

(GCF-9, 11, 12, 13, 14, 15, VCF-VDCF-SCF-3, VTW-1+Fnd, VDTW-1+Fnd, GTW-1+Fnd, STW-1+Fnd, JCC 12th+Foundation)
 DATE: 27.04.2022 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.

Answer 1:

- (a) (i) **True:** {1 M}
 There are 3 different stages when the mistakes are identified and then the rectification depends on the stage of identification. {1 M}
- (ii) **False :** {1 M}
 Bank charges should be added when we start with credit or favourable balance in pass book as bank would have debited the charges. {1 M}
- (iii) **False:** {1 M}
 Under Perpetual Inventory System management have daily information of closing stock. {1 M}
- (iv) **True :** {1 M}
 Depreciation being non cash expense reduces the distributable profits and hence facilitates replacement of asset when required. {1 M}
- (v) **True:** {1 M}
 In case of the promissory note, it is generally the maker who makes the payment, but in case of the bill of exchange, the person accepting the bill shall be liable to make the payment to the holder of the bill. {1 M}
- (vi) **False:** {1 M}
 As per the Sale of goods Act, when the goods are retained by the customer after the given time and no express intimation is given with regard to rejection- they are deemed sales. {1 M}

Answer:

- (b) (1) (i) **Errors of Omission:** If a transaction is completely or partially omitted from the books of account, it will be a case of omission. Examples would be: not recording a credit purchase of furniture or not posting an entry into the ledger. {2 M}
- (ii) **Errors of Commission:** If an amount is posted in the wrong account or it is written on the wrong side or the totals are wrong or a wrong balance is struck, it will be a case of "errors of commission". {2 M}
- (2) **Distinction between Money measurement concept and matching concept**
- As per Money Measurement concept, only those transactions, which can be measured in terms of money are recorded. Since money is the medium of exchange and the standard of economic value, this concept requires that those transactions alone that are capable of being measured in terms of money be only to be recorded in the books of accounts. Transactions and events that cannot be expressed in terms of money are not recorded in the business books. {2 M}
- In Matching concept, all expenses matched with the revenue of that period should only be taken into consideration. In the financial statements of the organization if any revenue is recognized then expenses related to earn that revenue should also be recognized.

Answer:**(c)****Sales Book**

Date	Particulars	Details	L.F.	Amount	
2020	M/s. Gupta & Verma				
	30 shirts @ Rs. 800	24,000			
	20 Trousers @ Rs. 1,000	20,000			
		44,000			
	Less : 10%	(4,400)			
	Sales as per invoice no. dated.....			39,600	{1 M}
	M/s. Jain & Sons				
	50 shirts @ Rs. 800			40,000	{1 M}
	Sales as per invoice no. dated.....				
	M/s. Mathur & Jain				
	100 shirts @ Rs. 750	75,000			
	10 overcoats @ Rs. 5,000	50,000			
		1,25,000			
	Less : 10%	(12,500)			
	Sales as per invoice no. dated.....			1,12,500	{1 M}
		Total		1,92,100	{1 M}

Note : Cash sale and sale of furniture are not entered in Sales Book.

Answer 2:**(a)****Journal Entries in the books of Mr. Roy**

Date	Particulars	Dr. Rs.	Cr. Rs.	
(1)	Motor Vehicles Account Dr.	2,700		{1 M}
	To Profit and Loss Adjustment A/c		2,700	
	(Purchase of scooter wrongly debited to conveyance account now rectified-capitalisation of Rs. 2,700, i.e., Rs. 3,000 less 10% depreciation)			
(2)	Suspense Account Dr.	10,000		{1/2 M}
	To Profit & Loss Adjustment A/c		10,000	
	(Purchase Account overcast in the previous year; error now rectified).			
(3)	Profit & Loss Adjustment A/c Dr.	4,000		{1/2 M}
	To D's Account		4,000	
	(Credit purchase from D Rs. 2,000, entered as sales last year; now rectified)			
(4)	Y's Account Dr.	1,000		{1 M}
	To X's Account		1,000	
	(Amount received from X wrongly posted to the account of Y; now rectified)			
(5)	Suspense Account Dr.	1,000		{1/2 M}
	To C's Account		1,000	
	(Rs. 500 received from C wrongly debited to his account; now rectified)			
(6)	Trade receivables Dr.	500		{1/2 M}

	To Suspense Account		500	
	(Rs. 500 due by Z not taken into trial balance; now rectified)			
(7)	R's Account Dr.	2,000		{1/2 M}
	To Profit & Loss Adjustment A/c		2,000	
	(Sales to R omitted last year; now adjusted)			
(8)	Suspense Account Dr.	198		{1/2 M}
	To Profit & Loss Adjustment A/c		198	
	(Excess posting to purchase account last year, Rs. 2,593, instead of Rs. 2,395, now adjusted)			
(9)	Profit & Loss Adjustment A/c Dr.	10,898		{1 M}
	To Roy's Capital Account		10,898	
	(Balance of Profit & Loss Adjustment A/c transferred to Capital Account)			
(10)	Roy's Capital Account Dr.	10,698		{1 M}
	To Suspense Account		10,698	
	(Balance of Suspense Account transferred to the Capital Account)			

**Profit and Loss Adjustment Account
(Prior Period Items)**

		Rs.		Rs.
{1/2 mark}	To D	4,000	By Motor Vehicles A/c	2,700
	To Roy's Capital (transfer) {1 M}	10,898	By Suspense A/c	10,000
			By R	2,000
			By Suspense Account	198
		14,898		14,898

Suspense Account

		Rs.		Rs.
{1/2 mark}	To Profit & Loss Adjustment Account	10,000	By Trade Receivables (Z)	500
	To C	1,000	By Roy's Capital Account (Transfer)	10,698 {1 M}
	To Profit & Loss Adjustment Account	198		
		11,198		11,198

Answer:

- (b) Base date-The date of the first transaction - 13.07.2020
Payment to be made by Mr. Khan to Mr. Kapoor

Due date	No. of days from base date	Amount	Product
04.08.2020	22 {1/2 M}	400	8,800
22.08.2020	40 {1/2 M}	750	30,000
28.07.2020	15 {1/2 M}	1000	15,000
09.09.2020	58 {1/2 M}	1250	72,500

17.09.2020	66 }{1/2 M}	800	52,800
Total		{1/2 M} 4200	1,79,100 }{1 M}

Payment to be made by Mr. Kapoor to Mr. Khan

Due date	No. of days from base date	Amount	Product
13.07.2020	0 }{1/2 M}	800	0
25.07.2020	12 }{1/2 M}	950	11,400
14.08.2020	32 }{1/2 M}	1,150	36,800
01.09.2020	50 }{1/2 M}	1,800	90,000
12.09.2020	61 }{1/2 M}	1,250	76,250
Total		{1/2 M} 5950	2,14,450 }{1 M}

Difference in products = Mr. Kapoor to pay to Mr. Khan = 2, 14, 450 - 1, 79, 100 = 35350.

Difference in amounts = 5,950 - 4,200 = 1,750

Average due date = Base date + Difference in product

Difference in amounts

$$13\text{th July} + \frac{35,350}{1,750} = 13\text{th July} + 20.2 \text{ days} = 20 \text{ days } \text{{1 M}}$$

Average due date = 2nd August 2020 }{1 M}

Answer 3:

(a)

**Receipts and Payments Account of Bombay Medical Aid Society
for the year ended 31st December, 2020**

Receipts	Rs.	Payments	Rs.
To Cash in hand (opening)	8,000	By Medicine supply	30,000
To Subscription	50,000	By Honorarium to doctors	10,000
To Donation	15,000	By Salaries	28,000
To Interest on investment	9,000	By Sundry expenses	1,000
To Charity show collections	12,500	By Purchase of equipment	15,000
		By Charity show expenses	1,500
		By Cash in hand (closing)	9,000 }{1 M}
	94,500		94,500

**Income and Expenditure Account of Bombay Medical Aid Society
for the year ended 31st December, 2020**

Expenditure	Rs.	Income	Rs.
To Medicine consumed	29,000 {1 M}	By Subscription	51,200
To Honorarium to doctors	10,000	By Donation	15,000
To Salaries	28,000	By Interest on investments	9,000
To Sundry expenses	1,000	By Profit on charity show:	
To Depreciation on		Show collections	12,500
Equipment	6,000	Less: Show expenses	(1,500)
Building	2,000		11,000
To Surplus-excess of income over expenditure	10,200 }{1 M}		
	86,200		86,200

**Balance Sheet of Bombay Medical Aid Society
as on 31st December, 2020**

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Capital fund:			Building	50,000	
Opening balance	1,80,300		Less: Depreciation	(2,000)	48,000
Add: Surplus	10,200	1,90,500 {1 M}	Equipment	21,000	
Subscription received in advance		700	Add: Purchase	15,000	
Amount due for medicine supply		13,000		36,000	
			Less: Depreciation	(6,000)	30,000
			Stock of medicine		15,000
			Investments		1,00,000
			Subscription receivable		2,200
			Cash in hand		9,000
		2,04,200			2,04,200

Working Notes :

Subscription for the year ended 31st December, 2020:		Rs.
Subscription received during the year		50,000
Less: Subscription receivable on 1.1.2020	1,500	
Less: Subscription received in advance on 31.12.2020	700	(2,200)
		47,800
Add: Subscription receivable on 31.12.2020	2,200	
Add: Subscription received in advance on 1.1.2020	1,200	3,400
		51,200 {1 M}
Purchase of medicine:		
Payment for medicine supply		30,000
Less: Amounts due for medicine supply on 1.1.2020		(9,000)
		21,000
Add: Amounts due for medicine supply on 31.12.2020		13,000
		34,000 {1 M}
Medicine consumed:		
Stock of medicine on 1.1.2020		10,000
Add: Purchase of medicine during the year		34,000
		44,000
Less: Stock of medicine on 31.12.2020		(15,000)
		29,000 {1 M}
Depreciation on equipment:		
Value of equipment on 1.1.2020		21,000
Add: Purchase of equipment during the year		15,000
		36,000
Less: Value of equipment on 31.12.2020		(30,000)
Depreciation on equipment for the year		6,000 {1 M}

**Balance Sheet of Medical Aid Society as
on 1st January, 2020**

Liabilities	Rs.	Assets	Rs.
Capital fund (balancing figure)	1,80,300 {1 M}	Building	50,000
Subscription received in advance	1,200	Equipment	21,000

Amount due for medicine supply	9,000	Stock of medicine	10,000	{1 M}
		Investments (Rs. 9,000 x 100/9)	1,00,000	
		Subscription receivable	1,500	
		Cash in hand	8,000	
	1,90,500		1,90,500	

Answer:**(b)****In The Books of Aarav, Nirav and Purav Revaluation A/c**

Particulars	Rs.	Particulars	Rs.	
To RDD	3,250	By building	10,000	
To Machinery	6,750	By Loss on revaluation	4,500	
To Stock	9,000	Aarav	3,000	
		Nirav Purav	1,500	9,000 {1 M}
	19,000			19,000

Partners Capital A/c

Particulars	Aarav	Nirav	Purav	Particulars	Aarav	Nirav	Purav
To Loss on Revaluation	4,500	3,000	1,500	By Balance b/d	80,000	50,000	35,000
To cash			59,500 {1 M}	By General Reserve	30,000	20,000	10,000
To Purav capital	9,600 {1 M}	6,400 {1 M}		By Aarav, Nirav capital			16,000
To Balance C/d	1,30,900 {1 M}	85,600 {1 M}		By Cash	35,000	25,000	
	1,45,000	95,000	61,000		1,45,000	95,000	61,000

Cash A/c

Particulars	Rs.	Particulars	Rs.	
To Balance b/d	12,500	By Purav's Capital	59,500	
To Aarav's Capital	35,000			
To Nirav's Capital	25,000	By Balance c/d	13,000	{1 M}
	72,500		72,500	

Balance Sheet as on 1st April 2020

Liabilities	Rs.	Assets	Rs.	
Capital : Aarav	1,30,900	Building	60,000	
Nirav	85,600	Machinery	60,750	
Trade Creditors	50,000	Debtors	65,000	
		Less: RDD	3,250	61,750 {1 M}
		Stock		71,000
		Cash in hand		13,000
	2,66,500			2,66,500

Working note :**Valuation of Goodwill**

31st March 2018	Rs. 39,000
31st March 2019	Rs. 50,000
31st March 2020	<u>Rs. 55,000</u>

Total	Rs. 1,44,000	
Average profit	= 1,44,000/3	
	= 48,000	
Goodwill	= 2 years purchase	
	= 2 x 48,000 = Rs. 96,000	{1 M}
Purav's share	= 1/6th = 96,000/6 = 16,000	{1 M}

Journal entry for adjustment of goodwill

Aarav capital A/c	Dr.	9,600	
Nirav capital	Dr.	6,400	
To Purav capital			16,000

Answer 4:**(a)**

In the books of Mukesh
Bank Reconciliation Statement as on 31.3.2019

Particulars	Plus	Minus	
Overdraft as per the pass book		5,000	{1 M}
Add: Cheques deposited in bank but not collected and credited by bank till 31.3.2019	20,00,000		{1 M}
Interest on term loan not accounted in books	10,00,000		{1 M}
Bank charges not accounted in books	2,500		{1 M}
Less: Cheques issued but not presented for payment till 31.3.2019		12,00,000	{1 M}
Less: Erroneous credit by bank to Mukesh's account		30,68,000	{1 M}
	{1/2 M} 30,02,500	42,73,000	{1/2 M}
Balance as per the cash book		12,70,500	{1 M}

Answer:**(b)**

'You' In Account Current with 'Me'
(Interest to 31st March, 2020 @ 12% p.a.)

Date 2020	Particulars	Due Date	Amount Rs.	Days	Product	Date 2020	Particulars	Due Date	Amount Rs.	Days	Product	
Feb 1	To Balance b/d		5,000	59	2,95,000	Feb 08	By Bills Receivable	May 11	10,000	-	-	
Feb 5	To Sales A/c	Apr 07	8,250	-	-	Feb 10	By Purchases A/c	Mar 10	11,000	21	2,31,000	{1 M}
Feb 16	To Cash A/c	Feb 16	2,500	43	1,07,500	Feb 12	By Bank A/c	Apr 12	7,500	-	-	
Feb 24	To Bills payable	Mar 24	5,000	7	35,000	Feb 28	By cash A/c	Feb 28	2,500	31	77,500	{1 M}
Mar 31	To Red ink product as per contra	May 11	-	41	4,10,000	Mar 31	By Red ink product as per contra	Apr 07	-	7	57,750	{1 M}
Mar 31	To Red ink product as per contra	Apr 12	-	12	90,000	Mar 31	By balance of product				5,71,250	{1 M}
Mar 31	To Interest (5,71,250 x 12% x 1/365)	{1 M}	188	{1 M}								
Mar 31	To balance C/d		10,062	{1 M}								
			31,000		9,37,500				31,000		9,37,500	

Balance of Rs. 10,062/- to be paid by Me to You.

Answer 5:**(a)** Weighted Average basis**Sriram Mills****Calculation of the value of Inventory as on 31-3-2020**

	Receipts			Issues			Balance		
Date	Units	Rate	Amount	Units	Rate	Amount	Units	Rate	Amount
		Rs.	Rs.		Rs.	Rs.		Rs.	Rs.
1-1-2020	Balance							Nil	
1-1-2020	100	30	3,000	{1 M}			100	30	3,000
15-1-2020				50	30	1,500	{1 M}	50	30
1-2-2020	200	40	8,000	{1 M}			250	38	9,500
15-2-2020				100	38	3,800	{1 M}	150	38
20-2-2020				100	38	3,800	{1 M}	50	38

Therefore, the value of Inventory as on 31-3-2020 = 50 units @ Rs. 38 = Rs. 1,900

Answer:**(b)****In the books of X
Journal Entries**

Date	Particulars	L.F.	DR. (in Rs.)	CR. (in Rs.)
01/04/2020	Bills receivables A/c Dr.		30,000	
	To Y A/c			30,000
	(Being bill of exchange drawn on Mr. Y)			
1/4/2020	Bank A/c Dr.		28,800	
	Discount charges A/c Dr.		1,200	30,000
	To Bills receivable A/c			
	(Being the bills receivable discounted with the bank at a charge of Rs. 1,200)			
1/4/2020	Y A/c Dr.		10,000	
	To Bank A/c			9,600
	To Discount charges			400
	(Being the amount remitted to Y along with his share of the bank charges)			
04/7/2020	Y A/c Dr.		42,000	
	To Bills payable A/c			42,000
	(Being the bills drawn by Y, due to non payment of earlier bill)			
04/7/2020	Bank A/c Dr.		6,740	
	Discount charges A/c Dr.		1,260	
	To Y A/c			8,000
	(Being the amount discounted and sent it by Y to X)			
	Bills payable A/c Dr.		42,000	
	To Y's A/c			42,000
	(being the bill due dishonoured due to bankruptcy)			

	Y A/c	Dr.	28,000		
	To Bank A/c			14,000	{1 M}
	To Deficiency account			14,000	
	(Being the amount due to Y discharged by payment of 50 paise in a rupee)				

In the books of Y Journal Entries

Date	Particulars	L.F.	DR. (in Rs.)	CR. (in Rs.)	
01/04/2020	X A/c Dr.		30,000		
	To Bills payable A/c			30,000	
	(Being bill of exchange accepted and sent to Mr. X)				
1/4/2020	Bank A/c Dr.		9,600		{1 M}
	Discount charges A/c Dr.		400		
	To X A/c			10,000	
	(being the amount received from X on account of the bills receivable)				
04/7/2020	Bills receivable A/c Dr.		42,000		
	To X A/c			42,000	
	(being the bills accepted by X)				
04/7/2020	Bank A/c Dr.		40,110		
	Discount charges A/c Dr.		1,890		
	To Bills receivable A/c			42,000	
	(Being X acceptance discounted with bank)				
	Bills payable A/c Dr.		30,000		{1 M}
	To Bank A/c			30,000	
	(being the amount met on the due date)				
	X A/c Dr.		8,000		{1 M}
	To Bank A/c			6,740	
	To Discount account			1,260	
	(Being the amount received and the discount debited to X)				
	X A/c Dr.		42,000		{1 M}
	To Bank A/c			42,000	
	(Being X's acceptance which was discounted dishonoured due to X's bankruptcy)				
	Bank A/c Dr.		14,000		{1 M}
	Bad debts A/c Dr.		14,000		
	To X A/c			28,000	
	(The amount received from X and the balance being written ou as debt)				

Answer 6:**(a)****In the books of 'X'****Goods on sales or return, sold and returned day book.**

Date 2019	Party to whom goods sent	L.F	Amount Rs.	Date 2019	Sold Rs.	Returned Rs.
Dec. 10	M/s. ABC		10,000	Dec. 25	{1 M} 10,000	-
Dec. 12	M/s. DEF		15,000	Dec. 16	-	15,000 {1 M}
Dec. 15	M/s. GHI		12,000	Dec. 20	{1 M} 10,000	2,000 {1 M}
Dec. 20	M/s. DEF		16,000	Dec. 24	{1 M} 16,000	-
Dec. 25	M/s. ABC		11,000	Dec. 28	{1 M} 11,000	-
Dec. 30	M/s. GHI		13,000	-		
			77,000		47,000	17,000

Goods on Sales or Return Total Account

Date	Particular	Amount	Date	Particulars	Amount
2019			2019		
Dec. 31	To Returns {1 M}	17,000	Dec. 31	By Goods sent on sales of return	77,000 {1 M}
	To Sales {1 M}	47,000			
	To Balance c/d {1 M}	13,000			
		77,000			77,000

Answer:**(b)****In the books of M/s Rosie & Co****Consignment to Sahoo Account**

Dr.	Particulars	Rs.	Cr.	Particulars	Rs.
	To Goods sent on Consignment A/c	1,50,000		By Sahoo- sale Proceeds	1,76,000 {1 M}
	To Bank(expenses)	{1 M}		By Abnormal loss Ac (loss by fire)	16,150 {1 M}
	Freight 10,000				
	Insurance 1,500	11,500			
	To Sahoo-expenses	{1 M}		By Inventories on consignment	17,750 {1 M}
	Customs duty 14,400				
	Sundry expenses 2,000				
	Commission (5%) 8,800				
	Bad debt (220*5) 1,100	26300			
	To P&L Account-transfer of profit	22,100 {1 M}			
		2,09,900			2,09,900

Dr. Goods sent on consignment account**Cr.**

Particulars	Rs.	Particulars	Rs.
To Trading A/c	1,50,000	By Consignment to Sahoo A/c	1,50,000 {1 M}
	1,50,000		1,50,000

Dr. Inventories on Consignment account**Cr.**

Particulars	Rs.	Particulars	Rs.
To Consignment to Wye A/c	17,750	By Balance c/d	17,750 {1 M}
	17,750		17,750

Dr.		Sahoo's account		Cr.	
Particulars	Rs.	Particulars	Rs.		
To Consignment to Sahoo Ac	1,76,000	By bank (bank draft as advance)	50,000		
		By consignment to Sahoo A/c			
		Customs duty	14,400		
		Sundry expenses	2,000		
		Commission	8,800		
		Bad debts	1,100	26300	
		By balance amount remitted	99,700		{1 M}
	1,76,000		1,76,000		

Working notes :**(a) Computation of the abnormal loss- 100 toys**

a. Cost of 100 toys	100*150	15,000
b. Freight charges- 100 toys	10000/1000*100	1,000
c. Insurance- 100 toys	1500/1000*100	150
a. Abnormal loss		<u>16,150</u>

(b) Computation of the Closing stock- (1000-100-800)

a. Cost of 100 toys	100*150	15,000
b. Freight charges- 100 toys	10000/1000*100	1,000
c. Insurance- 100 toys	1500/1000*100	150
d. Customs duty-100 toys	14400/900*100	1,600
Closing stock		<u>17,750</u> {1 M}

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