

BATCH :GCF-1 to GCF-7, SCF-1 to SCF-3 &VCF-1 to VCF-3**DATE: 14.09.2018****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 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) Salary Paid to a Supervisor for Construction of Building is a capital expenditure.
- (ii) Amount forfeited on reissued shares is transferred to general reserve account.
- (iii) Account receivables draws a bill of exchange on account payables.
- (iv) Amortization is used for tangible assets for term depreciation.
- (v) If no partnership deed, no interest is paid on the loan given by partner.
- (vi) Current ratio is used to check short term solvency of the business.

(2 Marks Each)

(b) Differentiate between provision and contingent liability.

(4 Marks)

(c) Give general entries (narration not required) to rectify the following:

Correct the following errors found in the books of Mr. Dutt. The Trial Balance was out by Rs. 493 excess credit. The difference thus has been posted to a Suspense Account.

- (i) An amount of Rs.100 was received from D. Das on 31st December, 2015 but has been omitted to enter in the Cash Book.
- (ii) The total of Returns Inward Book for December has been cast Rs.100 short.
- (iii) The purchase of an office table costing Rs. 300 has been passed through the Purchases Day Book.
- (iv) Rs.375 paid for Wages to workmen for making show-cases had been charged to "Wages Account".

(1 Mark Each)

Question 2:

(a) Miss Manisha consigned 1,000 radio sets costing Rs.

900 each to Miss Seeta, her agent on 1st July, 2016. Miss Manisha incurred the following expenditure on sending the consignment.

Freight Rs.7,650

Insurance Rs.3,250

Miss Seeta received the delivery of 950 radio sets. An accounts dated 30th November, 2016 showed that 750 sets were sold for Rs. 9,00,000 and Miss Seeta incurred Rs. 10,500 for carriage.

Miss Seeta was entitled to commission 6% on the sales effected by her. She incurred expenses amounting to Rs. 2,500 for repairing the damaged radio sets remaining in the inventories. Miss Manisha lodged a claim with the insurance company which was admitted at Rs. 35,000. Show the Consignment Account and Miss Seeta's Account in the books of Miss Manisha.

(10 Marks)

- (b) Manoj had the following bills receivables and bills payable against Sohan. Calculate the average due date, when the payment can be received or made without any loss of interest.

Date	Bills Receivable Rs.	Tenure	Date	Bills Payable Rs.	Tenure
01/06/2016	3,000	3 month	29/05/2016	2,000	2 month
05/06/2016	2,500	3 month	03/06/2016	3,000	3 month
09/06/2016	6,000	1 month	9/06/2016	6,000	1 month
12/06/2016	1,000	2 month			
20/06/2016	1,500	3 month			

15 August, 2016 was a Public holiday. However, 6 September, 2016 was also declared as sudden holiday.

(5 Marks)

- (c) Attempt any one of the following two sub-parts i.e. either (i) or (ii).

- (i) A sends out goods on approval to few customers and includes the same in the Sales Account. On 31.3.2016, the Trade receivables balance stood at Rs. 1,00,000 which included Rs. 7,000 goods sent on approval against which no intimation was received during the year. These goods were sent out at 25% over and above cost price and were sent to- Mr. X - Rs.4,000 and Mr. Y - Rs. 3,000.

Mr. X sent intimation of acceptance on 30th April and Mr. Y returned the goods on 10th April, 2016.

Make the adjustment entries and show how these items will appear in the Balance Sheet on 31st March, 2016. Show also the entries to be made during April, 2016. Value of closing Inventories as on 31st March, 2016 was Rs. 60,000.

(5 Marks)

- (ii) From the following prepare an account current, as sent by A to B on 30th June, 2016 by means of products method charging interest @ 6% p.a. (February = 29 days)

2016		Rs.
Jan. 1	Balance due from B	600
Jan. 11	Sold goods to B	520
Jan. 18	B returns Goods	125
Feb 11	B Paid by cheque	400
Feb 14	B accepted a bill drawn by A for one month	300
Apr. 29	Goods sold to B	615
May 15	Received cash from B	700

(5 Marks)

Question 3:

The following is the schedule of balances as on 31.3.17 extracted from the books of Shri Gavaskar, who carries on business under the same name and style of Messrs Gavaskar Viswanath & Co., at Bombay:

Particulars	Dr.	Cr.
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	Rs.	Rs.
Cash in hand	14,000	
Cash at bank	26,000	
Sundry Debtors	8,60,000	
Stock on 1.4.2016	6,20,000	
Furniture & fixtures	2,14,000	
Office equipment	1,60,000	
Buildings	6,00,000	
Motor Car	2,00,000	
Sundry Creditors		4,30,000
Loan from Viswanath		3,00,000
Provision for bad debts		30,000
Purchases	14,00,000	
Purchase Returns		26,000
Sales		23,00,000
Sales Returns	42,000	
Salaries	1,10,000	
Rent for Godown	55,000	
Interest on loan from Viswanath	27,000	
Rates & Taxes	21,000	
Discount allowed to Debtors	24,000	
Discount received from Creditors		16,000
Freight on purchases	12,000	
Carriage Outwards	20,000	
Drawings	1,20,000	
Printing and Stationery	18,000	
Electricity Charges	22,000	
Insurance Premium	55,000	
General office expenses	30,000	
Bad Debts	20,000	
Bank charges	16,000	
Motor car expenses	36,000	
Capital A/c		16,20,000
TOTAL	47,22,000	47,22,000

Prepare Trading and Profit and Loss Account for the year ended 31st March 2017 and the Balance Sheet as at that date after making provision for the following:

1. Depreciate: (a) Building used for business by 5 percent; (b) Furniture and fixtures by 10 percent; One steel table purchased during the year for Rs. 14,000 was sold for same price but the sale proceeds were wrongly credited to Sales Account; (c) Office

- equipment by 15 percent; Purchase of a typewriter during the year for Rs. 40,000 has been wrongly debited to purchase; and (d) Motor car by 20%.
- Value of stock at the close of the year was Rs. 4,40,000.
 - Two month's rent for godown is outstanding.
 - Interest on loan from Viswanath is payable at 12 percent per annum, this loan was taken on 1.5.2016.
 - Reserve for bad debts is to be maintained at 5 percent of Sundry Debtors.
 - Insurance premium includes Rs. 40,000 paid towards proprietor's life insurance policy and the balance of the insurance charges cover the period from 1.4.2016 to 30.6.17

(20 Marks)**Question 4:**

- (a) JHP Limited is a company with an authorised share capital of Rs. 10,00,000 in equity shares of Rs. 10 each, of which 6,00,000 shares had been issued and fully paid on 30th June, 2016. The company proposed to make a further issue of 1,00,000 of these Rs. 10 shares at a price of Rs. 14 each, the arrangements for payment being:

- Rs. 2 per share payable on application, to be received by 1st July, 2016;
- Allotment to be made on 10th July, 2016 and a further Rs. 5 per share (including the premium) to be payable;
- The final call for the balance to be made, and the money received by 30th April, 2017.

Applications were received for 3,55,000 shares and were dealt with as follows:

- Applicants for 5,000 shares received allotment in full;
- Applicants for 30,000 shares received an allotment of one share for every two applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;
- Applicants for 3,20,000 shares received an allotment of one share for every four applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and
- the money due on final call was received on the due date.

You are required to record these transactions (including cash items) in the Journal of JHP Limited.

(10 Marks)

- (b) A, B and C are partners in a firm sharing profits and losses in the ratio 2:2:1. Their Balance Sheet as on 31st March, 2016 is as below:

Liabilities		Rs.	Assets	Rs.
Trade payables		12,850	Land and Building	25,000
Outstanding Liabilities		1,500	Furniture	6,500
General Reserve		6,500	Inventory of goods	11,750
Capital Account:			Trade receivables	5,500
Mr. A	12,000		Cash in hand	140
Mr. B	12,000		Cash at Bank	960
Mr. C	5,000	29,000		
		49,850		49,850

The partners have agreed to take Mr. D as a partner with effect from 1st April, 2016 on the following terms:

- Mr. D shall bring Rs. 5,000 towards his capital.

- (2) The value of inventory by Rs. 2,500 and furniture should be depreciated by 10%.
 (3) Reserve for bad and doubtful debts should be provided at 10% of the Trade receivable.
 (4) The value of land and buildings should be enhanced by 20% and the value of the good will be fixed at Rs. 15,000.
 (5) The value of the goodwill be fixed at Rs. 15,000.
 (6) General Reserve will be transferred to the Partner's Capital Accounts.
 (7) The new profit sharing ratio shall be: Mr. A 5/15, Mr. B 5/15, Mr. C 3/15 and Mr. D 2/15.

The outstanding liabilities include Rs. 1,000 due to Mr. X which has been paid by Mr. A. Necessary entries were not made in the books.

Prepare (i) Revaluation Account, (ii) The Capital Accounts of the partners, (iii) Balance Sheet of the firm after admission of Mr. D. **(10 Marks)**

Question 5:

- (a) With the help of the following information complete the Balance Sheet of MNOP Ltd.:

Equity share capital Rs. 1,00,000

The relevant ratios of the company are as follows:

Current debt to total debt	0.40
Total debt to owner's equity	0.60
Fixed assets to owner's equity	0.60
Total asset turnover	2 Times
Inventory turnover	8 Times

(10 Marks)

- (b) From the following information, prepare a summarised Balance Sheet as at 31st March, 2017:

Working Capital	Rs. 4,80,000
Bank overdraft	Rs. 80,000
Fixed Assets to Proprietary ratio	0.75
Reserves and Surplus	Rs. 3,20,000
Current ratio	2.5
Liquid ratio	1.5

(10 Marks)**Question 6:**

- (a) According to the cash-book of Gopi, there was a balance of Rs. 44,50,000 in his bank on 30th June, 2017.

On investigation you find that :

- (i) Cheques amounting to Rs. 6,00,000 issued to creditors have not been presented for payment till the date.
 (ii) Cheques paid into bank amounting to Rs. 11,05,000 out of which cheques amounting to Rs. 5,50,000 only collected by the bank upto 30th June 2017.
 (iii) A dividend of Rs. 40,000 and rent amounting to Rs. 6,00,000 received by the bank and entered in the pass-book but not recorded in the cash book.
 (iv) Insurance premium (up to 31st December, 2017) paid by the bank Rs. 27,000 not entered in the cash book.
 (v) The payments side of the cash book had been undercasted by Rs. 5,000.
 (vi) Bank charges Rs. 1,500 shown in the pass book had not been entered in the cash book.

A bill payable of Rs. 2,00,000 had been paid by the bank but was not entered in the cashbook and bill receivable for Rs. 60,000 had been discounted with the bank at a cost of Rs. 1,000 which had also not been recorded in cashbook.

Required:

- (i) to make the appropriate adjustments in the cashbook, and
- (ii) to prepare a statement reconciling it with the bank passbook.

(10 Marks)

(b) Mr. A closed his books of account on September 30, 2016 in spite of a difference in the trial balance. The difference was Rs. 830 the credits being short; it was carried forward in a Suspense Account. In 2017 following errors were located:

- (i) A sale of Rs. 2,300 to Mr. Lal was posted to the credit of Mrs. Mala.
- (ii) The total of the Returns Inward Book for July, 2016 Rs. 1,240 was not posted in the ledger.
- (iii) Freight paid on a machine Rs. 5,600 was posted to the Freight Account as Rs. 6,500.
- (iv) While carrying forward the total in the Purchases Account to the next page, Rs. 65,590 was written instead of Rs. 56,950.
- (v) A sale of machine on credit to Mr. Mehta for Rs. 9,000 on 30th sept. 2016 was not entered in the books at all. The book value of the machine was Rs. 6,750.

Pass journal entries to rectify the errors. Have you any comments to make?

(10 Marks)

MITTAL COMMERCE CLASSES

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