a book-keeper finds the difference in the Trial Balance and the puts it in the Suspense Account. Later on he detects the following errors:

(i) Rs. 50,000 received from A was posted to the debit of his account.

(ii) Rs. 20,000 being purchases returns were posted to the debit of Purchases Account.

(iii) Discount of Rs. 8,000 received were posted to the debit of Discount account.

(iv) Rs. 9,060 paid for repairs of Motor Car was debited to Motor Car Account as Rs. 7,060.

(v) Rs. 40,000 paid to B was debited to A's Account.

Give journal Entries to rectify the above errors and ascertain the amount transferred to Suspense Account, Assuming that the Suspense Account is balanced after the above corrections. **(5 Marks)**

(d) On 30th December, 2017 the bank column of A. Philip's cash book showed a debit balance of Rs. 4,610. On examination of the cash book and bank statement you find that:

1. Cheques amounting to Rs. 6,30,000 which were issued to trade payables and entered in the cash book before 30th December, 2017 were not presented for payment until that date.
2. Cheques amounting to Rs. 2,50,000 had been recorded in the cash book as having been paid into the bank on 30th December, 2017, but were entered in the bank statement on 1st January, 2018.
3. A cheque for Rs. 73,000 had been dishonoured prior to 30th December, 2017, but no record of this fact appeared in the cash book.
4. A dividend of Rs. 3,80,000, paid direct to the bank had not been recorded in the cash book.
5. Bank interest and charges amounting to Rs. 4,200 had been charged in the bank statement but not entered in the cash book.
6. No entry had been made in the cash book for a trade subscription of Rs. 10,000 paid vide banker's order in November, 2017.
7. A cheque for Rs. 27,000 drawn by B. Philip had been charged to A. Philip's bank account by mistake in December, 2017.

You are required:

(a) to make appropriate adjustments in the cash book bringing down the correct balance, and

(b) to prepare a statement reconciling the adjusted balance in the cash book with the balance shown in the bank statement. **(7 Marks)**

Question 2:

(a) X who was closing his books on 31-03-2019 failed to take the actual stock, which he did only on 9th April 2019, when it was ascertained by him to be worth Rs. 25,000. It was found that sales are entered in the sales book in the same day of dispatch and return inwards in the returns book as and when the goods are received back. Purchases are entered in the purchased daybook when the invoices are received.
It was found that sales between 31.3.2019 and 9.4.2019 as per the sales daybook are Rs. 1,720, purchases between 31.03.2019 and 9.4.2019 as per purchases daybook are Rs. 120, out of these goods amounting to Rs. 50 were not received until after the stock was taken.
Goods invoiced during the month of March 2019 but goods received only on 4th April 2019 amounted to Rs. 100. Rate of gross profit is 33 1/3% on cost.
Ascertain the value of Physical stock as on 31.03.2019. **(8 Marks)**

(b) A purchased on 1st January, 1993 certain machinery for Rs. 1,94,000 and spent Rs. 6,000 on its erection. On 1st July, 1993 additional machinery costing Rs. 1,00,000 was purchased. On 1st July, 1995 the machinery purchased on 1st January, 1993 having become obsolete was auctioned for Rs. 1,00,000 and on the same date new machinery was purchased at a cost of Rs. 1,50,000. Depreciation was provided for annually on 31st December at the rate of 10% per annum on the original cost of the machinery. No depreciation need be provided when a machinery is sold or auctioned, for that part of the year in which sale or auction took place. But for the above, depreciation shall be provided on time basis. In 1996 however, a changed this method of providing depreciation and adopted the method of writing off 15% p.a. on the written down value on the balance as appeared in machinery account on 01.01.1996.
Show the machinery account for the calendar years 1993 to 1996.

(8 Marks)

(c) Journalise the following transactions in K. Katrak's books.

(i) Katrak's acceptance to Basu for Rs. 2,500 discharged by a cash payment of Rs. 1,000 and a new bill for the balance plus Rs. 50 for interest.
(ii) G. Gupta's acceptance for Rs. 4,000 which was endorsed by Katrak to M. Mehta was dishonoured. Mehta paid Rs. 20 noting charges. Bill withdrawn against cheque.
(iii) D. Dalal retires a bill for Rs. 2,000 drawn on him by Katrak for Rs. 10 discount.
(iv) Katrak's acceptance to P. Patel for Rs. 5,000 discharged by P. Mody's acceptance to Katrak for a similar amount.

(4 Marks)

Question 3:

(a) CE sends goods to his customers on Sale or Return. The following transactions took place during 2016:

Sept. 15	Sent goods to customers on sale or return basis at cost plus 33 1/3 %	Rs. 1,00,000
Oct. 20	Goods returned by customers	Rs. 40,000
Nov. 25	Received letters of approval from customers	Rs. 40,000
Dec . 31	Goods with customers awaiting approval	Rs. 20,000

CE records sale or return transactions as ordinary sales. You are required to pass the necessary Journal Entries in the books of CE assuming that accounting year closes on 31st December, 2016.

(5 Marks)

(b) E Ltd. sends out its accounting machines costing Rs. 200 each to their customers on Sales or Return basis. All such transactions are, however, treated like actual sales and are passed through the Day Book. Just before the end of the financial year, i.e., on December 24, 2016, 300 such accounting machines were sent out at an invoice price of Rs. 280 each, out of which only 90 accounting machines are accepted by the customers Rs. 250 each and as to the rest no report is forthcoming. Show the Journal Entries in the books of the company for the purpose of preparing Final Accounts for the year ended December 31, 2016.

(5 Marks)

(c) Mahesh of Mumbai consigned to Shankar of Delhi, goods to be sold at invoice price which represents 125% of cost. Shankar is entitled to commission of 10% on sales at invoice price and 25% of any excess realized over invoice price. The expenses on Freight and insurance incurred by Mahesh were Rs. 20,000. The account sales received by Mahesh shows that Shankar has effected sales amounting to Rs. 2,00,000 in respect of 75% of the consignment. His selling expenses to be reimbursed were Rs. 16,000. 10% of consignment goods of the value of Rs. 25,000 were destroyed in fire at the Delhi godown. Shankar remitted the balance in favour of Mahesh. Prepare consignment account and the account of Shankar in the books of Mahesh along with the necessary calculation.

(10 Marks)

Question 4:

A, B and C are partners of the firm ABC &. Co., sharing profits and losses in the ratio of 5:3:2.

Following is the Balance Sheet of the firm as at 31.3.2008:

Liabilities		Assets	
Partners capital accounts:		Goodwill	1,00,000
A	4,50,000	Building	10,50,000
B	1,30,000	Machinery	6,50,000
C	1,70,000	Furniture	2,15,000
Investment fluctuation reserve	1,00,000	investments (market) value Rs. 75,000	60,000
Contingency reserve	75,000	Stock	6,50,000
Long-term loan	15,00,000	Sundry debtors	6,95,000
Bank overdraft	2,20,000	Advertisement suspense	25,000
Sundry creditors	8,00,000		
	34,45,000		34,45,000

It was decided that B would retire from the partnership on 1.4.2008 and D would be admitted as a partner on the same date. Following adjustments are agreed amongst the partners for the retirement/admission:

(i) Goodwill is to be valued at Rs. 5,00,000, but the same will not appear as an asset in the books of the firm.

(ii) Building and machinery are to be revalued at Rs. 10,00,000 and Rs. 5,20,000 respectively.

(iii) Investments are to be taken over by B at the market value.

(iv) Provision for doubtful debts is to be maintained at 20% on sundry debtors.

(v) The capital of the reconstituted firm will be Rs. 10,00,000 to be contributed by the partners A, C and D in their new profit sharing ratio of 2 :2 1.

(vi) Surplus funds, it any will be used to pay the bank overdraft.

(vii) Amount due to retiring partner B will be transferred to his loan account.

Prepare:
(i) Revaluation Account;
(ii) Capital Accounts of the partners; and
(iii) Balance Sheet of the firm after reconstitution.

(20 Marks)

Question 5:

(a) The income and expenditure Account of the Youth Club for the Year 2016 is as follows;

Expenditure	Rs.	Income	Rs.
To salaries	4,750	By Subscription	7,500
To General Expenses	500	By Entrance fees	250
To Audit Fee	250	By Contribution for annual dinner	1,000
To secretary's Honorarium	1,000	By Annual Sport meet Receipts	750
To Stationery & Printing	450		
To Annual Dinner Expenses	1,500		
To interest & Bank Charges	150		
To Depreciation	300		
To surplus	600		
	9,500		9,500

This account had been prepared after the following adjustments;

	Rs.
Subscription outstanding at the end of 2015	600
Subscription received in advance on 31st December, 2015	450
Subscription received in advance on 31st December,2016	270
Subscription outstanding on 31st December, 2016	750

Salaries outstanding at the beginning and the end of 2016 were respectively Rs. 400 and R. 450. General expenses include insurance prepaid to the extent of Rs. 60. Audit fee for 2016 is as yet unpaid. During 2016 audit fee for 2015 was paid amounting to Rs. 200.

The club owned a freehold lease of ground valued at Rs. 10,000. The club had sports equipment on 1st January, 2016 valued at Rs. 2,600. At the end of the year, after depreciation, this equipment amounted to Rs. 2,700. In 2015, the club has raised a bank loan of Rs. 2,000. This was outstanding through out 2016. On 31st December, 2016 cash in hand amounted to Rs. 1,600.

Required

Prepare the receipts and Payments Account for 2016 and Balance Sheet as at the end of the year.

(10 Marks)

(B) From the following Receipts and payments Account of Excellent Recreation Club for the year ended 31.03.1996 and additional information given, prepare an income and Expenditure Account for the year ended 31.03.1996 and Balance Sheet as on 31.03.1996:

Receipts	Rs.	Payments	Rs.
Opening Balance:		Secretary's Salary	12,000
Cash in hand at bank	3,180	Salaries to Staff	25,000
Subscription	18,000	Charities	1,000
Sale of Old News papers	2,500	Printing and Stationery	600
Legacies	4,000	Postage Expenses	120
Interest on Investments	2,000	Rates and Taxes	1,500
Endowment Fund Receipts	20,000	Upkeep of the land	2,000

Proceeds of Sport and Concerts	4,020	Purchase of Sport Materials	10,000
Advertisement in the year Book	5,000	Telephone Expenses	3,480
		Closing Balance : Cash in hand and at Bank	3,000
	58,700		58,700

Assets and Liabilities as on 31.03.1995 and 31.03.1996 were as follows:

	31.03.1995 (Rs.)	**31.03.1996 (Rs.)**
Subscription in arrears	2,000	1,000
Subscription received in advance	500	400
Furniture	2,000	1,800
Land	10,000	10,000

Depreciation shall be charged at 10% p.a. under the diminishing value method. Legacies received shall be capitalized. Investments were made in Securities, the rate of interest being 12% p.a., the date of investment was 01.06.1994 and the amount of investment was Rs. 20,000. Due date of interest 31st March every year.Stock of sports material on 31.03.1996 were useless and valued at NIL price.

(10 Marks)

Question 6:

(a) Prepare Journal Entries and the Bad-debts Account, Provision Account, P & L Account and Balance Sheet from the following information as at 31st March, 2017 :

	Rs.
Debtors	80,000
Bad-debts	2,000
Provision for Bad-debts	5,000

Adjustments : Bad-bets Rs. 500, provision on debtors 3%.

(10 Marks)

(b) (i) Mr. P who was the holder of 2,500 preference shares of Rs. 100 each, on which Rs. 70 per share has been called up could not pay his dues on Allotment and First call each at Rs. 20 per share. The Directors forfeited the above shares and reissued 2,000 of such shares to Mr. Q at Rs. 60 per share paid-up as Rs. 70 per share.

You are required to prepare the Journal Entries to record the above forfeiture and re-issue in the books of the company.

(7 Marks)

(ii) A Ltd. issued 3,50,000, 12% Debentures of Rs. 100 each at par payable in full on application by 1st April, Application were received for 3,85,000 Debentures. Debentures were allotted on 7th April. Excess money refunded on the same date.

You are required to prepare necessary Journal Entries (including cash transactions) in the books of the company.

(3 Marks)

***