

**(GCF-19, GCF-20, VCF-4, SCF-6 & SCF-7)**

DATE: 28.01.2020

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)** State with reasons whether the following statements are true or false:

- (1) Any type of error affects the agreements of Trial Balance.
- (2) Error of principle involves an incorrect allocation of expenditure or receipt between capital and revenue
- (3) If the amount is posted in the wrong account or it is written on the wrong side of an account it is called error of omission.
- (4) The allowance made for promoting sales is called Cash discount.
- (5) Cash column of a Cash-book may show a Debit or Credit Balance.
- (6) Higher depreciation will not affect cash profit of the business.

**(2 Marks Each)****(b)** Distinguish between the following?

- (1) What factors are considered for calculation of depreciation of a plant?
- (2) Distinguish Between the Consignment and Sale.

**(2 Marks Each)****(c)** From the following information, ascertain the value of stock as on 31.3.2017:

value of stock on 1.4.2016	3,50,000
purchases during the period from 1.4.2016 to 31.3.2017	17,30,000
Manufacturing expenses during the above period	3,50,000
sales during the same period	26,10,000

At the time of valuing stock on 31.3.2016 a sum of Rs. 30,000 was written off a particular item which was originally purchased for Rs. 1,00,000 and was sold for Rs. 80,000. But for the above transaction the gross profit earned during the year was 25% on cost.

**(4 Marks)****Question 2:****(a)** Following is the Balance Sheet of A, B and C as at 31st March, 2018. They shared profits in the ratio of 2 : 2 : 1.

<b>Liabilities</b>		<b>Rs.</b>	<b>Assets</b>		<b>Rs.</b>
Sundry Creditors		5,00,000	Cash at Bank		10,000
General Reserve		2,50,000	Debtors	6,00,000	
Partners Loan A/cs:			Less: Provision for Doubtful Debts	25,000	5,75,000
B	1,80,000		Stock		3,40,000
C	1,20,000	3,00,000	Land & Building		10,00,000
Capital A/cs:			Advertisement Suspense A/c		60,000
A	5,00,000		Profit and Loss A/c		15,000
B	3,00,000				
C	1,50,000	9,50,000			
		20,00,000			20,00,000

B retires on 1st April, 2018 on the following terms:

- (i) Stock is overvalued by Rs. 20,000 and land & building are undervalued by Rs. 1,00,000.
- (ii) Provision for doubtful debts is to be increased to Rs. 30,000.
- (iii) Old credit balances of Sundry Creditors Rs. 40,000 be written off.
- (iv) A computer purchased on 1st October, 2017 for Rs. 50,000 debited to Office Expenses Account is to be brought into account charging depreciation @ 20% p.a.
- (v) Goodwill of the firm is valued at Rs. 1,50,000 and the amount due to B be adjusted in the capital account of A and C.

Prepare the Revaluation Account, Capital Accounts and the new Balance Sheet.

**(10 Marks)**

- (b)** M of Mathura consigned 5,000 kg. of oil costing Rs. 20 Per Kg. to S of Surat. M Paid Rs. 25,000 as Freight and Insurance. 125 kg. of oil was destroyed in transit. The insurance claim was settled at Rs. 2,250 and was paid directly to the consignor. S took delivery of consignment and accepted a bill drawn upon him by M for Rs. 50,000. S reported as follow:

- (i) 3,750 Kg. of oil was sold at Rs. 30 per Kg
- (ii) His expenses were - Godown rent Rs. 10,000; Wages Rs. 1,000; Printing and Stationary Rs. 5,000.
- (iii) 125 Kg. of oil was lost due to leakages. Which is quite normal.

S is entitled to commission of 5% on the sales effected. S paid the amount due in respect of the consignment. Show the Consignment Account, the Account of S and Abnormal loss account in the books of M.

**(10 Marks)**

### Question 3:

Mr. Neel had prepared the following Trial Balance from his Ledger as on 31st March, 2004.?

	Dr. (Rs.)	Cr. (Rs.)
Stock as on 1st April, 2003	5,00,000	
Purchases and Returns	31,00,000	45,000
Sales and Returns	55,000	41,50,000
Cash in Hand	2,50,000	
Cash at Bank	5,00,000	
Trader's Capital		22,59,200
Rates and Taxes	50,000	
Drawings	45,000	
Salaries	95,000	
Postage and Telegram	1,05,000	
Insurance	90,000	
Salesman Commission	78,000	
Printing and stationery	95,500	
Advertisement	1,70,000	
Furniture and Fittings	5,50,000	
Motor Car	48,000	
Discounts	50,000	75,000
General Expenses	65,700	
Carriage Inward	10,000	
Carriage Outward	22,000	
Wages	50,000	
Sundry Debtors/ Creditors	10,00,000	4,00,000

Total	69,29,200	69,29,200
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You are required to prepare Trading and Profit & Loss Account for the year ended on 31st March, 2004 and Balance Sheet as on that date after making the necessary adjustments.

You are provided with the following information:

- (i) Closing Stock as on 31st March, 2004 Rs. 1,45,000.
- (ii) Neel had withdrawn goods worth Rs. 50,000 during the year.
- (iii) Purchases include Purchase of furniture worth Rs. 1,00,000.
- (iv) Debtors include Rs. 50,000 bad debts.
- (v) Sales include good worth Rs. 1,50,000 sent out to NN & Co. on approval and remained unsold as on 31st march, 2004. The cost of the goods was Rs. 1,00,000.
- (vi) Provision for Bad debts is to be created at 5% of Sundry Debtors.
- (vii) Depreciate Furniture and Fittings by 10% and Motor Car by 20%.
- (viii) The salesman is entitled to a commission of 10% on total sales.

**(20 Marks)**

#### Question 4:

**(a)** Answer the following:

Roshan has a current account with partnership firm. It has debit balance of Rs. 75,000 as on 01-07-2012. He has further deposited following amounts:

Date	Amount (Rs.)
14-07-2012	1,38,000
18-08-2012	22,000

He withdrew the following amounts:

Date	Amount (Rs.)
29-07-2012	97,000
09-09-2012	11,000

Show Roshan's A/c in the ledger of the firm. Interest is to be calculated at 10% on Debit balance and 8% on credit balance. You are required to prepare accounts current as on 30<sup>th</sup> September, 2012.

**(10 Marks)**

**(b)** The Balance Sheet of A, B and C who were sharing profits in proportion to their capitals stood as follows as at 31<sup>st</sup> March, 2018:

Liabilities		Rs.	Assets		Rs.
Sundry Creditors		6,900	Cash at Bank		5,500
Investment Fluctuation Reserve		7,500	Sundry Debtors	5,000	
Capital Accounts			Less: Provision	<u>100</u>	4,900
A	18,000		Stock		8,000
B	13,500		Investments		11,500
C	<u>9,000</u>	40,500	Land and Building		25,000
		<u>54,900</u>			<u>54,900</u>

B retired on 1st April, 2018, and the following was agreed upon:

- (i) That stock be depreciated by 6%.
- (ii) That the Provision for Doubtful Debts be brought up to 5% on Debtors.
- (iii) That Land and Buildings be appreciated by 20%.
- (iv) That a provision of Rs.770 be made in respect of outstanding legal charges.
- (v) Investments are brought down to Rs.8,500.
- (vi) That the Goodwill of the entire firm be fixed at Rs. 10,800 and B's share of goodwill be adjusted into the accounts of A and C who are going to share future profits in the ratio of 5:3.

- (vii) That the entire capital of the firm as newly constituted be fixed at Rs. 28,000 between A and C in the proportion of 5:3 (actual cash to be brought in paid off, as the case may be).

Pass Journal entries, Partners capital account and show the Balance Sheet after transferring B's share to a separate Account in his name.

**(10 Marks)**

**Question 5:**

- (a)** From the following particulars, prepare Bank Reconciliation Statement as on 31st March, with amended Cash Book.

1	Balance as per cash Book	400
2	Cheques receive and recorded in Bank Column but not yet sent to Bank for collection	1,000
3	Cheques deposited into the bank but not recorded in the Cash Book	2,000
4	Cheques deposited but not yet collected by the Bank	1,500
5	Cheques issued but not yet presented for payment	2,500
6	Bank Charges debited in Pas Book only	200
7	Interest allowed in Pass Book only	100
8	Insurance Premium paid directly by Bank under standing advice	500
9	Bills receivables directly collected by the Bank	2,000
10	Cheques deposited for collection, returned dishonored and recorded in Pass Book only	1,000
11	'Cheques Issued' returned on technical grounds	300
12	A wrong debit given by bank in pass book	800
13	A wrong credit given by bank in pass book	400
14	Bills discounted dishonored but not recorded in Cash Book	4,000
15	Direct payment by a customer into the bank but not recorded in Cash Book	700
16	A Cash receipt recorded in Bank Column	1,000
17	A Cash payment recorded in Bank Column	600

**(10 Marks)**

- (b)** A proprietor of a concern while balancing his book finds some differences in the trial balance. To avoid delay in the preparation of Financial Statements, he places the difference to "Suspense Account" which he carries forward to the next year. In the next year the following mistakes were discovered:

- Sales book was under cast by Rs. 100.
- Purchase book was carried forward as Rs. 250 instead of Rs. 450.
- Credit sales to X Rs. 400 posted as Rs. 4,000.
- Sales to X Rs. 400 recorded in the Sales Book as Rs. 4,000.
- Purchase of a Furniture of Rs. 10,000 passed through the Purchase Book.
- Sales of a Furniture of Rs. 1,000 to Y not entered any where.

**You are required to :**

- rectify the errors.
- prepare Suspense Account.
- show the effect of rectification of errors on last year's profits.

**(10 Marks)**

**Question 6**

- (a)** The Following is the Receipts and Payments Accounts of 'Vikas Club' for the year ended on 31st march, 2017:

Receipts	Rs.	Payments	Rs.
To Balance b/d	4,400	By Salaries	44,000
To Subscription:		By Furniture	
2015-2016	1,500	(Purchased on 1st Jan. 2017)	10,000
2016-2017	96,000	By Sports Expenses	11,000
2017-2018	500	By Drama Expenses	18,400
To Entrance Fees	8,000	By Newspapers	2,500
To Sports Fund	15,000	By Municipal Taxes	3,600
To Sale drama tickets	24,000	By Refreshments	32,200
To Sale of waste paper	150	By Lighting and Heating	6,000
To Interest on	1,350	By Medicines Purchased	4,000
Investments		By Balance c/d	19,200
	1,50,900		1,50,900

Prepare Income and Expenditure A/c for the year ended 31st March, 2017, and the Balance Sheet as at that date, after taking the following information into account:

- The club has 200 members each paying an annual subscription of Rs. 500 and the subscription of two members is still in arrear for 2015-2016.
- Stock of medicines on 31 st March, 2017 was Rs. 1,000.
- Salaries are paid @ Rs. 4,000 per month.
- The other assets on 1st April, 2016 were : Furniture Rs. 40,000 and 9%. Investment Rs. 18,000 (Face value Rs. 20,000).
- Depreciate furniture at 10% P.a. and provide up to date interest on investment.
- Entrance fees is treated as income.

**(10 Marks)**

- (b)** X Ltd. issued for Public subscription 40,000 equity shares of Rs. 10 each at a premium of Rs.2 per share payable as under; on application Rs. 4 Per share; on allotment Rs. 5 per share (including premium) and on call Rs. 3 per share. Applications were received for 60,000 shares. Allotment was made pro-rata to the applicants for 48,000 shares. the remaining applications being refused. Money overpaid on application was utilized towards sums due on a allotment. Shri Manoj, to whom, 1,500 share were allotted, failed to pay the allotment and call money and shri Hussain to whom 2,000 shares were allotted failed to pay the call money. These shares were subsequently forfeited. All the forfeited shares were sold to Shri Banerjee as fully paid up at Rs. 8 per share. Show the journal entries to record the above transactions.

**(10 Marks)**

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