

(GCF-14, GCF-15, GCF-16, GCF-17 & GCF-17-A, VCF-3, VDCF-3)
DATE: 06.06.2023 MAXIMUM MARKS: 100 TIMING: 3 Hours

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) The method of rectification of errors depends on the stage at which the errors are detected.
- (ii) The bank charges charged by the bank should be deducted when bank reconciliation statement is being prepared starting from a credit balance of pass book.
- (iii) Management has daily information about the quantity and valuation of closing stock under Physical Inventory System.
- (iv) Providing for depreciation also helps in providing for accumulation of funds to facilitate the replacement at the end of its useful life.
- (v) Promissory note is different from that of a bill of exchange where the amount is paid by the maker in case of former and by the acceptor in the latter.
- (vi) The customer retains the goods even after the expiry of the mentioned term, but this act does not confirm to sale of goods as there is no express consent given.

(6×2 = 12 Marks)

(b) Distinguish between the following.

- (1) Errors of omission and errors of commission.
- (2) Money measurement concept and matching concept.

(2×2 = 4 Marks)

(c) The following are some of the transaction of M/s. Kishore & Sons of the year 2020 as per their Waste Book. Make out their Sales Book.

Sold to M/s. Gupta & Verma on credit:

- 30 shirts @ Rs. 800 per shirt.
- 20 trousers @ Rs. 1,000 per trouser.
- Less : Trade Discount @ 10%

Sold furniture to M/s. Sehgal & Co. on credit Rs. 8,000.

Sold 50 shirts of M/s. Jain & Sons @ Rs. 800 per shirt.

Sold 13 shirts to Cheap Stores @ Rs. 750 each for cash.

Sold on credit to M/s. Mathur & Jain.

- 100 shirts @ Rs. 750 per shirt
- 10 overcoats @ Rs. 5,000 per overcoat.
- Less: Trade Discount @ 10%

(4 Marks)

(Total 20 Marks)

Question 2:

(a) On 1st Oct, 2010, X Ltd purchased a machinery for Rs. 6,00,000. On 31st May, 2012, a part of the machinery purchased on 1st 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 31st 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) The following are the transactions that took place between A and B during the half year ended 30th June 2010:

	Rs.
(a) Balance due to A by B on 1 st January	3,000
(b) Goods sold by A to B on January 7	4,400

(c)	Goods purchased by A from B on February 16	6,400
(d)	Goods returned by A to B on February 18 (Out of purchases of February 16)	500
(e)	Goods sold by B to A on March 24	3,500
(f)	Bill accepted by A at 3 months on April 22	1,500
(g)	Cash paid by A to B on April 29	2,500
(h)	Goods sold by A to B on May 17	2,700
(i)	Goods sold by B to A on June 22	3,000

Draw up an account current to be rendered by B to A charging interest at 20% p.a. by Product Method.

(10 Marks)

Question 4:

(a) On 31st March 2015, the bank column of the Cash Book of Mr. Chandan 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. Chandan 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 31st March 2015.

(10 Marks)

(b) The following are the details of a spare part of Sriram Mills:

1-1-2020	Opening Inventory	Nil
1-1-2020	Purchases	100 units @ Rs. 30 per unit
15-1-2020	Issued for consumption	50 units
1-2-2020	Purchases	200 units @ Rs. 40 per unit
15-2-2020	Issued for consumption	100 units
20-2-2020	Issued for consumption	100 units

Find out the value of Inventory as on 31-3-2020 if the company follows Weighted Average basis.

(10 Marks)

Question 5:

(a) BABAI Sold goods to KACHARI for Rs. 90,000 on 1st April, 2018 for which the later accepted three bills of Rs. 30,000 each due respectively in 1,2 and 3 months. The

first bill is retained by Babai and is duly met. The second bill was discounted (discount being Rs. 600) and is met in due course. The third bill is also discounted (discounted being Rs. 900) and is dishonoured, the Noting charges being Rs. 150. New arrangements were duly made whereby Kachari pays Cash Rs. 10,150 and accepted a new bill due in 2 months for the balance of the amount with interest at 15% p.a. The bill is retained, on due date the same is dishonoured, noting charges being Rs. 180. Kachari declared insolvent on 15th Sept. 2018 and 35 paise in a rupee were received from his estate.

Required:

Pass Journal Entries in the Books of BABAI.

(10 Marks)

- (b)** M/s. Ram & Co., of Delhi purchased 20,000 pieces of sarees @ Rs. 200 per saree. Out of these 12,000 sarees were sent on consignment to M/s Laxman traders of Mumbai at the selling price of Rs. 240 per saree. The consignors paid Rs. 6,000 for packing and freight.

M/s Laxman Traders sold 10,000 sarees @ Rs. 250 per saree and incurred Rs. 2,000 towards selling expenses and remitted Rs. 10,00,000 to Delhi on account. M/s Laxman Traders are entitled to a commission of 5 per cent on total sales plus a further 20 per cent commission on any surplus price realised over Rs. 240 per saree. 6,000 sarees were sold at Rs. 220 per saree by the consignor. Owing to fall in the market price, the value of stock of sarees in hand is to be reduced by 10 per cent. Prepare the consignment account and the account M/s Laxman Traders in the books of the consignor.

(10 Marks)

Question 6:

- (a)** The Accountant of 'Retreat & Refresh' Club furnishes you the following Receipts and Payment Account for the year ending 31st March, 2018:

Receipts	Rs.	Payments	Rs.
Opening Balance:		Honoraria to Secretary	19,200
Cash & Bank (as per cash book)	33,520	Misc. expenses	6,120
Subscription	42,840	Rates & Taxes	5,040
Sale of Old Magazines	9,600	Ground man's wages	3,360
Entertainment Fees	17,080	Printing & Stationary	1,880
Bank Interest	920	Payment for bar purchases	23,080
Bar Receipts	29,800	Repairs	1,280
Proceeds from Sale of Old Car sold on 1.4.17	12,000	Telephone expenses	9,560
		New Car	62,400
		Closing Balance:	
		Cash & Bank	13,840
	1,45,760		1,45,760

Additional Information

	1.4.2017 (Rs.)	31.3.2018 (Rs.)
Subscription due (not received)	4,800	3,920
Cheque issued, but not presented (payment of printing expenses)	360	120
Club premises at cost	1,16,000	--

Depreciation on club premises provided so far	75,200	--
Car at cost	48,760	--
Depreciation on car provided so far	41,160	--
Value of Bar stock	2,840	3,480
Amount unpaid for bar purchases	2,360	1,720

Depreciation is to be provided @ 5% p.a. on written down value of the club premises and @ 15% p.a. on car for the whole year.

You are required to prepare an Income & Expenditure A/c of Retreat & Refresh Club for the year ending 31st March, 2018 and Balance Sheet as on that date.

(10 Marks)

- (b)** The following are the balances as at 31st 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 has given overdraft to the 80% of the pledged value of the closing stock. Pledged Value has been determined after deducting 20% from the original cost of the closing stock.

Prepare trading & profit loss account for the year ending 31.03.2004 and a balance sheet as on that date. Also show the rectification entries.

(10 Marks)