

(ALL CA FOUNDATION BATCHES)**DATE: 23.12.2020****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:

- (i) The method of rectification of errors depends on the stage at which the errors are detected.
- (ii) The bank charges charged by the bank should be deducted when bank reconciliation statement is being prepared starting from a credit balance of pass book.
- (iii) Management has daily information about the quantity and valuation of closing stock under Physical Inventory System.
- (iv) Providing for depreciation also helps in providing for accumulation of funds to facilitate the replacement at the end of its useful life.
- (v) Promissory note is different from that of a bill of exchange where the amount is paid by the maker in case of former and by the acceptor in the latter.
- (vi) The customer retains the goods even after the expiry of the mentioned term, but this act does not confirm to sale of goods as there is no express consent given.

(6×2 = 12 Marks)**(b) Distinguish between the following.**

- (1) Errors of omission and errors of commission.
- (2) Money measurement concept and matching concept.

(2×2 = 4 Marks)**(c)** The following are some of the transaction of M/s. Kishore & Sons of the year 2020 as per their Waste Book. Make out their Sales Book.

Sold to M/s. Gupta & Verma on credit:

30 shirts @ Rs. 800 per shirt.

20 trousers @ Rs. 1,000 per trouser.

Less : Trade Discount @ 10%

Sold furniture to M/s. Sehgal & Co. on credit Rs. 8,000.

Sold 50 shirts of M/s. Jain & Sons @ Rs. 800 per shirt.

Sold 13 shirts to Cheap Stores @ Rs. 750 each for cash.

Sold on credit to M/s. Mathur & Jain.

100 shirts @ Rs. 750 per shirt

10 overcoats @ Rs. 5,000 per overcoat.

Less: Trade Discount @ 10%

(4 Marks)**(Total 20 Marks)****Question 2:****(a)** Mr. Joy was unable to agree the Trial Balance last year and wrote off the difference to the Profit and Loss Account of that year. Next Year, he appointed a Chartered Accountant who examined the old books and found the following mistakes:

- (1) Purchase of a scooter was debited to conveyance account Rs. 3,000.
- (2) Purchase account was over-cast by Rs. 10,000.
- (3) A credit purchase of goods from Mr. D for Rs. 2,000 entered as a sale.

- (4) Receipt of cash from Mr. X was posted to the account of Mr. Y Rs. 1,000.
 (5) Receipt of cash from Mr. C was posted to the debit of his account, Rs. 500.
 (6) Rs. 500 due by Mr. Z was omitted to be taken to the trial balance.
 (7) Sale of goods to Mr. R for Rs. 2,000 was omitted to be recorded.
 (8) Amount of Rs. 2,395 of purchase was wrongly posted as Rs. 2,593.
 Mr. Joy used 10% depreciation on vehicles. Suggest the necessary rectification entries & prepare suspense account & P & L adjustment a/c.

(10 Marks)

- (b) Mr. Kapoor had the following Bills receivable and Bills payable against Mr. Khan, the details of which has been given as follows-

Bills receivable			Bills payable		
Date	Amount	Tenure	Date	Amount	Tenure
1.5.2020	400	3 months	11.5.2020	800	60 days
19.6.2020	750	2 months	21.6.2020	950	30 days
25.6.2020	1,000	1 month	28.6.2020	1,150	45 days
7.7.2020	1,250	2 months	10.7.2020	1,800	50 days
14.7.2020	800	2 month	16.7.2020	1,250	55 days

Gazetted holidays in the intervening period

15th August (Independence day), 24th July (Emergency holiday), 10th September (Sunday)

(10 Marks)**Question 3:**

- (a) The following are the details of a spare part of Sriram Mills:

1-1-2020	Opening Inventory	Nil
1-1-2020	Purchases	100 units @ Rs. 30 per unit
15-1-2020	Issued for consumption	50 units
1-2-2020	Purchases	200 units @ Rs. 40 per unit
15-2-2020	Issued for consumption	100 units
20-2-2020	Issued for consumption	100 units

Find out the value of Inventory as on 31-3-2020 if the company follows Weighted Average basis.

(10 Marks)

- (b) X draws on Y a bill of exchange for Rs. 30,000 on 1st April, 2020 for 3 months. Y accepts the bill and sends it to X who gets it discounted for Rs. 28,800. X immediately remits Rs. 9,600 to Y. On the due date, X, being unable to remit the amount due, accepts a bill for Rs. 42,000 for three months which is discounted by Y for Rs. 40,110. Y sends Rs. 6,740 to X. Before the maturity of the bill X becomes bankrupt, his estate paying fifty paise in the rupee. Give the journal entries in the books of X and Y.

(10 Marks)**Question 4**

- (a) X supplied goods on sale or return basis to customers, the particulars of which are as under.

Date of dispatch	Party's name	Amount Rs.	Remarks
10.12.2019	M/s. ABC	10,000	No information till 31.12.2019

12.12.2019	M/s. DEF	15,000	Returned on 16.12.2019
15.12.2019	M/s. GHI	12,000	Goods worth Rs. 2,000 returned on 20.12.2019
20.12.2019	M/s. DEF	16,000	Goods Retained on 24.12.2019
25.12.2019	M/s. ABC	11,000	Good Retained on 28.12.2019
30.12.2019	M/s. GHI	13,000	No information till 31.12.2019

Goods are to be returned within 15 days from the dispatch, failing which it will be treated as sales. The books of 'X' are closed on the 31st December, 2020.

Prepare the following accounts in the books of 'X'.

- Goods on "sales or return, sold and returned day books".
- Goods on sales or return total account.

(10 Marks)

- (b)** 1,000 toys consigned by Rosie & Co. of Calcutta to Sahoo of Srinagar at a cost of Rs. 150 each. Rosie & Co. paid freight Rs. 10,000 and insurance Rs. 1,500. During the voyage 100 toys were totally damaged by fire and had to be thrown overboard. Sahoo took delivery of the remaining toys and paid Rs. 14,400 as customs duty. Sahoo sent a bank draft to Roy & Co. for Rs. 50,000 as advance payment and later sent an account sales showing that 800 toys had been sold at Rs. 220 each. Expenses incurred by Sahoo on go-down rent and advertisement, etc., amounted to Rs. 2,000. Sahoo was entitled to commission of 5 per cent. One of the credit customers could not pay for 5 toys.

You are required to prepare the Consignment Account, Goods sent on consignment, Inventories on consignment account and Sahoo's a/c in the books of Rosie & Co., assuming that nothing has been recovered from the insurers due to a defect in the policy. Sahoo settled his account immediately.

(10 Marks)

Question 5

- (a)** The bank statement of Mukesh was balanced on 31st March, 2019. It showed an overdraft of Rs. 5,000. This did not agree with the balance shown by the cash book of Mukesh. You are required to prepare a bank reconciliation statement taking the following into account :
- Cheques issued but not presented for payment till 31.3.2019 Rs. 12,00,000.
 - Cheques deposited but not collected by bank till 31.3.2019 Rs. 20,00,000.
 - Interest on term-loan Rs. 10,00,000 debited by bank on 31.3.2019 but not accounted in Mukesh's book.
 - Bank charges Rs. 2,500 was debited by bank during March, 2019 but accounted in the books of Mukesh on 4.4.2019.
 - An amount of Rs. 30,68,000 representing collection of Remesh's cheque was wrongly credited to the account of Mukesh by the bank in their bank statement.

(8 Marks)

- (b)** Following running transactions took place between Me and You during the month of February, 2020. Prepare an account current to be sent by me to you upto 31st March, 2020. Interest must be calculated @ 12% per annum. (1 Year = 365 Days)

Feb 2020	Particulars	Rs.
1	Amount payable by You to Me	5,000
5	Sales made by Me to You (invoice dated 07.04.2020)	8,250
8	Received acceptance of You by Me for 3 months	10,000
10	You sold goods to Me (invoice dated 10.3.2020)	11,000

12	Me received cheque from You dated (12.04.2020)	7,500
16	Cash paid by Me to You	2,500
24	Bills receivable accepted by Me from You on account of sale (due date- 24.03.20)	5,000
28	Cash paid by you to me	2500

(12 Marks)**Question 6**

- (a) Summary of receipts and payments of Bombay Medical Aid society for the year ended 31.12.2020 are as follows:

Opening cash balance in hand Rs. 8,000, subscription Rs. 50,000, donation Rs. 15,000 (raised for meeting revenue expenditure), interest on investments @ 9% p.a. Rs. 9000, payments for medicine supply Rs. 30,000 Honorarium to doctor Rs. 10,000, salaries Rs. 28,000, sundry expenses Rs. 1,000, equipment purchase Rs. 15,000, charity show expenses Rs. 1,500, charity show collections Rs. 12,500.

Additional information:

	01.01.2020	31.12.2020
Subscription due	1,500	2,200
Subscription received in advance	1,200	700
Stock of medicine	10,000	15,000
Amount due for medicine supply	9,000	13,000
Value of equipment	21,000	30,000
Value of building	50,000	48,000

You are required to prepare receipts and payments account and income and expenditure account for the year ended 31.12.2020 and balance sheet as on 31.12.2020.

(10 Marks)

- (b) Aarav, Nirav and Purav are partners sharing profits and losses in the ratio of 3:2:1 Their Balance Sheet as on 31st March 2020 was as follows:

BALANCE SHEET AS ON 31st March 2020

Liabilities	Rs.	Assets	Rs.
Capital : Aarav	80,000	Building	50,000
Nirav	50,000	Machinery	67,500
Purav	35,000	Debtors	65,000
General Reserve	60,000	Stock	80,000
Trade Creditors	50,000	Cash in hand	12,500
	2,75,000		2,75,000

Purav retired from the business on 1st April 2020 on the following terms:

- Goodwill was to be valued at 2 years purchase of average profit of past 3 years.
31st March 2018 Rs. 39,000
31st March 2019 Rs. 50,000
31st March 2020 Rs. 55,000
- Goodwill was not to be raised in the books of accounts.
- RDD was to be created on debtors at 5%.
- Machinery is to be depreciated by 10% and stock is revalued at Rs. 71,000.

5. Building to be appreciated by 20%.
6. Aarav and Nirav to bring in additional capital of Rs. 35,000 and Rs. 25,000 respectively.
7. Balance payable to Purav must be paid immediately. You are required to prepare:
 1. Revaluation account
 2. Partners capital accounts.
 3. Bank account.
 4. Balance Sheet after retirement.

(10 Marks)

— ** —