

**BATCH :GCF-1 to GCF-7, SCF-1 to SCF-3 &VCF-1 to VCF-3****DATE: 18.10.2018****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 from 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 whether the following statements are true or false:

- (i) Patent Right is in the nature of Real Accounts.
- (ii) Legal fees paid to acquire a building is a capital expenditure.
- (iii) Goods worth Rs. 600 taken by the proprietor for personal use should be credited to purchases account..
- (iv) The return of goods by a customer should be debited to Return Outward Account.
- (v) Trial Balance is prepared after preparing the profit and loss A/c.
- (vi) Purchase Book records all purchases of goods..

**(2 Marks Each)**

(b) Distinguish between Capital expenditure and Revenue expenditure.

**(4 Marks)**

(c) M/s A, B and C are in retail business, following information are obtained from their records for the year ended 31<sup>st</sup> March, 2016:

Goods received from suppliers (subject to trade discount and taxes)	Rs. 31,51,000
Trade discount 3% and sales tax 11%	
Packaging and transportation charges	Rs. 1,75,000
Sales during the year	Rs. 44,91,000
Sales price of closing inventories	Rs. 4,70,000

Find out the historical cost of inventories using adjusted selling price method.

**(4 Marks)****Question 2:**

(a) Mr. A and Mr. B entered into a joint venture to purchase and sell crackers during Diwali season. Profits or losses were to be shared equally between Mr. A and Mr. B. Mr. A was to purchase crackers from Sivakasi and send it to Mr. B of Bombay who would sell it.

On 1<sup>st</sup> August, 1996 Mr. A purchased crackers worth Rs. 1,00,000 and incurred the following expenses in sending it to Mr. B;

- (i) Forwarding charges Rs. 6,000, (ii) Insurance charges Rs. 2,000.

He immediately drew upon Mr. B Rs. 1,00,000 for 3 Months. The acceptance was discounted at 18% p.a.

Mr. B paid the following expenses;

(i) Cartage charges Rs. 3,000. (ii) Commission to agent Rs. 5,000 and (iii) Rental charges Rs. 4,000. The whole crackers were disposed of for Rs. 2,00,000. He forwarded a cheque to Mr. A for the amount due on 31<sup>st</sup> October 1996. You are required to prepare the following accounts;

(a) memorandum Joint Venture Account.

(b) Mr. B in Joint Venture in the books of Mr. A

(c) Mr. A in Joint Venture in the books of Mr. B.

**(10 Marks)**

(b) Mr. Anand consigned 800 packets of soaps, each packet containing 100 soaps. Cost price of each packet was Rs. 900. Mr. Anand spent Rs. 100 per packet as cartage, freight, insurance and forwarding charges. One packet was lost on the way and Mr. Anand lodged claim with the insurance company and could get Rs. 570 as claim on average basis, consignee took delivery of the rest of the packets and spent Rs. 39,950 as other non-recurring expenses and Rs. 22,500 as recurring expenses. He sold 740 packets at the rate of Rs. 12 per Soap. He was entitled to 2% commission on sales plus 1% del-credere commission.

You are required to prepare consignment Account. Calculate the cost of stock at the end, Abnormal loss and Profit-loss on consignment.

**(10 Marks)**

### Question 3:

The following are the balances as at 31st March, 2004 extracted from the books of Mr. XYZ.

	Rs.		Rs.
Plant and Machinery	19,550	Bad debts	1,100
Furniture and fittings	10,250	Bad debts recovered	450
Bank overdraft	80,000	Salaries	22,550
Capital Account	65,000	Salaries payable	2,450
Drawings	8,000	Prepaid rent	300
Purchases	1,60,000	Rent	4,300
Opening Stock	32,250	Carriage inward	1,125
Wages	12,165	Carriage outward	1,350
Provision for doubtful debts	3,200	Sales	2,15,300
Provision for Discount on debtors	1,375	Advertisement Expenses	3,350
Sundry Debtors	1,20,000	Printing and Stationery	1,250
Sundry Creditors	47,500	Cash inhand	1,450
		Cash at Bank	3,125
		Office Expenses	10,160
		Interest paid on loan	3,000

Additional Information:

- Purchases include sales return of Rs. 2,575 and sales include purchase return of Rs. 1,725.
- Goods withdrawn by Mr. XYZ for own consumption Rs. 3,500 included in purchase.
- Wages paid in the month of April for installation of plant and machinery amounting to Rs. 450 were included in wages account.
- Free samples distributed for Publicity costing Rs. 825.
- Create a provision for doubtful debts @ 5% and provision for discount on debtors @ 2.5%

6. Depreciation is to be provided on plant and machinery @ 15% p.a. and on furniture and fittings @ 10% p.a.
7. Bank overdraft is secured against hypothecation of stock. Bank overdraft outstanding as on 31.03.2004 has been considered as 80% of real value of stock (deducting 20% as margin) and after adjusting the marginal values 80% of the same has been allowed to draw as on overdraft.

Prepare a trading and profit loss account for the year ended 31st March, 2004 and a Balance Sheet as on that date. Also show the rectification entries.

**(20 Marks)**

**Question 4:**

- (a) ABC Collieries Co. Ltd. took from M/s XYZ a lease of coal field for a period of 25 years from 1st April, 2010 on a royalty of Rs. 25 per tonne of coal extracted with a Dead Rent of Rs. 2,20,000 a year with power to recoup short - workings during the first five years of the lease. The company closes its books of account on 31st March every year.

The output in the first five years of the lease was as follows:-

Year ended 31st March, 2011	2,000	tonnes
Year ended 31st March, 2012	3,600	tonnes
Year ended 31st March, 2013	9,000	tonnes
Year ended 31st March, 2014	15,000	tonnes
Year ended 31st March, 2015	20,000	tonnes

You are required to give journal entries for all the transactions relating to royalties for the five years in the books of ABC Collieries Co. Ltd.

**(10 Marks)**

- (b) Leena, Madan and Naresh were partners in a firm sharing profits and losses in the ratio of 2:2:3. On 31st March, 2015, their Balance Sheet was as follows:

Liabilities		Rs.	Assets	Rs.
Trade Creditors		1,60,000	Land and Building	10,00,000
Bank Overdraft		44,000	Machinery	5,00,000
Long-term Debts		4,00,000	Furniture	7,00,000
Employee's Provident Fund		76,000	Investments	2,00,000
Capital : Leena	12,50,000		Closing Stock	8,00,000
Madan	8,00,000		Sundry Debtors	4,00,000
Naresh	10,50,000	31,00,000	Bank	80,000
			Deferred Advertisement Expenditure	1,00,000
		37,80,000		37,80,000

On 31st March, 2015, Madan retired from the firm and the remaining partners decided to carry on the business. It was decided to revalue assets and liabilities as under:

- Land and Building be appreciated by Rs. 2,40,000 and Machinery be depreciated by 10%.
- 50% of Investments were taken over by the retiring partner at book value.
- An old customer Mohit whose account was written off as bad debt has promised to pay Rs. 7,000 in settlement of his full debt of Rs. 10,000. This has to be taken into the books.
- Provision for Doubtful Debts was to be made at 5% on debtors.

- (v) Closing Stock will be valued at market price which is Rs. 1,00,000 less than the book value.
- (vi) Goodwill of the firm be valued at Rs. 5,60,000 and Madan's share of goodwill be adjusted in the accounts of Leena and Naresh. Leena and Naresh decided to share future profits and losses in the ratio of 3:2.
- (vii) The total capital of the new firm will be Rs. 32,00,000 which will be in the proportion of the profit-sharing ratio of Leena and Naresh.
- (viii) Amount due to Madan was settled by accepting a bill of exchange in his favour payable after 4 months.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the firm after Madan's retirement.

**(10 Marks)**

**Question 5:**

- (a) Jagdeep Singh's Cash Book on 31st March, 2017 showed an overdraft balance of Rs. 12,100 in his Account No. 1 at the bank.

On investigation it is found that:

- (i) Cheque drawn amounting to Rs. 4,200 had not been presented to the bank for payment.
- (ii) Cheque for Rs. 3,600 entered in the Cash Book and paid into the bank had not been credited by the bank.
- (iii) The receipts side of the Cash Book had been undercast by Rs. 1,000.
- (iv) Bank charges of Rs. 50 entered in the Bank Statement had not been entered in the Cash Book.
- (v) A cheque for Rs. 5,200 drawn on the Account No. 1 had been charged by the bank erroneously to Account No. 2.
- (vi) Dividend of Rs. 300 paid directly to the bank had not been entered in the Cash Book.
- (vii) A cheque for Rs. 700 received from a debtor paid into the bank, dishonoured and shown as such by the bank but no entry of dishonour had been made in the Cash Book.
- (viii) A cheque for Rs. 420, drawn by another customer of the bank bearing the same name had been charged to Jagdeep Singh's Bank Account by error.

You are required to:

- (a) show the necessary adjustments to be made in the Cash Book; and
- (b) prepare a Bank Reconciliation Statement for Account No. 1 as on 31st March, 2017.

**(10 Marks)**

- (b) Ram had the following Bills Receivable and Bills Payable against Shyam. Compute the Average Due Date when the payment can be made or received without any loss or gain of interest to either party.

Bills Receivable			Bills Payable		
Date of Bill	Amt. (Rs.)	Tenure in Month	Date of Bill	Amt. (Rs.)	Tenure in Month
1 <sup>st</sup> June	9,000	3	29 <sup>th</sup> May	6,000	2
5 <sup>th</sup> June	7,500	3	3 <sup>rd</sup> June	9,000	3
9 <sup>th</sup> June	10,000	1	10 <sup>th</sup> June	10,000	2
12 <sup>th</sup> June	8,000	2	13 <sup>th</sup> June	7,000	2
20 <sup>th</sup> June	12,000	3	27 <sup>th</sup> June	11,000	1

Holidays intervening in the period are 15<sup>th</sup> August and 6<sup>th</sup> September.

**(10 Marks)**



**Question: 6**

- (a) The following is the receipts and payments account of Appollo Hospital, for the year ended 31st March, 2015:

**Receipts and payments account**

<b>Receipts</b>	<b>Rs.</b>	<b>Payments</b>	<b>Rs.</b>
To Balance b/d	8,500	By Payment for medicines	33,000
To Subscriptions	48,000	By Fees to Doctors	24,000
To Donations	15,000	By Salaries	27,000
To Interest on Investments		By Equipment Purchased	15,000
at 9% p.a. for the year	9,000	By Charity show expenses	4,000
To Proceeds from Charity		By Sundry Expenses	1,200
show	12,000	By Balance c/d	8,300
To Grant in aid	20,000		
	1,12,500		1,12,500

**Other Information:**

	1-4-2014	31-3-2015
	Rs.	Rs.
(a) Subscriptions due	500	1,000
(b) Subscriptions received in Advance	1,000	500
(c) Stock of Medicines	10,000	15,000
(d) Amount due to medicine suppliers	8,000	12,000
(e) Value of Equipments	25,000	33,000
(f) Value of Buildings	70,000	65,000

You are required to prepare:-

- Income and Expenditure Account for the year ended 31st March, 2015, and
- Balance Sheet as at that date.

**(10 Marks)**

- (b) KS Ltd. invited applications for issuing 1,60,000 equity shares of Rs. 10 each at a premium of Rs. 6 per share. The amount was payable as follows:]

On Application – Rs. 4 per share (including premium Rs. 1 per share)  
 On Allotment – Rs. 6 per share (including premium Rs. 3 per share)  
 On First and Final Call – Balance.

Applications for 3,20,000 shares were received. Applications for 80,000 shares were rejected and application money refunded. Shares were allotted on pro-rata basis to the remaining applicants. Excess money received with applications was adjusted towards sums due on allotment. Jain holding 800 shares, failed to pay the allotment money. His shares were forfeited immediately after allotment. Afterwards the final call was made. Gupta who had applied for 1,200 shares failed to pay the final call. These shares were also forfeited. Out of the forfeited shares 1,000 shares were re-issued at Rs. 8 per share fully paid up. The re-issued shares included all the forfeited shares of Jain.

Assuming that the company maintains Calls in Arrears Account, pass necessary Journal entries for the above transactions in the books of KS Ltd.

**(10 Marks)**

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