

**(GCF-14, GCF-15, GCF-16, GCF-17 & GCF-17-A, VCF-3, VDCF-3)**  
**DATE: 16.05.2023** **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:
- Wages paid for installation of machinery is revenue expenditure.
  - Interest paid on debenture is a charge against profit.
  - The sales book is kept to record both cash and credit sales.
  - Discount at the time of retirement of a bill is a gain for the drawee.
  - In case of consignment the ownership of the goods is transferred to consignee at the time of receiving the goods.
  - In case the due date of a bill falls after the date of closing the account, the interest from the date of closing to such due date is known as red-ink interest.
- (6×2 = 12 Marks)**

- (b)** Differentiate between the following :
- Contingent Liability and Provision.
  - Bills of Exchange and Promissory Note.

**(2×2 = 4 Marks)**

- (c)** From the following information, calculate the historical cost of inventories using adjusted selling price method:

Sales during the year	8,00,000
Cost of purchases	8,00,000
Opening inventory	Nil
Closing inventory at selling price	2,00,000

**(4 Marks)**

**(Total 20 Marks)**

**Question 2:**

- (a)** The Cash Book of Mr. X shows Rs. 4,18,200 as the balance at Bank as on 31st December, 2017, but you find that it does not agree with the balance as per the Bank Pass Book. On scrutiny, you find the following discrepancies:
- On 15<sup>th</sup> December, 2017 the payment side of the Cash Book was undercast by Rs. 5,000.
  - A cheque for Rs. 65,500 issued on 25th December, 2017 was not taken in the bank column.
  - One deposit of Rs. 75,000 was recorded in the Cash Book as if there is no bank column therein.
  - On 18th December, 2017 the debit balance of Rs. 7,630 as on the previous day, was brought forward as credit balance.
  - Of the total cheques amounting to Rs. 5,757 drawn in the last week of December, 2017, cheques aggregating Rs. 3,908 were encashed in December.
  - Dividends of Rs. 12,500 collected by the Bank and subscription of Rs. 500 paid by it were not recorded in the Cash Book.
  - One out-going Cheque of Rs. 1,75,000 was recorded twice in the Cash Book.
- You are required:

- (a) To make appropriate adjustment in the cash book, and  
 (b) A bank reconciliation statement.

**(10 Marks)**

- (b) The Profit and loss account of Krishna showed a net profit of Rs. 12,00,000, after considering the closing stock of Rs. 7,50,000 on 31st March, 2016. Subsequently the following information was obtained from scrutiny of the books:
- (i) Purchases for the year included Rs. 30,000 paid for new electric fittings for the shop.
  - (ii) Krishna gave away goods valued at Rs. 80,000 as free samples for which no entry was made in the books of accounts.
  - (iii) Invoices for goods amounting to Rs. 5,00,000 have been entered on 27th March, 2016, but the goods were not included in stock.
  - (iv) In March, 2016 goods of Rs. 4,00,000 sold and delivered were taken in the sales for April, 2016.
  - (v) Goods costing Rs. 1,50,000 were sent on sale or return in March, 2016 at a margin of profit of 33-1/3% on cost. Though approval was given in April, 2016 these were taken as sales for March, 2016.

Calculate the value of stock on 31st March, 2016 and the adjusted net profit for the year ended on that date.

**(10 Marks)****Question 3:**

- (a) A of Agra sent on consignment goods valued Rs. 2,00,000 to B of Mumbai on 1st March, 2016. He incurred the expenditure of Rs. 24,000 on freight and insurance. A's accounting year closes on 31st December. B was entitled to a commission of 5% on gross sales plus a del-credere commission of 3%. B took delivery of the consignment by incurring expenses of Rs. 6,000 for goods consigned. On 31.12.2016, B informed on phone that he had sold all the goods for Rs. 3,00,000 by incurring selling expenses of Rs. 4,000. He further informed that only Rs. 2,96,000 had been realized and rest was considered irrecoverable, and would be sending the cheque in a day or so for the amount due along with the accounts sale. On 5.1.2017, A received the cheque for the amount due from B and incurred bank charges of Rs. 520 for collecting the cheque. The amount was credited by the bank on 9.1.2017. Write up the consignment account finding out the profit/loss on the consignment, B's account, Provision for expenses account and Bank account in the books of the consignor, recording the transactions upto the receipt and collection of the cheque.

**(10 Marks)**

- (b) Ajay had the following bills receivables and bills payable against Vijay. Calculate the average due date, when the payment can be received or made without any loss of interest.

Date	Bills Receivable Rs.	Tenure	Date	Bills Payable Rs.	Tenure
01/06/2016	6,000	3 month	29/05/2016	4,000	2 month
05/06/2016	5,000	3 month	03/06/2016	6,000	3 month
09/06/2016	12,000	1 month	09/06/2016	12,000	1 month
12/06/2016	2,000	2 month			
20/06/2016	3,000	3 month			

15 August, 2016 was a Public holiday. However, 6 September, 2016 was also declared as sudden holiday.

**(10 Marks)**

**Question 4:**

- (a) From the following particulars extracted from the books of Sachin, prepare trading and profit and loss account and balance sheet as at 31st March, 2016 after making the necessary adjustments:

Sachin's capital account (Cr.)	5,40,500	Interest received	7,250
Stock on 1.4.2015	2,34,000	Cash with Traders Bank Ltd.	40,000
Sales	14,48,000	Discounts received	14,950
Sales return	43,000	Investments (at 5%) as on 1.4.2015	25,000
Purchases	12,15,500	Furniture as on 1-4-2015	9,000
Purchases return	29,000	Discounts allowed	37,700
Carriage inwards	93,000	General expenses	19,600
Rent	28,500	Audit fees	3,500
Salaries	46,500	Fire insurance premium	3,000
Sundry debtors	1,20,000	Travelling expenses	11,650
Sundry creditors	74,000	Postage and telegrams	4,350
Loan from Dena Bank Ltd. (at 12%)	1,00,000	Cash in hand	1,900
Interest paid	4,500	Deposits at 10% as on 1-4-2015 (Dr.)	1,50,000
Printing and stationery	17,000	Drawings	50,000
Advertisement	56,000		

**Adjustments:**

- (1) Value of stock as on 31st March, 2016 is Rs. 3,93,000. This includes goods returned by customers on 31st March, 2016 to the value of Rs. 15,000 for which no entry has been passed in the books.
- (2) Purchases include furniture purchased on 1st January, 2016 for Rs.10,000.
- (3) Depreciation should be provided on furniture at 10% per annum.
- (4) The loan account from Dena bank in the books of Sachin appears as follows:

31.3.2016	To Balance c/d	1,00,000	1.4.2015	By Balance b/d	50,000
			31.3.2016	By Bank	50,000
		1,00,000			1,00,000

- (5) Sundry debtors include Rs. 20,000 due from Robert and sundry creditors include Rs. 10,000 due to him.
- (6) Interest paid include Rs. 3,000 paid to Dena bank.
- (7) Interest received represents Rs. 1,000 from the sundry debtors and the balance on investments and deposits.
- (8) Provide for interest payable to Dena bank and for interest receivable on investments and deposits.
- (9) Make provision for doubtful debts at 5% on the balance under sundry debtors. No such provision need to be made for the deposits.

**(10 Marks)**

- (b) The partnership agreement of a firm consisting of three partners - A, B and C (who share profits in proportion of 1/2, 1/4 and 1/4 and whose fixed capitals are Rs. 20,000; Rs. 12,000 and Rs. 8,000 respectively) provides as follows:

- (a) That partners be allowed interest at 10 per cent per annum on their fixed capitals, but no interest be allowed on undrawn profits or charged on drawings.

- (b) That upon the death of a partner, the goodwill of the firm be valued at two years' purchase of the average net profits (after charging interest on capital) for the three years to 31st December preceding the death of a partner.
- (c) That an insurance policy of Rs. 20,000 each to be taken in individual names of each partner, the premium is to be charged against the profit of the firm.
- (d) Upon the death of a partner, he is to be credited with his share of the profits, interest on capitals etc. calculated upon 31st December following his death.
- (e) That the share of the insurance policy and goodwill be credited to a deceased partner as on 31st December following his death.
- (f) That the partnership books be closed annually on 31st December.

A died on 30th September 2016, the amount standing to the credit of his current account on 31st December, 2015 was Rs. 900 and from that date to the date of death he had withdrawn Rs. 6,000 from the business.

An unrecorded liability of Rs. 4,000 was discovered on 30th September, 2016. It was decided to record it and be immediately paid off.

The trading result of the firm (before charging interest on capital) had been as follows: 2013 Profit Rs. 19,280; 2014 Profit Rs. 13,440; 2015 Loss Rs. 1,280; 2016 Profit Rs. 7,340.

Assuming the surrender value of the policy to be 20 percent of the sum assured.

**Required:**

Prepare A's Capital account showing the amount due to A's legal representative as on 31st December, 2016.

**(10 Marks)**

**Question 5:**

- (a) On 1st January 2018, Akshay draws two bills of exchange for Rs. 32,000 and Rs. 50,000.

The bill of exchange for Rs. 32,000 is for two months while the bill of exchange for Rs. 50,000 is for three months. These bills are accepted by Vishal. On 4th March, 2018, Vishal requests Akshay to renew the first bill with interest at 15% p.a. for a period of two months. Akshay agreed to this proposal. On 25th March, 2018, Vishal retires the acceptance for Rs. 50,000, the interest rebate i.e. discount being Rs. 500. Before the due date of the renewed bill, Vishal becomes insolvent and only 50 paise in a rupee could be recovered from his estate.

Show the Journal Entries (with narrations) in the books of Akshay.

**(10 Marks)**

- (b) M/s. ABC purchased a second-hand machine on 1st January, 2017 for Rs. 3,20,000. Overhauling and erection charges amounted to Rs. 80,000. Another machine was purchased for Rs. 1,60,000 on 1st July, 2017.

On 1st July, 2019, the machine installed on 1st January, 2017 was sold for Rs. 2,00,000. Another machine amounted to Rs. 60,000 was purchased and was installed on 30th September, 2019.

Under the existing practice the company provides depreciation @ 10% p.a. on original cost. However, from the year 2020 it decided to adopt WDV method and to charge depreciation @ 15% p.a. You are required to prepare Machinery account for the years 2017 to 2020.

**(10 Marks)**

**Question 6:**

- (a) Y Ltd. issued for Public subscription 80,000 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 1,20,000 shares. Allotment was made pro-rata to the applicants for 96,000 shares. the remaining applications being refused. Money overpaid on application was utilized towards sums due on a allotment.

Shri Ramesh, to whom, 3,000 share were allotted, failed to pay the allotment and call money and Shri Hasan to whom 4,000 shares were allotted failed to pay the call money. These shares were subsequently forfeited. All the forfeited shares were sold to Shri Balaji as fully paid up at Rs. 8 per share. Show the journal entries (without narrations) to record the above transactions. Company doesn't open calls in arrear account.

**(10 Marks)**

- (b)** What are the basic considerations in distinguishing between capital and revenue expenditures?

**(5 Marks)**

- (c)** Define Account Current. Explain ways of preparing an Account Current.

**(5 Marks)**

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