

(GCF-2,3,4,5,6, VCF-1,2, VDCF-1,2 & SCF-1,2) DATE: 27.09.2021	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) Trade Discount is a reduction granted by a supplier from the list price of goods or services on business considerations for prompt payment.
- (ii) 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 Rs. 30,000 and was treated as a revenue expenditure.
- (iii) Valuation of inventory, at cost or net realizable value, whichever less, is based on principle of Conservatism.
- (iv) 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.
- (v) A Partnership firm cannot own any Assets.
- (vi) Since company has existence independent of its members, it continues to be in existence despite the death, insolvency or change of members.

(6 x 2 = 12 Marks)

(b) Distinguish between Provision and Contingent Liability.

(4 Marks)

(c) X purchased a machinery on 1st January 2017 for Rs. 4,80,000 and spent Rs. 20,000 on its installation. On July 1, 2017 another machinery costing Rs. 2,00,000 was purchased. On 1st July, 2018 the machinery purchased on 1st January, 2017 having become scrapped and was sold for Rs. 2,90,000 and on the same date fresh machinery was purchased for Rs. 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)

Question 2:

(a) On 30th September, 2018, the bank account of XYZ, according to the bank column of the cash book, was overdrawn to the extent of Rs. 8,062. An examination of the Cash book and Bank Statement reveals the following:

- (i) A cheque for Rs. 11,14,000 deposited on 29th September, 2018 was credited by the bank only on 3rd October, 2018.
- (ii) A payment by cheque for Rs. 18,000 has been entered twice in the Cash book.
- (iii) On 29th September, 2018, the bank credited an amount of Rs. 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 Rs. 280 had not been entered in the cash book.
- (v) On 6th September 2018, the bank credited Rs. 30,000 to XYZ in error.
- (vi) A bill of exchange for Rs. 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.

- (vii) Cheques issued upto 30th September, 2018 but not presented for payment upto that date totalled Rs. 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 Rs. 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)

Question 3:

- (a)** A Products Limited of Kolkata has given the following particulars regarding tea sent on consignment to C Stores of Mumbai :

	Cost Price	Selling price	Qty consigned
5 Kg. Tin	Rs. 100 each	Rs. 150 each	1,000 Tins
10 Kg. Tin	Rs. 180 each	Rs. 250 each	1,000 Tins

The consignment was booked on freight "To Pay" basis. The freight was charged 5% of selling value.

C Stores sold 500. 5 kg Tins and 800, 10 kg Tins. It paid insurance of Rs. 10,000 and storage charges of Rs. 20,000.

C Stores is entitled to a fixed commission @ 10% on Sales.

During transit 50 quantity of 5 kg Tin and 20 quantity of 10 kg Tin got damaged and the transporter paid Rs. 5,000 as damage charge.

Prepare the Consignment Account in the books of A Products Limited.

(10 Marks)

- (b)** From the following particulars prepare an account current, as sent by Mr. Amit to Mr. Piyush as on 31st December, 2020 by means of product method charging interest @ 8% p.a.

Date	Particulars	Rs.
01-09-2020	Balance due from Piyush	900
15-10-2020	Sold goods to Piyush	1,450
20-10-2020	Goods returned by Piyush	250
22-11-2020	Piyush paid by Cheque	1,200
15-12-2020	Received cash from Piyush	600

(5 Marks)

- (c) Attempt any ONE of the following two sub-parts i.e. either (i) or (ii)
- (i) From the following information show the journal entries in the books of ABC Limited for the year ended 31st March, 2020:
- (1) 100 units of goods costing Rs. 500 each sent to XYZ Limited on Sales or Return Basis @ Rs. 750 per unit. This transaction was however treated as actual sales in the books of accounts.
 - (2) Out of the above 100 units, only 60 units were accepted by XYZ Limited during the year @ Rs. 700 per unit. No information was received about acceptability of balance units by the year end.

OR

- (ii) Mahesh had the following bill receivables and bills payables against Rajesh. Calculate the average due date, when the payment can be received or made without any loss of interest.

Date	Bills Receivable	Tenure	Date	Bills Payable	Tenure
12-06-20	5,000	3 months	27-05-20	3,700	3 months
10-07-20	6,200	1 month	07-06-20	4,000	3 months
15-07-20	3,500	3 months	10-07-20	5,000	1 month
12-06-20	1,500	2 months			
28-06-20	2,500	2 months			

15th August, 2020 was Public holiday. However, 10th September, 2020 was also suddenly declared as holiday.

(5 Marks)

Question 4:

- (a) Dr. Deku started private practice on 1st April, 2019 with Rs. 2,00,000 of his own fund and Rs. 3,00,000 borrowed at an interest of 12% p.a. on the security of his life policies. His accounts for the year were kept on a cash basis and the following is his summarized cash account:

Receipts	Rs.	Payments	Rs.
Own Capital	2,00,000	Medicines Purchased	2,45,000
Loan	3,00,000	Surgical Equipment	2,50,000
Prescription Fees	6,60,000	Motor Car	3,20,000
Visiting Fees	2,50,000	Motor Car Expenses	1,20,000
Lecture Fees	24,000	Wages and Salaries	1,05,000
Pension Received	3,00,000	Rent of Clinic	60,000
		General Charges	49,000
		Household Expenses	1,80,000
		Household Furniture	25,000
		Expenses on Daughter's	2,15,000
		Marriage	
		Interest on Loan	36,000
		Balance at Bank	1,10,000
		Cash in Hand	19,000
	17,34,000		17,34,000

1/3rd of the motor car expenses may be treated as applicable to the private use of car and Rs. 30,000 of salaries are in respect of domestic servants.

The stock of medicines in hand on 31st March, 2020 was valued at Rs. 95,000. You are required to prepare his private practice income and expenditure account and capital account for the year ended 31st March, 2020. Ignore depreciation on fixed assets.

(10 Marks)

- (b) M/s. TB is a partnership firm with the partners A, B and C sharing profits and losses in the ratio of 3:2:5. The balance sheet of the firm as on 30th June, 2020 was as under:

Balance Sheet of M/s. TB as on 30-6-2020

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
A's Capital A/c	1,24,000	Land	1,20,000
B's Capital A/c	96,000	Building	2,20,000
C's Capital A/c	1,60,000	Plant & Machinery	4,00,000
Long Term Loan	4,20,000	Investments	42,000
Bank Overdraft	64,000	Inventories	1,36,000
Trade Payables	2,13,000	Trade Receivables	1,59,000
	10,77,000		10,77,000

It was mutually agreed that B will retire from partnership and in his place D will be admitted as a partner with effect from 1st July, 2020. For this purpose, following adjustments are to be made:

- (a) Goodwill of the firm is to be valued at Rs. 3 lakhs due to the firm's location advantage but the same will not appear as an asset in the books of the reconstituted firm.
 - (b) Building and Plant & Machinery are to be valued at 95% and 80% of the respective balance sheet values. Investments are to be taken over by the retiring partner at Rs. 46,000. Trade receivables are considered good only upto 85% of the balance sheet figure. Balance to be considered bad.
 - (c) In the reconstituted firm, the total capital will be 4 lakhs, which will be contributed by A, C and D in their new profit sharing ratio, which is 3:4:3.
 - (d) The amount due to retiring partner shall be transferred to his loan account.
- You are required to prepare Revaluation Account and Partners Rs. Capital Accounts after reconstitution, along with working notes.

(10 Marks)

Question 5:

- (a) M/s. Applied Laboratories were unable to agree the Trial Balance as on 31st March, 2020 and have raised a suspense account for the difference. Next year the following errors were discovered:
- (i) Repairs made during the year were wrongly debited to the building A/c - Rs. 12,500.
 - (ii) The addition of the 'Freight' column in the purchase journal was short by Rs. 1,500.
 - (iii) Goods to the value of Rs. 1,050 returned by a customer, Rani & Co., had been posted to the debit of Rani & Co. and also to sales returns.
 - (iv) Sundry items of furniture sold for Rs. 30,000 had been entered in the sales book, the total of which had been posted to sales account.
 - (v) A bill of exchange (received from Raja & Co.) for Rs. 20,000 had been returned by the bank as dishonoured and had been credited to the bank and debited to bills receivable account.

You are required to pass journal entries to rectify the above mistakes.

(5 Marks)

- (b) Max & Co. employs a team of 9 workers who were paid Rs. 40,000 per month each in the year ending 31st December, 2018. At the start of 2019, the company raised salaries by 10% to Rs. 44,000 per month each.

On 1 July, 2019 the company hired 2 trainees at salary of Rs. 21,000 per month each. The work force are paid salary on the first working day of every month, one month in arrears, so that the employees receive their salary for January on the first working day of February, etc.

You are required to calculate :

- (i) Amount of salaries which would be charged to the profit and loss account for the year ended 31st December, 2019.
- (ii) Amount actually paid as salaries during 2019.
- (iii) Outstanding salaries as on 31st December, 2019.

(5 Marks)

- (c)** Following are the Manufacturing A/c, Creditors A/c and Raw Material A/c provided by M/s. Shivam related to financial year 2019-20. There are certain figures missing in these accounts.

Raw Material A/c

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Opening Stock A/c	1,27,000	By Raw Materials Consumed	
To Creditors A/c	-	By Closing Stock	-

Creditors A/c

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Bank A/c	23,50,000	By Balance b/d	15,70,000
To Balance c/d	6,60,000		-

Manufacturing A/c

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Raw Material A/c	-	By Trading A/c	17,44,000
To Wages	3,65,000		
To Depreciation	2,15,000		
to Direct Expenses	2,49,000		

Additional Information:

- (i) Purchase of machinery worth Rs. 12,00,000 on 1st April; 2019 has been omitted, Machinery is chargeable at a depreciation rate of 15%.
- (ii) Wages include the following:
 - Paid to factory workers - Rs. 3,15,000
 - Paid to labour at office - Rs. 50,000
- (iii) Direct expenses included the following :
 - Electricity charges - Rs. 80,000 of which 25% pertained to office
 - Fuel charges - Rs. 25,000
 - Freight inwards - Rs. 32,000
 - Delivery charges to customers - Rs. 22,000

You are required to prepare revised Manufacturing A/c and Raw Material A/c.

(10 Marks)

Question 6:

- (a)** ABC Limited issued 20,000 equity shares of Rs. 10 each payable as:
 Rs. 2 per share on application
 Rs. 3 per share on allotment
 Rs. 4 per share on first call
 Rs. 1 per share on final call
 All the shares were subscribed. Money due on all shares was fully received except for Mr. Bird, holding 300 shares, who failed to pay first call and final call money. All these 300 shares were forfeited. The forfeited shares of Mr. Bird were subsequently re-issued to Mr. John as fully paid up at a discount of Rs. 2 per share.
 Pass the necessary Journal Entries to record the above transactions in the books of ABC Limited.
- (10 Marks)**
- (b)** Y Company Limited issue 10,000 12% Debentures of the nominal value of Rs. 60,00,000 as follows :
 (i) To a vendor for purchase of fixed assets worth Rs. 13,00,000 - Rs. 15,00,000 nominal value.
 (ii) To sundry persons for cash at 90% of nominal value of Rs. 30,00,000.
 (iii) To the banker as collateral security for a loan of Rs. 14,00,000 - Rs. 15,00,000 nominal value,
 You are required to pass necessary Journal Entries.
- (5 Marks)**
- (c)** Discuss the factors taken into consideration for calculation of depreciation.
- (5 Marks)**

**