

BATCH :GCF-8 to GCF-13 &SCF-4**DATE: 27.09.2018****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 form 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.

Answer: 1

(a)(i) False}1M

Reason: Expenses incurred on installation of machinery is a capital expenditure.}1M

(ii) False}1M

Reason: Debentures can be issued by company in form of secondary security, which is called collateral security.}1M

(iii) False}1M

Reason: Promissory note cannot be paid to the bearer.}1M

(iv) False}1M

Reason: Rectification of error is done at the time of identification of error.}1M

(v) False}1M

Reason: It is distributed among sacrificing partners in their sacrificing ratio.}1M

(vi) False}1M

Reason: Joint Venture is started for accomplishment for a certain object. After completion of the object joint venture automatically terminated.}1M

(b)(1) Bills of Exchange are usually drawn to facilitate trade transmission, that is, bills are meant to finance actual purchase and sale of goods. But the mechanism of bill can be utilised to raise finance also. When bills are used for such a purpose, they are known as accommodation bills. } 2M

(2) Del-credere commission is an additional commission paid by the consignor to the consignee for undertaking responsibility of collection of debts. Generally, the consignee gets ordinary commission for sales made by him as a percentage of gross sales, over and above, he may get delcredere commission for the additional responsibility of debt collection. Sometimes it is agreed that del-credere commission shall be allowed on credit sales only. However, in the absence of any such agreement the consignor allows del-credere commission on total sales and not merely on credit sales. If the consignee is entitled to del-credere commission, he has to bear the bad debts; if any, arising, out of credit sale of consignment goods. } 2M

(c) Calculation of gross margin of profit:

	Rs.
Sales	2,00,000
Add: Closing inventory (at selling price)	50,000
Selling price of goods available for sale:	<u>2,50,000</u> {1M
Less: Cost of goods available for sale	<u>2,00,000</u>
Gross margin	<u>50,000</u> {1M

$$\text{Rate of gross margin} = \frac{50,000}{2,50,000} \times 100 = 20\% \{1M$$

Cost of closing inventory = 50,000 less 20% of Rs. 50,000 = Rs. 40,000 {1M

Answer: 2

(a) In the books of A**Joint Venture Account**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Bank A/c - Registration Fee	1/2M } 12,000	By Bank A/c - sale proceeds of 15,000 shares Rs. 12.50 each less 50 paise brokerage	1,80,000 } 1M
- Advertising	1/2M } 11,000	By B - sale proceeds of 12,000 shares Rs. 12.50 each less 50 paise per share brokerage	1,44,000 } 1M
- Printing & Distribution of Prospectus	1/2M } 7,500		
- Printing & Stationery	1/2M } 2,000		
To B - Office Rent	1/2M } 3,000		
- Legal Charges	1/2M } 13,750		
- Clerical Staff	1/2M } 9,000		
- Petty Payments	1/2M } 1,750		
To Bank - Cost of Shares	1/2M } 1,50,000		
To Net profit to:			
- P & L A/c [3/5]	1/2M } 68,400		
- B [2/5]	1/2M } 45,600		
	<u>3,24,000</u>		<u>3,24,000</u>

B's Account

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Joint Venture A/c - Sale proceeds of shares	1,44,000 1/2M	By Joint Venture A/c	
		- Office Rent	1/2M } 3,000
		- Legal Charges	13,750
		- Clerical Staff	9,000
		- Petty Payments	1,750
		By Joint Venture A/c - share of profit	1/2M } 45,600
		By Bank	1M } 70,900
	<u>1,44,000</u>		<u>1,44,000</u>

(b)

A	B	C	D=B±C
	Principal Amount	Interest from Average Due Date to Actual date of Payment	Total amount to be paid
(i) Payment on average due date			
	Rs. 67,500	$\text{Rs. } 67,500 \times \frac{12}{100} \times \frac{0}{365} = 0$ {1/2M	1/2M} Rs.67,500
(ii) Payment on 25th Aug. 2016			
	Rs. 67,500	$\text{Rs. } 67,500 \times \frac{12}{100} \times \frac{15}{365} = 333$ {1M Interest to be charged for period of 15 days from 10.8.2016 to 25th Aug. 2016	1M} Rs.67,833
(iii) Payment on 30th July, 2016			
	Rs.67,500	$\text{Rs. } 67,500 \times \frac{12}{100} \times \frac{(11)}{365} = (244)$ {1M Rebate has been allowed for unexpired credit period of 11 days from 30.7.2016 to 10.8.2016	1M} Rs.67,256

(c) **Statement of valuation of Inventory on 31st March, 2017**

	Rs.	Rs.
Value of Inventory as on 15th April, 2017		1M} 5,00,000
Add: Cost of goods sold during the period between 31st March, 2017 to 15th April, 2017		
Sales (Rs. 4,10,000 - Rs. 10,000)	1/2M} 4,00,000	
Less: Gross Profit (20% of Rs. 4,00,000)	1/2M} 80,000	1M} 3,20,000
		8,20,000
Less: Purchases during the period from 31st March, 2017 to 15th April, 2017		1M} 50,340
		1M} 7,69,660

Answer: 3

(a)

Journal

Date	Particulars	L.F.	Dr. (Rs.)	Cr. (Rs.)	
2016 March 31	Bad-debts A/c Dr. To Sundry Debtors A/c (Further Bad-debts)		3,000	3,000	1M}
March 31	Provision for Doubtful Debts A/c Dr. To Bad Debts A/c (Bad debts adjusted against the provision)		8,000	8,000	1M}
March 31	Profit and Loss A/c(1) Dr. To Provision for Doubtful Debts A/c (Net amount charged from P&L A/c)		18,200	18,200	1M}

Note:(1)

Net Amount chargeable from P & L A/c :-

Bad-Debts (5,000+3,000)

Add: New Provision : 10% on (3,05,000-3,000)

Rs.

8,000

30,200

38,200

20,000

1M} 18,200

Less: Old Provision

BAD-DEBTS ACCOUNT

Date	Particulars	Amount Rs.	Date	Particulars	Amount Rs.
2016			2016		
March31	To Balance b/d	5,000	March31	By Provision for Doubtful Debts A/c	8,000
March31	To Sundry Debtors A/c	3,000			
		8,000			8,000

1M**Provision for Doubtful DEBTS ACCOUNT**

Date	Particulars	Amount Rs.	Date	Particulars	Amount Rs.
2016			2015		
March31	To bad debtsA/c	1M} 8,000	April 1	By Balance b/d (Old Provision)	20,000
March31	To Balance c/d (New Provision)	1M} 30,200	2016		
		38,200	March 31	By Profit & Loss A/c (Balancing Figure)	18,200
					38,200

1M**Profit & Loss Account
for the year ended March 31, 2016**

Particulars	Amount Rs.	Particulars	Amount Rs.
To Provision for Doubtful Debts A/c:			
Bad-debts	5,000		
Add: Further Bad-debts	3,000		
	8,000		
Add: New Provision	30,200		
	38,200		
Less: Old Provision	20,000	18,200	{1M}

**Balance Sheet
as at March 31, 2016**

Liabilities	Amount Rs.	Particulars	Amount Rs.
		Sundry Debtors	3,05,000
		Less: Further Bad-Debts	3,000
			3,02,000
		Less: New Provision (10% on 3,02,000)	30,200
			2,71,800

1M

(b) TRADING AND PROFIT & LOSS ACCOUNT

For the year ending 31st March, 2017

Particulars	Rs.	Particulars	Rs.
To Purchases	1,16,000	By Sales	1,60,000
To Wages	8,000	Less: Return Inward	<u>4,000</u>
To Carriage Inward	2,000	By Closing Stock	26,000
To Gross Profit c/d	1M}56,000		
	1,82,000		1,82,000
To Salaries	10,000	By Gorss Profit b/d	56,000
Add: Outstanding Salaries	<u>500</u>	By Accrued Interest on Investment	1M}750
To Printing	800		
To Advertisement	1,200		
To Trade Charges	600		
To Rent	1,400		
To Discount	500		
To Interest on Capital (1) (Rs.1,800 + Rs.300)	2,100	{1M	
To Depreciation on Plant & Fixtures	800	{½M	
To Bad Debts	500		
Add: New Provision	<u>1,225</u>	{1M	
To New Profit Transferred to Capital A/c	37,125	{1M	
	56,750		56,750

BALANCE SHEET
as at 31st March, 2017

Liabilities	Rs.	Assets	Rs.
Bills Payable	9,000	Cash in hand	3,000
Creditors	12,000	Cash at Bank	16,000
Salary Outstanding	500	Bills Receivable	5,000
Capital	40,000	Debtors	25,000
Add: Interest on Capital	2,100	Less: Bad Debts	<u>500</u>
Add: Net Profit	<u>37,125</u>		24,500
	79,225	Less: Provision for Doubtful Debts (5% on Rs.24,500)	<u>1,225</u>
Less: Drawings	<u>4,500</u>		23,275
	74,725	Closing Stock	26,000
	1M	Investments	15,000
		Add: Accrued Interest	<u>750</u>
		Plant & Fixtures	8,000
		Less: Depreciation	<u>800</u>
			7,200
	96,225		96,225

Note (1) Interest on Capital is calculated as follows:

On Rs. 30,000 @ 6% p.a. for one year

On Rs. 10,000 @ 6% p.a. for six months

Rs.
1,800
300
½M}2,100

Answer: 4

(a)

Date	Output (in tones)	Royalty @ Rs. 10 per tone Rs.	Minimum Rent Rs.	Short-workings allowable Rs.	Short-workings recouped by lessee Rs.	Short-workings irrecoverable Rs.	Amount receivable from lessee Rs.	
31-3-12	6,000	60,000	1,00,000	40,000			1,00,000	} 1/2M
31-3-13	10,500	1,05,000	1,00,000	1/2M	5,000		1,00,000	
31-3-14	13,000	1,30,000	1,00,000		30,000	5,000	1,00,000	
31-3-15	20,000	2,00,000	1,00,000		1/2M	1/2M	2,00,000	

**In the books of Omega
Journal Entries**

			Rs.	Rs.	
2012	State Collieries Co.	Dr.	1,00,000		} 1M
Mar. 31	To Royalties Receivable Account			60,000	
	To Short-workings allowable Account			40,000	
	(Minimum rent receivable from State Collieries Co., royalties receivable being Rs. 60,000; excess of the former over the latter being credited to Shortworkings allowable Account.)				
"	Bank A/c	Dr.	1,00,000		} 1/2M
	To State Collieries Co. (Receipt of amount due from State Collieries Co.)			1,00,000	
"	Royalties Receivable Account	Dr.	60,000		} 1/2M
	To Profit & Loss Account (Transfer of Royalties Account to Profit & Loss Account)			60,000	
2013	State Collieries Co.	Dr.	1,00,000		} 1M
Mar. 31	Short-workings allowable Account	Dr.	5,000		
	To Royalties Receivable Account			1,05,000	
	(Minimum rent receivable from State Collieries Co., after adjusting Rs. 5,000 of short-workings allowable against royalties receivable)				
"	Bank	Dr.	1,00,000		} 1/2M
	To State Collieries Co. (Receipt of amount due from State Collieries Co.)			1,00,000	
"	Royalties Receivable Account	Dr.	1,05,000		} 1/2M
	To Profit & Loss Account (Transfer of Royalties Account to Profit & Loss Account)			1,05,000	

2014	State Collieries Co.	Dr.	1,00,000		
Mar. 31	Short-workings allowable Account	Dr.	30,000		
	To Royalties Receivable Account			1,30,000	1M
	(Minimum rent receivable from State Collieries Co., after adjusting of short-workings allowable Rs.30,000 against royalties receivable)				
"	Bank	Dr.	1,00,000		
	To State Collieries Co.			1,00,000	½M
	(Amount received from State Collieries Co).				
"	Short-workings allowable Account	Dr.	5,000		
	To Profit & Loss Account			5,000	½M
	(Balance of Shortworkings allowable count, being irrecoverable short-workings, transferred to Profit & Loss Account.)				
"	Royalties Receivable Account	Dr.	1,30,000		
	To Profit & Loss Account			1,30,000	½M
	(Transfer of Royalties Receivable Account to Profit & Loss Account)				
2015	State Collieries Co.	Dr.	2,00,000		
Mar. 31	To Royalties Receivable Account			2,00,000	½M
	(Amount due from State Collieries Co., for royalties receivable for the year)				
"	Bank	Dr.	2,00,000		
	To State Collieries Co.			2,00,000	½M
	(Amount of royalties received from State Collieries Co.)				
"	Royalties Receivable Account	Dr.	2,00,000		
	To Profit & Loss Account			2,00,000	½M
	Transfer of Royalties Receivable Account to Profit & Loss Account.				

(b) Journal Entries

Particulars		Dr.(Rs.)	Cr.(Rs.)	
A's Capital Account	Dr.	20,000		
B's Capital Account	Dr.	16,000		
C's Capital Account	Dr.	12,000		½M
To Profit and Loss Adjustment Account			48,000	
(Profit written back for making adjustments)				
Profit and Loss Adjustment Account	Dr.	4,000		
To B's Capital Account			4,000	½M
(Bonus Credited to B's Capital Account)				

Profit and Loss Adjustment Account	Dr.	44,000			
To A's Capital Account			12,000		
To B's Capital Account			16,000		
To C's Capital Account			16,000		
(Distribution of profits in the new ratio)					½M
Fixture Account	Dr.	2,780			
To Provision for Doubtful debts Account @ 2%			1,870		
To A's Capital Account			248		
To B's Capital Account			331		
To C's Capital Account			331		
(Revaluation of assets on A's retirement)					1M
A's Capital Account	Dr.	10,909			
B's Capital Account	Dr.	14,545			
C's Capital Account	Dr.	14,546			
To Goodwill			40,000		
(Old goodwill shown in the balance sheet has been written off)					1M
A's Capital Account	Dr.	1,32,760			
To A's Loan Account			1,32,760		
(Transfer of A's Capital Account to his Loan Account)					½M
B's Capital Account	Dr.	2,244			
C's Capital Account	Dr.	1,496			
To Provision for Doubtful Debts Account			3,740		
(Raising provision for bad debts)					1M
B's Capital Account	Dr.	13,425			
C's Capital Account	Dr.	2,066			
To A's Capital Account			15,491		
(Adjusting entry of goodwill passed through partners' capital accounts in gaining/sacrificing ratio)					1M

Partners' capital account

	A (Rs.)	B (Rs.)	C (Rs.)		A (Rs.)	B (Rs.)	C (Rs.)	
To Profit and Loss Adjustment A/c	20,000	16,000	12,000	By Balance b/d	1,35,930	95,120	61,170	
To Goodwill	10,909	14,545	14,546	By Profit and Loss Adjustment A/c	-	4,000		½M
To A's Loan A/c	1,32,760	-	-	By Profit and Loss Adjustment A/c	12,000	16,000	16,000	
To Provision for Doubtful Debts A/c	-	2,244	1,496	By Fixtures Less Provision for DD A/c	248	331	331	1M
To A	-	13,425	2,066	By B	13,425			
To Balance c/d	-	69,237	47,393	By C	2,066			
	1,63,669	1,15,451	77,501		1,63,669	1,15,451	77,501	

Note: The balance of A's Capital Account has been transferred to A's Loan Account.

Working Note:

Calculation for adjustment of amount of goodwill

Partner	Old Share	New Share	Gain	Sacrifice
A	$\frac{3}{11}$	-	-	$\frac{3}{11}$

B	$\frac{4}{11}$	$\frac{3}{5}$	$\frac{13}{55}$	-
C	$\frac{4}{11}$	$\frac{2}{5}$	$\frac{2}{55}$	-

Answer: 5

(a) Amended Cash Book (Bank Column)

Receipts	L. F.	Amount (Rs.)	Payments	L.F.	Amount (Rs.)	
To Customer A/c		1M } 6,100	By Balance b/d		8,300	
To Insurance			By Discount Charges		400	1M
Claim A/c		1M } 8,000	By Adjustment of			
To Balance c/d		1/2M } 3,900	undercasting		1,000	1M
			By Insurance Premium A/c		2,000	1M
			By X (Cheque issued			
			omitted to be recorded)		3,500	1M
			By Cheque issued (wrongly			
			entered in the cash		2,800	1M
			column)			
		18,000			18,000	

Bank reconciliation statement
as on 31st March 2015

Particulars	Plus Items (Rs.)	Minus Items (Rs.)	
Overdraft (Cr.) Balance as per Amended Cash Bank		3,900	1M
Cheques deposited but not credited by bank upto		4,600	
31st March			
Cheques issues but not presented for payment upto	1M } 1,500		
31st March	1,500	8,500	
Overdraft (Dr.) Balance as per Pass Book		7,000	1/2M

(b)

Date	Particulars	L.F.	Dr. (Rs.)	Cr. (Rs.)	
(a)	Suspense A/c Dr. To Salary A/c (Salary posted twice in the books)		155	155	1M
(b)	Bank A/c Dr. To Suspense A/c (Interest collected by the bank not entered in Cash Book)		75	75	1M
(c)	Advertisement or Free Sample A/c Dr. To Purchases A/c (Goods received wrongly credited to Ashok Account)		700	700	1M

(d)	Ashok To Suspense A/c (Rent received wrongly credited to Ashok Account)	Dr.	350	350	1M
(e)	Furniture A/c To Purchase A/c To Karnal Furniture Mart (Furniture purchased wrongly entered in the purchase book with wrong amount)	Dr.	65	56 9	1M
(f)(I)	Drawing A/c To Machine A/c (Old Machinery sold to Proprietor)	Dr.	400	400	1M
(II)	Sales A/c To Kishore (Sale of machinery wrongly debited to Kishore's Account)	Dr.	400	400	1M
(g)	Ajay To Purchase A/c (Cash purchases wrongly entered in Purchase Book)	Dr.	189	189	1M
(h)	Closing Stock A/c To Trading A/c (Under valuation of stock corrected)	Dr.	300	300	1M

Suspense Account

Particulars	L.F.	(Rs.)	Particulars	L.F.	(Rs.)
To Difference in Trial Balance (Balancing Figure)		270	By Bank A/c		75
To Salary A/c		155	By Ashok		350
		425			425

Answer: 6**(a)** Balance Sheet

as at 1st April, 2012

Liabilities	Rs.	Assets	Rs.
Reserve Fund	3,500	Balance at Bank:	
Capital Fund (Balancing figure)	31,900	Current Account	300
	1M	Deposit Account	2,400
		Outstanding Subscriptions	900
		Stock of Foodstuffs	1,800
		Govt. Securities	10,000
		Building	20,000
	35,400		35,400

Income & Expenditure Account
for the year ended 31st March, 2013

Expenditure	Rs.	Income	Rs.
To Refreshment Consumed		By Interest	600
Opening Stock	1,800	By Subscription	12,500
Add: Purchases	8,000	Less: Outstanding Subscriptions	1/2M } 800

	Share Capital A/c (200 × Rs. 4.50) To Share Allotment A/c To Share Forfeiture A/c (Forfeiture of 200 shares of non-payment of allotment money)	Dr.		1,100	200 900	1M
	Share 1st Call A/c To Share Capital A/c (First call money due on 99,800 shares @ Rs. 2.50)	Dr.		2,49,500	2,49,500	½M
	Bank A/c To Share 1st Call A/c (First call money received on 99,800 shares @ 2.50)	Dr.		2,49,500	2,49,500	1M
	Bank A/c To Share Capital A/c To Securities Premium Reserve A/c (Re-issue of 200 shares @ Rs. 9 per share: Rs. 8 paid up)	Dr.		1,800	1,600 200	1M
	Share Forfeiture A/c To Capital Reserve A/c (Transfer of profit on reissue)	Dr.		900	900	1M

Working Notes:

- (i) Excess amount received from the holder of 200 shares on application:
The shareholder who has been allotted 200 Shares must have applied for more shares.
- If shares allotted were 200, shares applied for were = $\frac{1,50,000}{1,00,000} \times 200 = 300$ } 1/2M
- Shares
- Excess application money received from him:
300 shares - 200 shares = 100 shares × Rs. 3 = Rs. 300
- (ii) Amount due on allotment on these shares = 200 shares × Rs. 500 = 200 } 1/2M
- 2.50
- Less: Excess received on these shares on application = 300
- Amount not received on allotment 200 } 1/2M
- (iii) Amount received on allotment:
Total amount due on allotment = 1,00,000 = 2,50,000
- shares × Rs. 2.50
- Less: Excess received on application = 1,50,000 } 1/2M
- 1,00,000
- Less: Amount not received on allotment 200
- Net amount received on allotment in cash 99,800 } 1M
