

(GCF-11, 12 & 13, GD & PD)

DATE: 21.03.2021

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) State with reasons whether the following statements are true or false:
- Repairs paid for installation of plant is revenue expenditure.
 - Debentures can be issued as collateral security.
 - Promissory note is payable to bearer.
 - Rectification of error is done at the end of accounting year.
 - Goodwill brought in by new partner is distributed among old partners in sacrificing ratio.
 - Profit on consignment belongs to consignee.

(6×2 = 12 Marks)

- (b) Write short note on the following.

- Accommodation bill
- Del-Credre Commission.

(2×2 = 4 Marks)

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

Sales during the year	4,00,000
Cost of purchases	4,00,000
Opening inventory	Nil
Closing inventory at selling price	1,00,000

(4 Marks)

(Total 20 Marks)

Question 2:

- (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 (1.4.12)		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 (31-03-13)	
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 shares holders 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)

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		
Investments	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) Accrued 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) From the following particulars make up an Account Current to be rendered by S. Dasgupta to A. Halder at 31st Dec. reckoning interest at 5% p.a. (assume 1 year = 365 days)

2016		Rs.
June 30	Balance owing by A. Halder	520
July 17	Goods sold to A. Halder	40
Aug. 1	Cash received from A. Halder	500
Aug. 19	Goods sold to A. Halder	720
Aug. 30	Goods sold to A. Halder	50
Sept. 1	Cash received from A. Halder	400
Sept. 1	A. Halder accepted Dasgupta's Bill at 3 month date for	300
Oct. 22	Goods bought from A. Halder	20
Nov. 12	Goods sold to A. Halder	14
Dec. 14	Cash received from A. Halder	50

(10 Marks)

- (b) Anand purchased goods from Amirtha, the average due date for payment in cash is 10.08.2016 and the total amount due is Rs. 67,500. How much amount should be paid by Anand to Amirtha, if total payment is made on following dates and interest is to be considered at the rate of 12% p.a.

- (i) On average due date.
- (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 to Rs. 10,00,000. The following facts were established between 31st March and 15th April, 2017.

- (i) Sales Rs. 8,20,000 (including cash sales Rs. 2,00,000)
- (ii) Purchases Rs. 1,00,680 (including cash purchases Rs. 39,800)
- (iii) Sales Return Rs. 20,000.

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 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 under cast 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, he placed the difference to a newly opened Suspense Account and 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) On 1st January, 2012, Ram drew on Mohan, who is his debtor for Rs. 15,000 three bills of exchange: First for Rs. 4,000 at one month, Second for Rs. 5,000 at two months and third for Rs. 6,000 at three months. Mohan accepted all the three bills.

On 10th January, 2012, Ram endorsed the first bill to his creditor Sohan in full settlement of his account of Rs. 4,120. This bill was duly met on maturity.

On 20th January, 2012, the second bill was discounted from the bank for Rs. 4,850. This bill was dishonoured on the due date and bank paid Rs. 40 as noting charges. ON Mohan's request Ram drew a fourth bill on Mohan for 2 months for the amount due plus Rs.200 as interest.

Third bill was paid under a relate of 15% p.a. one month before maturity. The fourth bill was sent to bank for collection on 4th May, 2012 and was duly met on maturity.

Pass Journal entries in the books of Ram.

(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 devolved 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 increase 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)

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