

(GCF-1, GCF-2, GCF-4, GCF-5+8, GCF-6+9, GCF-10, GCF-11, MCF-1, VCF-1, VCF-2, SCF-1, SCF-2 & VDCF-1)  
DATE: 19.10.2019 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)** Briefly explain the difference between the following; **(2 Marks each)**  
(i) LIFO and FIFO basis of costing of stock.  
(ii) Receipt and Payment A/c & Income and Expenditure A/c.

- (b)** Write short notes on: **(2 Marks each)**  
(i) Define Average Due Date.  
(ii) Explain the purpose of Raising Debenture by the company.

- (c)** On 31<sup>st</sup> March 2015, the bank column of the Cash Book of Mr. Sanjeev disclosed an overdraft balance of Rs. 8,300. On examining the Cash Book and bank statement you find that :
- (i) Cheques were deposited into bank for Rs. 16,000, but of these cheques for Rs. 4,600 were cleared and credited in April 2015.
  - (ii) Cheques were issued for Rs. 7,500, out of which cheques for Rs. 6,000 had been presented for payment in March 2015.
  - (iii) In March Mr. Sanjeev had discounted with bank a bill of exchange for Rs. 10,000 and had entered this amount in the Cash Book, but the proceeds credited, as shown by the Pass Book, amounted to Rs. 9,600.
  - (iv) No entry is made in the Cash Book of an amount of Rs. 6,100 directly deposited by a customer in the bank account.
  - (v) Bank column of the payment side of the Cash Book was undercast by Rs. 1,000.
  - (vi) Payment of insurance premium of Rs. 2,000 and receipt of insurance claim of Rs. 8,000 appear in the Pass Book but not entered in the Cash Book.
  - (vii) A cheque for Rs. 3,500 issued to Mr. X was omitted to be recorded in the Cash Book.
  - (viii) A cheque for Rs. 2,800 issued to Mr. Y was entered in the cash column of the Cash Book.
- Make the appropriate adjustments in the Cash Book and prepare a bank reconciliation statement with the Amended Cash Book balance as on 31<sup>st</sup> March 2015.

**(12 Marks)****Question 2:**

- (a)** On 1<sup>st</sup> Oct, 2010, X Ltd purchased a machinery for Rs. 6,00,000. On 31<sup>st</sup> May, 2012, a part of the machinery purchased on 1<sup>st</sup> Oct., 2010 for Rs. 80,000 was sold for Rs. 30,000. On the same date a fresh machinery was purchased for Rs. 1,50,000. Depreciation is provided at 20% per annum on the written down value method and the books are closed on 31<sup>st</sup> March each year. you are required to prepare (a) Machinery Account, (b) Provision for Depreciation Account, and (c) Machinery Disposal Account.

**(10 Marks)**

- (b)** Trial Balance of John did not agree. He put the difference to Suspense Account and discovered the following errors:

- (a) In the Sales Book for the month of January total of Page No.2 was carried forward to Page No.3 as Rs. 1,000 instead of Rs. 1,200 and total of Page No.6 was carried forward to Page No.7 as Rs. 5,600 instead of Rs. 5,000.
- (b) Wages paid for installation of Machinery Rs. 500 was posted to Wages Account as Rs. 50.
- (c) Machinery purchased from R & Co. for Rs. 10,000 on credit was entered in Purchase Book as Rs. 6,000 and posted therefrom to R & Co. as Rs. 1,000.
- (d) Credit Sales to Mohan Rs. 5,000 were recorded in Purchases Book.
- (e) Goods returned to Ram Rs. 1,000 were recorded in Sales Book.
- (f) Credit Purchases from S & Co. for Rs. 6,000 were recorded in Sales Book. However, S & Co. was correctly credited.
- (g) Credit Purchases from M & Co. Rs. 6,000 were recorded in Sales Book as Rs. 2,000 and posted therefrom to the credit of M & Co. as Rs. 1,000.
- (h) Credit Sales to Raman Rs. 4,000 posted to the credit of Raghvan as Rs. 1,000.
- (i) Bill receivable for Rs. 1,600 from Noor was dishonoured and posted to debit of Allowances account.
- (j) Cash paid to Mani Rs. 5,000 against our acceptance was debited to Manu.
- (k) Old furniture sold for Rs. 3,000 was posted to Sales Account as Rs. 1,000.
- (l) Depreciation provided on furniture Rs. 800 was not posted.
- (m) Purchases Rs. 10,000 and Wages Rs. 3,000 were used for construction of building. No adjustment was made in the books.

Rectify the errors and prepare Suspense Account to ascertain the difference in Trial Balance.

**(10 Marks)**

**Question 3:**

- (a)** A limited company issued a prospectus inviting applications for 2,00,000 shares of Rs. 10 each at a premium of Rs. 2 per share payable as follows : On Application Rs. 3; On Allotment Rs. 4 (including premium) : On First Call Rs. 3 and On Second Call Rs. 2.
- Applications were received for 3,00,000 shares and allotment was made on pro-rate basis. Money overpaid on application was employed on account of sums due on allotment.
- R, to whom 400 shares were allotted failed to pay the allotment money and on his subsequent failure to pay the First Call his share were forfeited. M, the holder of 600 share failed to pay the two calls and his shares were forfeited after the Second Call. Of the shares forfeited, 800 shares were sold to K as fully paid, K paying Rs. 9 per share, the whole of R's share being included.
- Give journal entries, prepare Bank Account.

**(10 Marks)**

- (b)** D of Delhi appointed A of Agra as its selling agent on the following terms:
- Goods to be sold at invoice price or over.
- A to be entitled to a commission of 7.5% on the invoice price and 20% of any surplus price realized over invoice price.
- The principals to draw on the agent a 30 days bill for 80% of the invoice price.
- On 1<sup>st</sup> February, 2016, 1,000 cycles were consigned to A, each cycle costing Rs. 640 including freight and invoiced at Rs. 800.
- Before 31<sup>st</sup> March, 2016, (when the principal's books are closed) A met his acceptance on the due date; sold off 820 cycles at an average price of Rs. 930 per cycle, the sale expenses being Rs. 12,500; and remitted the amount due by means of Bank draft.

Twenty of the unsold cycles were shop-spoiled and were to be valued at a depreciation of 50% of cost.

Show by means of ledger accounts how these transactions would be recorded in the books of A and find out the value of closing inventory with A to be recorded in the books of D at cost.

**(10 Marks)**

**Question 4:**

- (a) From the following Receipts and Payments Account of a Cricket Club and the additional information, prepare an Income and Expenditure Account for the year ended on 31<sup>st</sup> March, 2014 and a Balance Sheet as at that date :

	Rs.		Rs.
To Balance b/d :		By Crockery purchased	2,650
Cash	3,520	By Maintenance	6,820
Bank	27,380	By Match Expenses	13,240
Fixed Deposit at 6% p.a.	30,000	By Salaries	11,000
To Membership Subscription		By Conveyance	820
(including Rs. 6,000 for the year		By Upkeep of lawn	4,240
ending 31 <sup>st</sup> March, 2013)	40,000	By postage Stamps	1,050
To Entrance Fees	2,750	By Purchase of Cricket Materials	9,720
To Donation	5,010	By Sundry Expenses	2,000
To Interest on Fixed Deposit	900	By Investments	5,700
To Tournament Fund	20,000	By Tournament Expenses	18,800
To Sales of Crockery		By Balance c/d :	
(Book value Rs. 1,200)	2,000	Cash	2,200
		Bank	23,320
		Fixed Deposit at 6% p.a.	30,000
	1,31,560		55,520
			1,31,560

Information's :-

- (a) Monthly Salary is Rs. 1,000;  
 (b) The value of unused Postage Stamps is as follows :  
 31<sup>st</sup> March, 2013, Rs. 750;  
 31<sup>st</sup> March, 2014, Rs. 900.  
 (c) Stock of Cricket Materials is as follows :  
 31<sup>st</sup> March, 2013, Rs. 3,210;  
 31<sup>st</sup> March, 2014, Rs. 2,800.  
 (d) Arrear of membership subscriptions :  
 On 31<sup>st</sup> March, 2013, Rs. 6,600;  
 On 31<sup>st</sup> March, 2014, (for 2013-14) Rs. 8,000.  
 (e) Donation and Entrance Fees are not to be capitalized.

**(10 Marks)**

- (b) Mr. A of Assam sent on 18<sup>th</sup> February, 2004 a consignment of 1000 DVD players to B of Bengal costing of Rs. 100 each. Expenses of Rs. 1,500 were met by the consignor. B spent Rs. 3,000, for clearance and selling expenses were Rs. 20 per DVD player. B sold on 15<sup>th</sup> March, 2004, 600 DVD Players @ Rs. 160 per DVD Player and again on 20<sup>th</sup> May, 2004, 300 DVD Players @ Rs. 170. B is entitled to a commission of Rs. 25 per DVD Player sold plus  $\frac{1}{4}$  of the amount by which the gross sale proceeds less total commission thereon exceeded a sum calculated @ Rs. 125 per DVD Player sold. B sent the amount due to A on 30<sup>th</sup> June, 2004. You are requested to show the consignment account and B's account in the books of A.

**(10 Marks)**

**Question 5:**

- (a) On 1<sup>st</sup> July, 1999 G drew a bill for Rs. 80,000 for 3 months on H for mutual accommodation, H accepted the bill of exchange.  
G had purchased goods worth Rs. 81,000 from J on the same date. G endorsed H's acceptance to J in full settlement .  
On 1<sup>st</sup> September, 1999 J purchased goods worth Rs. 90,000 from H.J. endorsed the bill of exchange received from G to H and paid Rs. 9,000 in full settlement of the amount due to H.  
On 1<sup>st</sup> October, 1999 H purchased goods worth Rs. 1,00,000 from G. He paid the amount due to G By cheque.  
Give the necessary Journal Entries in the books of H.

**(5 Marks)**

- (b) The following are the balances as at 31<sup>st</sup> 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 debt 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 Stationary	1,250
Sundry Creditors	47,500	Cash in hand	1,450
		Cash at Bank	3,125
		Office Expenses	10,160
		Int. 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 purchases.
- 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%.
- Depreciation is to be provided on Plant and Machinery @ 15% p. a. and on furniture and fittings @ 10% p. a.
- Bank overdraft is secured against hypothecation of stock. Bank overdraft outstanding as on 31.3.2004 has been considered as 80% of real value of stock (deducting 20% as margin) and after adjusting the 'Marginal value 80% of the same has been allowed to draw as on overdraft. Prepare a trading and Profit Loss Account for the year ended 31<sup>st</sup> March, 2004, and a Balance Sheet as on that date. Also show the rectification entries.

**(15 Marks)**

**Question 6:**

A, B and C were partners sharing profits/losses in the ratio of A 40%; B 35% and C 25%. The draft Balance Sheet of the partnership as on December 31, 2007 was as follows :

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	30,000	Cash in Hand and at Bank	67,000
Bills Payable	8,000	Stock	42,000
Loan from B	30,000	Sundry Debtors	34,000
Current Accounts : (A– Rs. 12,000; B– Rs. 8,000; C–Rs. 6,000)	26,000	Less : Provision for Doubtful Debts	<u>6,000</u>
Capital Accounts : (A–Rs. 90,000; B–Rs. 50,000; C–Rs. 30,000)	1,70,000	Plant and Machinery (at cost)	80,000
		Less : Provision for Depreciation	<u>28,000</u>
		Premises (at cost)	75,000
	2,64,000		2,64,000

B retired on December 31, 2007. A and C continued partnership sharing profits / losses in the ratio of A 60% and C 40%. It was agreed that the amount due to him, should remain as loan to the partnership. The following adjustments were agreed to be made to the above mentioned Balance Sheet :

- Rs 10,000 should be written-off from the premises;
- Plant and Machinery were revalued at Rs. 58,000;
- Provision for doubtful debts to be increased by Rs. 1,200;
- Rs 5,000 due to creditors for expenses had been omitted from the books of account;
- Rs. 4,000 to be written-off from stock; and
- Provide Rs. 1,200 for professional charges in connection with revaluation which remain outstanding.

As per the deed of partnership in the event of the retirement of a partner, goodwill was to be valued at an amount equal to one year's purchase of the average profits of the preceding three years on the date of retirement. Before determining the said average profits, a notional amount of Rs 80,000 should be charged for remuneration to partners. The profits before charging such remuneration were : Year ended 31.12.2005—Rs 1,44,000; Year ended 31.12.2006—Rs 1,68,000; and Year ended 31.12.2007—Rs 1,88,200 (as per draft accounts).

It was agreed that for the purpose of valuing goodwill, the amount of profit for year 2007 be recomputed after charging the loss on revaluation in respect of premises and stock that unprovided, expenses (except professional expenses) and increase in provision for doubtful debts. The continuing partners decided to eliminate the Goodwill Account from their books. You are required to prepare : (i) Revaluation Account; (ii) Capital Accounts (merging Current Accounts therein); (iii) B's Account showing balance due to him; (iv) Balance Sheet of A and C as on January 1, 2008.

**(20 Marks)**

\*\*\*