

**PAPER 1 : 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:
- (1) The concept helps in keeping business affairs free from the influence of the personal affairs of the owner is known as the matching concept.
  - (2) The nature of business is not an important criteria in separating an expenditure between capital and revenue.
  - (3) When it is probable that the firm will need to pay off the obligation, this gives rise to Contingent liability.
  - (4) The allowance made for promoting sales is called Cash discount.
  - (5) Cash column of a Cash-book may show a Debit or Credit Balance.
  - (6) When a new partner is admitted, old partners have to forego certain share in profits of the firm, this is called as sacrifice ratio.

**(6 X 2 Marks Each)**

- (b) From the following information, ascertain the value of stock as on 31.3.2017:

value of stock on 1.4.2016	3,50,000
purchases during the period from 1.4.2016 to 31.3.2017	17,30,000
Manufacturing expenses during the above period	3,50,000
sales during the same period	26,10,000

At the time of valuing stock on 31.3.2016 a sum of Rs. 30,000 was written off a particular item which was originally purchased for Rs. 1,00,000 and was sold for Rs. 80,000. But for the above transaction the gross profit earned during the year was 25% on cost.

**(4 Marks)**

- (c) Following notes pertain to the Balance Sheet of Preet Ltd. as at 31st March, 2022:

	<b>Rs.</b>
<b>Share capital:</b>	
Authorised capital:	
15,000 12% Preference shares of Rs. 10 each	1,50,000
1,50,000 Equity shares of Rs. 10 each	15,00,000
	16,50,000
Issued and Subscribed capital:	
12,000 12% Preference shares of Rs. 10 each fully paid	1,20,000
1,35,000 Equity shares of Rs. 10 each, Rs. 8 paid up	10,80,000
<b>Reserves and surplus:</b>	
General Reserve	1,80,000
Capital Redemption Reserve	60,000
Securities premium (collected in cash)	37,500
Profit and Loss Account	3,00,000

On 1st April, 2022, the Company has made final call @ Rs. 2 each on 1,35,000 equity shares. The call money was received by 20th April, 2022. Thereafter, the company decided to capitalise its reserves by way of bonus at the rate of one share for every four shares held.

Show necessary journal entries in the books of the company.

**(4 Marks)**

## MITTAL COMMERCE CLASSES

### Question 2:

- (a) The following are the balances extracted from the books of Shri Raghuram as on 31.03.2018, who carries on business under the name and style of M/s Raghuram and Associates at Chennai:

Particulars	Debit (Rs.)	Credit (Rs.)
Capital A/c		14,11,400
Purchases	12,00,000	
Purchase Returns		18,000
Sales		15,00,000
Sales Returns	24,000	
Freight Inwards	62,000	
Carriage Outwards	8,500	
Rent of Godown	55,000	
Rates and Taxes	24,000	
Salaries	72,000	
Discount allowed	7,500	
Discount received		12,000
Drawings	20,000	
Printing and Stationery	6,000	
Insurance premium	48,000	
Electricity charges	14,000	
General expenses	11,000	
Bank charges	3,800	
Bad debts	12,200	
Repairs the Motor vehicle	13,000	
Interest on loan	4,400	
Provision for Bad-debts		10,000
Loan from Mr. Rajan		60,000
Sundry creditors		62,000
Motor vehicles	1,00,000	
Land and Buildings	5,00,000	
Office equipment	2,00,000	
Furniture and Fixtures	50,000	
Stock as on 31.03.2017	3,20,000	
Sundry debtors	2,80,000	
Cash at Bank	22,000	
Cash in Hand	16,000	
<b>Total</b>	<b>30,73,400</b>	<b>30,73,400</b>

Prepare Trading and Profit and Loss Account for the year ended 31.03.2018 and the Balance Sheet as at that date after making provision for the following:

- Depreciate Building by 5%, Furniture and Fixtures by 10%, Office Equipment by 15% and Motor Car by 20%.
- Value of stock at the close of the year was Rs. 4,10,000.
- One month rent for godown is outstanding.
- Interest on loan from Rajan is payable @ 10% per annum. This loan was taken on 01.07.2017.
- Reserve for bad debts is to be maintained at 5% of Sundry debtors.
- Insurance premium includes Rs. 42,000 paid towards proprietor's life insurance policy and the balance of the insurance charges cover the period from 01.04.2017 to 30.06.2018.

**(10 Marks)**

## MITTAL COMMERCE CLASSES

(b) Mr. Tilak keeps his books on single entry system. The following information of Mr. Tilak is given:

(i) Balances as on 1st April, 2022:

Cash in Hand	Rs. 4,000	Stock	Rs. 35,000
Cash in Bank	Rs. 28,000	Fixed Assets	Rs. 20,000
Sundry Creditors	Rs. 15,000	Sundry Debtors	Rs. 23,000
Capital Account	Rs. 95,000		

- (ii) During the year 2022-2023 Sundry Creditors were paid Rs. 26,000 in cash and Rs. 1,55,000 by cheque, and received Rs. 55,000 in cash and Rs. 1,90,000 by cheque from Sundry Debtors.
- (iii) All Sales and Purchases were on credit.
- (iv) Balances as on 31st March, 2023 were, Sundry Debtors Rs. 27,000 and Sundry Creditors Rs. 35,000.
- (v) All expenses which are debited to profit and loss accounts were disbursed by cheques except petty expenses amounting to Rs. 7,500 paid in cash.
- (vi) Outstanding expenses as on 31st March 2023 were Rs. 2,000,
- (vii) Net Profit for the year was Rs. 41,000 after allowing 10% depreciation on fixed assets.
- (viii) Closing Stock was valued at Rs. 75,000.
- (ix) His Drawings during the year were Rs. 10,000 in cash and Rs. 14,000 by cheques.

You are required to prepare Profit and Loss Account for the year ended 31st March 2023 and Balance Sheet as at that date.

**(10 Marks)**

### Question 3:

(a) From the following particulars, prepare Bank Reconciliation Statement as on 31st March, with amended Cash Book.

1	Balance as per cash Book	400
2	Cheques receive and recorded in Bank Column but not yet sent to Bank for collection	1,000
3	Cheques deposited into the bank but not recorded in the Cash Book	2,000
4	Cheques deposited but not yet collected by the Bank	1,500
5	Cheques issued but not yet presented for payment	2,500
6	Bank Charges debited in Pas Book only	200
7	Interest allowed in Pass Book only	100
8	Insurance Premium paid directly by Bank understanding advice	500
9	Bills receivables directly collected by the Bank	2,000
10	Cheques deposited for collection, returned dishonored and recorded in Pass Book only	1,000
11	'Cheques Issued' returned on technical grounds	300
12	A wrong debit given by bank in pass book	800
13	A wrong credit given by bank in pass book	400
14	Bills discounted dishonored but not recorded in Cash Book	4,000
15	Direct payment by a customer into the bank but not recorded in Cash Book	700
16	A Cash receipt recorded in Bank Column	1,000
17	A Cash payment recorded in Bank Column	600

**(10 Marks)**

## MITTAL COMMERCE CLASSES

(b) A proprietor of a concern while balancing his book finds some differences in the trial balance. To avoid delay in the preparation of Financial Statements, he places the difference to "Suspense Account" which he carries forward to the next year. In the next year the following mistakes were discovered:

- (i) Sales book was under cast by Rs. 100.
- (ii) Purchase book was carried forward as Rs. 250 instead of Rs. 450.
- (iii) Credit sales to X Rs. 400 posted as Rs. 4,000.
- (iv) Sales to X Rs. 400 recorded in the Sales Book as Rs. 4,000.
- (v) Purchase of a Furniture of Rs. 10,000 passed through the Purchase Book.
- (vi) Sales of a Furniture of Rs. 1,000 to Y not entered any where.

**You are required to :**

- (i) rectify the errors.
- (ii) prepare Suspense Account.
- (iii) show the effect of rectification of errors on last year's profits.

**(10 Marks)**

### Question 4:

(a) P and Q were partners sharing profits equally in LLP. Their Balance Sheet as on March 31, 2022 was as follows:

**Balance Sheet as on 31<sup>st</sup> March, 2022**

Equity and Liabilities		Rs.	Assets		Rs.
Capitals:			Bank		30,000
P	1,00,000		Debtors		25,000
Q	50,000	1,50,000	Stock		35,000
Creditors			Furniture		40,000
Q's current account			Machinery		60,000
Reserves			P's current account		10,000
Bank Loan					
		2,00,000			2,00,000

The firm was dissolved on the above date:

P took over 50% of the stock at 10% less on its book value, and the remaining stock was sold at a gain of 15%. Furniture and Machinery realized for Rs. 30,000 and Rs. 50,000 respectively; There was an unrecorded investment which was sold for Rs. 25,000; Debtors realized 90% only and Rs. 1,245 were recovered for bad debts written off last year. There was an outstanding bill for repairs which had to be paid for Rs. 2,000.

You are required to prepare Realization Account, Partners' capital accounts (including transfer of current account balances) and Bank Account in the books of the firm.

**(10 Marks)**

(b) The Balance Sheet of A, B and C who were sharing profits in proportion to their capitals stood as follows as at 31<sup>st</sup> March, 2018:

Liabilities		Rs.	Assets		Rs.
Sundry Creditors		6,900	Cash at Bank		5,500
Investment Fluctuation Reserve		7,500	Sundry Debtors		5,000
Capital Accounts			Less: Provision		100
A	18,000		Stock		8,000
B	13,500		Investments		11,500
C	9,000	40,500	Land and Building		25,000
		54,900			54,900

## MITTAL COMMERCE CLASSES

B retired on 1st April, 2018, and the following was agreed upon:

- (i) That stock be depreciated by 6%.
- (ii) That the Provision for Doubtful Debts be brought up to 5% on Debtors.
- (iii) That Land and Buildings be appreciated by 20%.
- (iv) That a provision of Rs. 770 be made in respect of outstanding legal charges.
- (v) Investments are brought down to Rs. 8,500.
- (vi) That the Goodwill of the entire firm be fixed at Rs. 10,800 and B's share of goodwill be adjusted into the accounts of A and C who are going to share future profits in the ratio of 5:3.
- (vii) That the entire capital of the firm as newly constituted be fixed at Rs. 28,000 between A and C in the proportion of 5:3 (actual cash to be brought in paid off, as the case may be).

Pass Journal entries, Partners capital account and show the Balance Sheet after transferring B's share to a separate Account in his name.

**(10 Marks)**

### Question 5:

(a) X Ltd. gives you the following information as at 31st March, 2023:

	Particulars	Rs.
<b>EQUITY AND LIABILITIES</b>		
<b>1. Shareholders' funds</b>		
a	Share capital	5,80,000
b	Reserves and Surplus	96,000
<b>2. Current liabilities</b>		
	Trade Payables	1,13,000
<b>ASSETS</b>		
<b>1. Property, Plant and Equipment</b>		
6,90,000		
<b>2. Non-current investments</b>		
37,000		
<b>3. Current Assets</b>		
	Cash and cash equivalents (bank)	62,000

The share capital of the company consists of Rs. 50 each equity shares of Rs. 4,50,000 and Rs. 100 each Preference shares of Rs. 1,30,000 (issued on 1.4.2021). Reserves and Surplus comprises Profit and Loss Account only.

In order to facilitate the redemption of preference shares at a premium of 10%, the Company decided:

- (a) to sell all the investments for Rs. 30,000.
- (b) to finance part of redemption from company funds, subject to, leaving a bank balance of Rs. 24,000.
- (c) to issue minimum equity share of Rs. 50 each share to raise the balance of funds required.

You are required to pass the necessary Journal Entries to record the above transactions.

**(10 Marks)**

(b) You are given following balances as on 1<sup>st</sup> April, 2005 :

Machinery A/c	Rs. 5,00,000
Provision for Depreciation A/c	Rs. 1,16,000

Depreciation is charged on machinery at 20% p.a. by the Diminishing Balance Method. A piece of machinery purchased on 1<sup>st</sup> April, 2003 for Rs. 1,00,000 was sold on 1<sup>st</sup> October, 2005 for Rs. 60,000. Prepare the Machinery Account and Provision for Depreciation Account for the year ended 31<sup>st</sup> March, 2006. Also, prepare the Machinery Disposal Account.

**(10 Marks)**

## MITTAL COMMERCE CLASSES

### Question 6:

- (a) The Following is the Receipts and Payments Accounts of 'Vikas Club' for the year ended on 31st march, 2017:

Receipts	Rs.	Payments	Rs.
To Balance b/d	4,400	By Salaries	44,000
To Subscription:		By Furniture	
2015-2016	1,500	(Purchased on 1st Jan. 2017)	10,000
2016-2017	96,000	By Sports Expenses	11,000
2017-2018	500	By Drama Expenses	18,400
To Entrance Fees	8,000	By Newspapers	2,500
To Sports Fund	15,000	By Municipal Taxes	3,600
To Sale drama tickets	24,000	By Refreshments	32,200
To Sale of waste paper	150	By Lighting and Heating	6,000
To Interest on Investments	1,350	By Medicines Purchased	4,000
		By Balance c/d	19,200
	1,50,900		1,50,900

Prepare Income and Expenditure A/c for the year ended 31st March, 2017, and the Balance Sheet as at that date, after taking the following information into account:

- The club has 200 members each paying an annual subscription of Rs. 500 and the subscription of two members is still in arrear for 2015-2016.
- Stock of medicines on 31 st March, 2017 was Rs. 1,000.
- Salaries are paid @ Rs. 4,000 per month.
- The other assets on 1st April, 2016 were : Furniture Rs. 40,000 and 9%. Investment Rs. 18,000 (Face value Rs. 20,000).
- Depreciate furniture at 10% P.a. and provide up to date interest on investment.
- Entrance fees is treated as income.

**(15 Marks)**

- (b) BPL Limited proposed to make a issue of 2,00,000 of these Rs. 10 shares at a price of Rs. 14 each, the arrangements for payment being:

- Rs. 2 per share payable on application, to be received by 1st July, 2021;
- Allotment to be made on 10th July, 2021 and a further Rs. 5 per share (including the premium) to be payable;
- The final call for the balance to be made, and the money received by 30th April, 2022.

Applications were received for 7,10,000 shares and were dealt with as follows:

- Applicants for 10,000 shares received allotment in full;
- Applicants for 60,000 shares received an allotment of one share for every two applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;
- Applicants for 6,40,000 shares received an allotment of one share for every four applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and
- the money due on final call was received on the due date.

You are required to record these transactions (including cash items) in the Journal of BPL Limited.

**(5 Marks)**

**OR**

## MITTAL COMMERCE CLASSES

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- (b) A company had issued 40,000, 13% debentures of Rs. 100 each on 1st April, 2021. The debentures are due for redemption on 1st July, 2022. The terms of issue of debentures provided that they were redeemable at a premium of 5% and also conferred option to the debenture holders to convert 20% of their holding into equity shares (Nominal value Rs. 10) at a price of Rs. 15 per share. Debenture holders holding 5,000 debentures did not exercise the option. Calculate the number of equity shares to be allotted to the debenture holders exercising the option to the maximum.  
**(5 Marks)**

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