

# Accounting<sup>DRC</sup> - November 2019

Roll No. ....190764.....

Total No. of Printed Pages : 12

Total No. of Questions : 6

Maximum Marks : 100

Time allowed : 3 Hours

## 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, his/her answers in Hindi will not be valued.

Question No. 1 is compulsory.

Candidates are also required to answer any **four** questions from the remaining **five** questions.

Working notes should form part of the respective answers.

1. (a) State **with reasons**, whether the following statements are **True or False**:
- Trade Discount is a reduction granted by a supplier from the list price of goods or services on business considerations for prompt payment.
  - M/s. XYZ & Co. runs a cafe. They renovated some of the old cabins. Because of this renovation some space was made free and number of cabins was increased from 15 to 18. The total expenditure incurred was ₹ 30,000 and was treated as a revenue expenditure.
  - Valuation of inventory at cost or net realizable value is based on principle of Conservatism.
  - In case of bill of exchange, the drawer and the payee may not be the same person but in case of a promissory note, the maker and the payee may be the same person.
  - A Partnership firm cannot own any Assets.
  - Since company has existence independent of its members, it continues to be in existence despite the death, insolvency or change of members.

(6 × 2 = 12 Marks)

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- (b) Distinguish between Provision and Contingent Liability. (4 Marks)
- (c) X purchased a machinery on 1st January 2017 for ₹. 4,80,000 and spent ₹ 20,000 on its installation. On July 1, 2017, another machinery costing ₹ 2,00,000 was purchased. On 1st July, 2018 the machinery purchased on 1st January, 2017 having become scrapped and was sold for ₹ 2,90,000 and on the same date fresh machinery was purchased for ₹ 5,00,000. Depreciation is provided annually on 31st December at the rate of 10% p.a. on written down value. Prepare Machinery account for the years 2017 and 2018. (4 Marks)
2. (a) On 30<sup>th</sup> September, 2018, the bank account of XYZ, according to the bank column of the cash book, was overdrawn to the extent of ₹8,062. An examination of the Cash book and Bank Statement reveals the following:
- (i) A cheque for ₹ 11,14,000 deposited on 29th September, 2018 was credited by the bank only on 3rd October, 2018.
  - (ii) A payment by cheque for ₹ 18,000 has been entered twice in the Cash book.
  - (iii) On 29th September, 2018, the bank credited an amount of ₹ 1,15,400 received from a customer of XYZ, but the advice was not received by XYZ until 1st October, 2018.
  - (iv) Bank charges amounting to ₹280 had not been entered in the cash book.
  - (v) On 6th September 2018, the bank credited ₹ 30,000 to XYZ in error.
  - (vi) A bill of exchange for ₹ 1,60,000 was discounted by XYZ with his bank. The bill was dishonoured on 28th September, 2018 but no entry had been made in the books of XYZ.

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- (vii) Cheques issued upto 30th September, 2018 but not presented for payment upto that date totalled ₹13,46,000.
- (viii) A bill payable of Rs. 2,00,000 had been paid by the bank but was not entered in the cash book and bill receivable for Rs. 60,000 had been discounted with the bank at a cost of ₹. 1,000 which had also not been recorded in cash book.

You are required:

To show the appropriate rectifications required in the cash book of XYZ, to arrive at the correct balance on 30th September, 2018 and to prepare a Bank Reconciliation Statement as on that date. (10 Marks)

- (b) Correct the following errors (i) without opening a Suspense Account and (ii) with opening a Suspense Account:

- (1) The sales book has been totalled Rs. 2,100 short.
- (2) Goods worth Rs. 1,800 returned by Gaurav & Co. have not been recorded anywhere.
- (3) Goods purchased Rs. 2,250 have been posted to the debit of the supplier Sen Brothers.
- (4) Furniture purchased from Mary Associates, Rs. 15,000 has been entered in the purchase Daybook.
- (5) Discount received from Black and White Rs. 1,200 has not been entered in the books.
- (6) Discount allowed to Radhe Mohan & Co. Rs. 180 has not been entered in the Discount Column of the Cashbook. The account of Radhe Mohan & Co. has, however, been correctly posted. (10 Marks)

3. (a) Anand of Bangalore consigned to Raj of pune, goods to be sold at invoice price which represents 125% of cost. Raj is entitled to a commission of 10% on sales at invoice price and 25% of any excess realised over invoice price. The expenses on freight and insurance incurred by Anand were ₹12,000. The account sales received by Anand shows that Raj has effected sales amounting to ₹1,20,000 in respect of 75% of the consignment. His selling expenses to be reimbursed were ₹9,600. 10% of consignment goods of the value of ₹15,000 were destroyed in fire at the Pune godown and the insurance company paid ₹12,000 net of salvage. Raj remitted the balance in favour of Anand.

You are required to prepare Consignment Account and the account of Raj in the books of Anand along with the necessary calculations. (10 Marks)



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- (b) A firm sends goods on "Sale or Return basis". Customers have the choice of returning the goods within a month. During May 2018, the following are the details of goods sent:

Date (May)	2	8	12	18	20	27
Customers	P	B	Q	D	E	R
Value (₹)	17,000	22,000	25,000	5,500	2,000	28,000

Within the stipulated time, P and Q returned the goods and B, D and E signified that they have accepted the goods.

Show in the books of the firm, the Sale or Return Account and Customer-Q for Sale or Return Account as on 15th June 2018. (5 Marks)

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

- (i) The following amounts are due to X by Y. Y wants to pay on 10th July 2019. Interest rate of 9% p.a. is taken into consideration.

Due dates	₹
10th January	750
26th January (Republic Day)	1,200
23rd March	3,300
18th August (Sunday)	4,100

Determine average due date and the amount to be paid on 10th July 2019. Assume 10th January as base date. (5 Marks)

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- (ii) Ramesh has a Current Account with Partnership firm. He had a debit balance of ₹85,000 as on 01-07-2018. He has further deposited the following amounts:

Date	Amount (₹)
14-07-2018	1,23,000
18-08-2018	21,000

He withdrew the following amounts:

Date	Amount (₹)
29-07-2018	92,000
09-09-2018	11,500

Show Ramesh's A/c in the books of the firm. Interest is to be calculated at 10% on debit balance and 8% on credit balance. You are required to prepare current account as on 30th September, 2018 by means of product of balances method.

(5 Marks)

4. (a) Arup and Swarup were partners. The partnership deed provides inter alia:

- (i) That the annual accounts be balanced on 31st December each year;
- (ii) That the profits be allocated as follows:

Arup: One-half; Swarup: One-third and Carried to reserve account: One Sixth;

- (iii) That in the event of death of a partner, his executor will be entitled to the following:

- (1) The capital to his credit at the date of death;
- (2) His proportionate share of profit to date of death based on the average profits of the last three completed years; and
- (3) His Share of goodwill based on three years' purchase of the average profits for the three preceding completed years

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**Trial Balance as on 31st December 2018**

Particulars	Debit (₹)	Credit (₹)
Arup's Capital		90,000
Swarup's Capital		60,000
Reserve		45,000
Bills receivable	50,000	
Investment	55,000	
Cash	1,10,000	
Trade payables		20,000
<b>Total</b>	<b>2,15,000</b>	<b>2,15,000</b>

The profits for the three year were 2016: Rs. 51,000; 2017: Rs. 39,000 and 2018: Rs. 45,000. Swarup died on 1st May 2019.

Show the calculation of Swarup (A) Share of profits; (B) Share of Goodwill; (C) Draw up Swarup's Executors Account as would appear in the firms' ledger transferring the amount to the Loan account. (10 Marks)

- (b) From the following Income and Expenditure account and the Balance sheet of a club, prepare its Receipts and Payments Account and subscription account for the year ended 31st March 2019:

**Income & Expenditure Account for the year 2018-19**

Exp. Particulars	₹	Income Particulars	₹
To Upkeep of ground	11,000	By Subscriptions	19,052
To Printing	1,100	By Sale of Newspapers (Old)	286
To Salaries	11,100	By Lectures (Fee)	1,650
To Depreciation on furniture	1,100	By Entrance Fee	2,145
To Rent	1,660	By Misc. Income	440
		By Deficit	2,387
	<u>25,960</u>		<u>25,960</u>

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**Balance sheet as at 31st March 2019**

<b>Liabilities</b>	<b>₹</b>	<b>Assets</b>	<b>₹</b>
Subscription in advance (2019-20)	110	Furniture	9,900
Prize fund:			
Opening balance	27,500		
Add: Interest	1,100		
	<u>28,600</u>	Ground and Building	51,700
Less: Prizes given	2,200		
	<u>26,400</u>	Prize Fund Investment	22,000
General Fund:		Cash in Hand	2,530
Opening balance	62,062		
Less: Deficit	2,387		
	<u>59,675</u>	Subscription (outstanding)	770
Add: Entrance Fee	715	(2018-2019)	
	<u>60,390</u>		
	<u>86,900</u>		<u>86,900</u>

The following adjustments have been made in the above accounts:

- (i) Upkeep of ground ₹660 and printing ₹264 relating to 2017-18 were paid in 2018-19
- (ii) One fourth of entrance fee has been capitalized by transfer to General Fund
- (iii) Subscription outstanding in 2017-18 was ₹880 and for 2018-19 ₹770
- (iv) Subscription received in advance in 2017-18 was ₹220 and in 2018-19 for 2019-20 was ₹110
- (v) Furniture was purchased during the year

(10 Marks)

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5. (a) An inexperienced book keeper has drawn up a Trial balance for the year ended 31st March, 2019.

Particulars	Debit(₹)	Credit(₹)
Provision for Doubtful Debts	250	—
Cash Credit Account	1,654	—
Capital	—	4,591
Trade payables	—	1,637
Due from customers	2,983	—
Discount Received	252	—
Discount Allowed	—	733
Drawings	1,200	—
Office Furniture	2,155	—
Carriage Inward	—	829
Purchases	10,923	—
Returns Inward	—	330
Rent & Rates	314	—
Salaries	2,520	—
Sales	—	16,882
Inventory	2,418	—
Provision for Depreciation on Furniture	364	—
Total	25,033	25,002

Draw up a corrected Trial Balance by debiting or crediting any residual errors to a Suspense account. (5 Marks)

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- (b) Mr. Shyamal runs a factory, which produces detergents. Following details were available in respect of his manufacturing activities for the year ended 31-03-2019.

	₹
Opening work-in-progress (9000 units)	26,000
Closing work-in-progress (14,000 units)	48,000
Opening inventory of Raw Materials	2,60,000
Closing inventory of Raw Materials	3,20,000
Purchases	8,20,000
Hire charges of Machinery @ Rs. 0.70 per unit manufactured	
Hire charges of factory	2,60,000
Direct wages-contracted @ Rs. 0.80 per unit manufactured and @ ₹ 0.40 per unit of closing W.I.P	
Repairs and maintenance	1,80,000
Units produced-5,00,000 units	

Required a Manufacturing Account of Mr. Shyamal for the year ended 31-03-2019.

(5 Marks)

- (c) The balance sheet of Mittal on 1st January, 2018 was as follows:

Liabilities	Amount	Assets	Amount
	₹		₹
Trade payables	16,00,000	Plant & Machinery	31,00,000
Expenses payable	2,50,000	Furniture & Fixture	4,00,000
Capital	51,00,000	Trade receivables	14,50,000
		Cash at bank	7,00,000
		Inventories	13,00,000
	<u>69,50,000</u>		<u>69,50,000</u>



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During 2018, his profit and loss account revealed a net profit of ₹ 15,10,000. This was after allowing for the following:

- (i) Interest on capital @ 6% p.a.
- (ii) Depreciation on plant and machinery @ 10% and on Furniture and Fixtures @ 5%.
- (iii) A provision for Doubtful debts @ 5% of the trade receivables as at 31st December 2018.

But while preparing the profit and loss account he had forgotten to provide for (1) outstanding expenses totalling ₹ 1,85,000 and (2) prepaid insurance to the extent of ₹ 25,000.

His current assets and liabilities on 31<sup>st</sup> December, 2018 were: Trade receivables ₹ 21,00,000; Cash at bank ₹ 5,20,000 and Trade payables ₹ 13,84,000. During the year he withdrew ₹6,20,000 for domestic use. Closing inventories is equal to net trade receivables at the year-end.

You are required Draw up revised Profit and Loss account and Balance Sheet at the end of the year. (10 Marks)

6. (a) B Limited issued 50,000 equity shares of ₹10 each payable as ₹3 per share on application, ₹ 5 per share (including ₹ 2 as premium) on allotment and ₹ 4 per share on call. All these shares were subscribed. Money due on all shares was fully received except from X, holding 1000 shares who failed to pay the allotment and call money and Y, holding 2000 shares, failed to pay the call money. All those 3,000 shares were forfeited. Out of forfeited shares, 2,500 shares (including whole of X's shares) were subsequently re-issued to Z as fully paid up at a discount of ₹2 per share.

Pass necessary journal entries in the books of B limited. Also prepare Balance Sheet and notes to accounts of the company. (15 Marks)

- (b) Distinguish between Periodic Inventory System and Perpetual Inventory System.

(5 Marks)



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