

(ALL CA FOUNDATION BATCHES)**DATE: 09.01.2021****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:

- (i) M/s New Delhi Financing Co. sold certain goods on installment payment basis. Five customers did not pay installments. To recover such outstanding installments, the firm spent Rs. 10,000 on account of legal expenses. These are capital expenditure.
- (ii) When amount is written on wrong side, it is known as an error of principle.
- (iii) Overcasting of credit side of the cash book shall result in a higher bank balance in cash book when compared with pass book balance.
- (iv) Bills payable account is a nominal account.
- (v) Akash purchased a machine for Rs. 12,00,000. Estimated useful life is 10 years and scrap value is Rs. 1,00,000. Depreciation for the first year using sum of the years digit method shall be Rs. 2,00,000.
- (vi) Sweat equity shares are those which are issued to employees & directors at a discount.

(6×2 = 12 Marks)**(b) Distinguish between the following.**

- (1) Distinguish between debentures and shares.
- (2) Distinguish Between Receipt and Payment and Income and Expenditure Account.

(2×2 = 4 Marks)**(c) Write short notes on:**

- (1) Utilization of securities premium account
- (2) What is joint life policy? What is the objective of taking such a policy?

(2×2 = 4 Marks)**(Total 20 Marks)****Question 2:**

(a) Weak, Able and Lazy are in partnership sharing profits and losses in the ratio of 2:1:1. It is agreed that interest on capital will be allowed @ 10% per annum and interest on drawings will be charged @ 8 % per annum. (No interest will be charged/allowed on Current Accounts).

The following are the particulars of the Capital and Drawings Accounts of the partners:

	Weak	Able	Lazy
	Rs.	Rs.	Rs.
Capital (1.1.2019)	75,000	40,000	30,000
Current Account (1.1.2019)	10,000	5,000	(Dr.) 5,000
Drawings	15,000	10,000	10,000

The draft accounts for 2019 showed a net profit of Rs. 60,000 before taking into account interest on capitals and drawings and subject to following rectification of errors:

- (a) Life Insurance premium of Weak amounting to Rs. 750 paid by the firm on 30th June, 2019 has been charged to Miscellaneous Expenditure A/c.
- (b) Repairs of Machinery amounting to Rs. 10,000 has been debited to Plant Account and depreciation thereon charged @ 20%.
- (c) Travelling expenses of Rs. 3,000 of Able for a pleasure trip to U.K. paid by the firm on 30th June, 2019 has been debited to Travelling Expenses Account.

You are required to prepare the Profit and Loss Appropriation Account, Current Accounts of partners Weak, Able and Lazy for the year ended 31st December, 2019.

(10 Marks)

- (b)** A and B are in the partnership sharing profits and losses in the proportion of three-fourth and one-fourth respectively. Their balance sheet as on 31st March, 2020 was as follows:

Cash Rs. 1,000; trade receivables Rs. 25,000; Inventory Rs. 22,000; plant and machinery Rs. 4,000; trade payables Rs. 12,000; bank overdraft Rs. 15,000; A's capital Rs. 15,000; B's capital Rs. 10,000.

On 1st April, 2020, they admitted C into partnership on the following terms:

- (i) C to purchase one-third of the goodwill for Rs. 2,000 and provide Rs. 10,000 as capital. Goodwill not to appear in books.
- (ii) Further profits and losses are to be shared by A, B and C equally.
- (iii) Plant and machinery is to be reduced by 10% and Rs. 500 is to be provided for estimated bad debts. Inventory is to be taken at a valuation of Rs. 24,940.
- (iv) By bringing in or withdrawing cash and capitals of A and B are to be made proportionate to that of C on their profit-sharing basis.

Set out entries to the above arrangement in the firm's journal and give the partners' capital accounts in tabular form.

(10 Marks)

Question 3:

- (a)** Mr. Birla is a proprietor engaged in business of trading electronics. An excerpt from his Trading & P&L account is as follows:

Trading and P&L A/c for the year ended 31st March, 2020

Particulars	Rs.	Particulars	Rs.
To Cost of Goods Sold	45,00,000	By Sales	C
To Gross Profit c/d	D		
	F		F
To Rent A/c	26,00,000	By Gross Profit b/d	D
To Office Expenses	13,00,000	By Miscellaneous Income	E
To Selling Expenses	B		
To Commission to Manager (on Net Profit before charging such commission)	2,00,000		
To Net Profit	A		
	G		60,00,000

Commission is charged at the rate of 10%.

Selling Expenses amount to 1% of total sales.

You are required to compute the missing figures.

(10 Marks)

- (b) Prepare a bank reconciliation statement from the following particulars on 31st March, 2019:

Particulars	Rs.
Debit balance as per bank column of the cash book	37,20,000
Cheque issued to creditors but not yet presented to the bank for payment	7,20,000
Dividend received by the bank but not yet entered in the cash book	5,00,000
Interest allowed by the bank	12,500
Cheques deposited into bank for collection but not collected by bank up to this date.	15,40,000
Bank charges	2,000
A cheque deposited into bank was dishonoured, but no intimation received	3,20,000
Bank paid house tax on our behalf, but no information received from bank in this connection.	3,50,000
Direct deposited by a customer in the bank not recorded in cash book	1,00,000

(10 Marks)

Question 4:

- (a) From the following particulars ascertain the value of Inventories as on 31st March, 2020:

	Rs.
Inventory as on 1.4.2019	1,42,500
Purchases	7,62,500
Manufacturing Expenses	1,50,000
Selling Expenses	60,500
Administrative Expenses	30,000
Financial Charges	21,500
Sales	12,45,000

At the time of valuing inventory as on 31st March, 2019, a sum of Rs. 17,500 was written off on a particular item, which was originally purchased for Rs. 50,000 and was sold during the year for Rs. 45,000. Barring the transaction relating to this item, the gross profit earned during the year was 20 percent on sales.

(10 Marks)

- (b) Nike sports Co. of New Delhi consigned 100 shoes to Adidas Co. of Ahmedabad costing Rs. 1,500 each, invoiced at Rs. 2,000 each. The consignor paid freight Rs. 10,000 and insurance in transit Rs. 1,500. During transit, 10 shoes were totally damaged. Adidas Co took delivery of remaining shoes and paid Rs. 1,530 for octroi duty. Adidas co. sent a bank draft to Nike sports Co. for Rs 50,000 as advance and later on sent an account sales showing that 80 shoes had been sold @ Rs. 2,200 each. Expenses incurred by Adidas Co. on godown rent were Rs. 2,000. Adidas Co. is entitled to a commission of 5% on invoice price and 25% on any surplus of sale price over invoice price. Insurance claim was settled at Rs. 14,000. Prepare consignment account, consignee's account and the related working notes account in the books of the Nike sports Co.

(10 Marks)

Question 5:

- (a) Mr. Yash and Mr. Harsh are partners in a firm. They had drawn the following amounts from the firm during the year ended 31.03.2020:

Date	Amount	Drawn by
	Rs.	Rs.
01.05.2019	75,000	Mr. Yash
02.07.2019	20,000	Mr. Yash
15.08.2019	60,000	Mr. Harsh
31.12.2019	50,000	Mr. Harsh
04.03.2020	75,000	Mr. Harsh
31.03.2020	15,000	Mr. Yash

Interest is charged @ 10% p.a. on all drawings. Calculate interest chargeable from each partner by using Average due date system. (Consider 1st May as base date) (1 year = 365 days)

(10 Marks)

- (b) From the following prepare an account current, to be rendered by Ali to Bali on 31st December, 2020 by means of products method charging interest @ 8% p.a:

2020	Particulars	Rs.
Oct. 1	Balance due from Bali	2,000
Oct 19	Purchased goods from Bali	3,200
Oct 25	Returned goods to Bali	800
Nov 3	Sold goods to Bali	5,400
Nov 15	Bali accepted a bill drawn by Ali for one month	2,400
Nov. 30	Bills accepted by Bali earlier dishonoured on the due date	3,000
Dec 15	Received cash from Bali	2,000

(10 Marks)**Question 6:**

- (a) The Sportwriters Club gives the following Receipts and Payments Account for the year ended March 31, 2020:

Receipts and Payments Account

Receipts	Rs.	Payments	Rs.
To Balance b/d	4,820	By Salaries	12,000
To Subscriptions	28,600	By Rent and electricity	7,220
To Miscellaneous income	700	By Library books	1,000
To Interest on Fixed deposit	2,000	By Magazines and newspapers	2,172
		By Sundry expenses	10,278
		By Sports equipments	1,000
		By Balance c/d	2,450
	36,120		36,120

Figures of other assets and liabilities are furnished as follows:

	As at March 31	
	Rs.	Rs.
	2019	2020
Salaries outstanding	710	170
Outstanding rent & electricity	864	973
Outstanding for magazines and newspapers	226	340
Fixed Deposit (10%) with bank	20,000	20,000

Interest accrued thereon	500	500
Subscription receivable	1,263	1,575
Prepaid expenses	417	620
Furniture	9,600	
Sports equipments	7,200	
Library books	5,000	

The closing values of furniture and sports equipments are to be determined after charging depreciation at 10% and 20% p.a. respectively inclusive of the additions, if any, during the year. The Club's library books are revalued at the end of every year and the value at the end of March 31, 2020 was Rs. 5,250.

Required:

From the above information you are required to prepare:

- The Club's Balance Sheet as at March 31, 2019;
- The Club's Income and Expenditure Account for the year ended March 31, 2020.
- The Club's Closing Balance Sheet as at March 31, 2020.

(10 Marks)

- (b) The Balance Sheet of Seed, Plant and Flower as at 31st December, 2019 was as under :

Liabilities		Rs.	Assets	Rs.
Trade payables		20,000	Fixed Assets	40,000
General Reserve		5,000	Debtors	10,000
Capital:			Bills Receivable	4,000
Seed	25,000		Inventories	16,000
Plant	15,000		Cash at Bank	10,000
Flower	15,000	55,000		
		80,000		80,000

The profit sharing ratio was: Seed 5/10, Plant 3/10 and Flower 2/10. On 1st May, 2020 Plant died. It was agreed that:

- Goodwill should be valued at 3 years purchase of the average profits for 4 years. The profits were:

2016	Rs. 10,000	2018	Rs. 12,000
2017	Rs. 13,000	2019	Rs. 15,000
- The deceased partner to be given share of profits upto the date of death on the basis of the previous year.
- Fixed Assets were to be depreciated by 10%. A bill for Rs. 1,000 was found to be worthless. These are not to affect goodwill.
- A sum of Rs. 7,750 was to be paid immediately, the balance was to remain as a loan with the firm at 9% p.a. as interest.

Seed and Flower agreed to share profits and losses in future in the ratio of 3: 2. Give necessary journal entries.

(10 Marks)

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