

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 7

NOTE : Answer SIX questions including Question No.1 which is compulsory. All working notes should be shown distinctly.

1. (a) Explain any two of the following :

- (i) Objectives of accounting
- (ii) Business entity concept
- (iii) Errors of principle
- (iv) Operating lease.

(5 marks each)

(b) State, with reasons in brief, whether the following statements are true or false. Attempt any five :

- (i) The allowance for prompt payment is called trade discount.
- (ii) Temporary shed put up at project-site to house materials is a capital expenditure.
- (iii) The sales day book is a part of the ledger.
- (iv) Discount columns in the cash book are balanced.
- (v) A retired partner is entitled to get interest only if the amount due to him by way of his capital has not yet been settled.
- (vi) Weighted average method of valuation is not recognised by Accounting Standard-2, Valuation of Inventories.
- (vii) A joint venture is not a going concern.

(2 marks each)

2. (a) Re-write the following sentences after filling-up the blank space with appropriate word(s)/figure(s) so as to convey the correct meaning :

- (i) A person named in a negotiable instrument to whom or to whose order the amount mentioned in the instrument is directed to be paid is called the _____.
- (ii) While preparing final accounts, outstanding expenses appearing in the trial balance will be shown in _____.
- (iii) When the partners' capital accounts are fixed, as per the decision in the Garner vs. Murray case, any loss arising due to the capital deficiency in the insolvent partners' capital accounts is to be borne by solvent partners in the ratio of _____.

- (iv) At the end of the accounting year, bad debts written off during the year are transferred to either _____ or _____.
- (v) _____ discount is recorded in cash book.
- (vi) Credit sales of goods in trade are first recorded in _____ book.
- (vii) A cheque whose payment can be collected by any person presenting it is called a _____ cheque.
- (viii) Patents and trade marks are classified as _____ assets.
- (1 mark each)
- (b) Distinguish between *any two* of the following :
- (i) 'Single entry system' and 'double entry system'.
- (ii) 'Receipts and payments account' and 'income and expenditure account'.
- (iii) 'Bill of exchange' and 'promissory note'.
- (4 marks each)
3. (a) Choose the most appropriate answer from the given options in respect of the following :
- (i) In consignment, unsold stock is valued at cost and —
- (a) proportionate recurring expenses.
- (b) proportionate non-recurring expenses.
- (c) all proportionate expenses whatever the nature.
- (d) no portion of any expenses.
- (ii) In case of annuity method, the amount of depreciation —
- (a) increases every year.
- (b) remains fixed for all the years.
- (c) decreases every year.
- (d) fluctuates from year to year.
- (iii) In case a Sports Fund is maintained, expenses on account of sports events should be —
- (a) charged to the sports fund.
- (b) charged to income and expenditure account.
- (c) taken to balance sheet on assets side.
- (d) taken to balance sheet on liabilities side.
- (iv) Income-tax paid by a sole proprietor on his business income should be —
- (a) debited to trading account.
- (b) debited to profit and loss account.
- (c) deducted from the capital account on the liabilities side of balance sheet.
- (d) credited to profit and loss account.

- (v) Branch account under debtors system is a —
- (a) personal account.
 - (b) real account.
 - (c) nominal account.
 - (d) a combination of real account and nominal account.
- (vi) Provision is —
- (a) an appropriation of profits.
 - (b) a charge against revenue.
 - (c) a surplus.
 - (d) a deficit.

(1 mark each)

- (b) Elucidate *any two* of the following :

- (i) Balance sheet is a statement of sources and uses of capital.
- (ii) Columnar cash book is a combination of cash account and bank account.
- (iii) Consignor remunerates consignee by way of commission for sale, remittances and surpassing targets.
- (iv) Perpetual and periodic inventory systems are the two sides of a same coin.

(5 marks each)

4. (a) A company purchased raw materials during the month of March, 2006 as stated below :

March 2	1,600 units @ Rs.60 per unit.
March 8	2,400 units @ Rs.55 per unit.
March 11	5,000 units @ Rs.57 per unit.
March 19	6,000 units @ Rs.54 per unit.
March 23	3,000 units @ Rs.58 per unit.
March 30	2,000 units @ Rs.63 per unit.

While preparing the final accounts on 31st March, 2006, the company had 2,600 units of raw material in its godown.

You are required to calculate the value of closing stock of raw materials according to —

- (i) First in first out method;
- (ii) Last in first out method; and
- (iii) Weighted average price method.

(8 marks)

- (b) From the following data, you are required to prepare the trading and profit and loss account for the year ended 31st March, 2006 and a balance sheet as on that date :

	<i>As on 1st April, 2005</i>	<i>As on 31st March, 2006</i>
	<i>(Rs.)</i>	<i>(Rs.)</i>
Creditors	1,57,700	1,24,000
Sundry expenses outstanding	6,000	3,300
Sundry assets	1,16,100	1,20,400
Stock-in-trade	80,400	1,11,200
Cash in hand and at bank	69,600	80,800
Trade debtors	1,65,300	1,78,700

The following are the details relating to transactions during the year :

	<i>Rs.</i>
Cash and discount credited to debtors	6,40,000
Sales return	14,500
Bad debts	4,200
Sales (cash and credit)	7,18,100
Discount allowed by trade creditors	7,000
Purchase returns	4,000
Additional capital—paid into bank	85,000
Realisations from debtors—paid into bank	6,25,000
Cash purchases	10,300
Cash expenses	95,700
Paid by cheque for furniture purchased	4,300
Household expenses drawn from bank	31,800
Cash paid into bank	50,000
Cash drawn from bank	92,400
Cheques issued to trade creditors	6,02,700
	<i>(8 marks)</i>

5. (a) From the following particulars, prepare a bank reconciliation statement as on 31st March, 2007 :
- (i) Bank balance as per cash book Rs.40,000.
 - (ii) A cheque for Rs.8,000 received from a customer on 28th March, 2007 was recorded in the cash book, but deposited with the bank after 31st March, 2007.
 - (iii) A cheque for Rs.2,500 issued to a supplier was recorded twice in the cash book.

- (iv) A cheque for Rs.1,050 issued to a supplier was recorded as for Rs.1,500 in the cash book.
- (v) A cheque for Rs.2,050 issued to a supplier was recorded as for Rs.2,000 in the cash column of the cash book.
- (vi) The debit balance of Rs.16,000 on a day was brought forward on the next day as a credit balance.
- (vii) The payment side of the bank column of the cash book was undercast by Rs.10,000.

(8 marks)

- (b) Before preparing the final accounts, an accountant prepared a trial balance which did not agree. He transferred the difference to a suspense account. Before preparing the final accounts, he was able to locate the following errors :
- (i) Rs.20,000 paid by way of salaries were not posted from the cash book to the ledger.
- (ii) Rs.100 paid for conveyance was debited to car maintenance account.
- (iii) Purchases account includes purchase of machinery costing Rs.25,000.
- (iv) The cash column in the cash book on the receipt side was undercast by Rs.300.
- (v) The account of a customer showing a debit balance of Rs.2,500 was omitted from the schedule of trade debtors.

Pass journal entries to rectify the abovementioned errors and prepare suspense account assuming that all the errors have been located.

(8 marks)

6. The balance sheet of X, Y and Z who were sharing profits and losses in the ratio of their capitals stood as follows on 31st March, 2007 :

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
Sundry creditors	69,000	Cash at bank	55,000
Capital accounts :		Sundry debtors	50,000
X	2,00,000	Less : Provision for bad debts	<u>1,000</u>
Y	1,50,000	Stock	80,000
Z	1,00,000	Plant and machinery	85,000
		Land and buildings	2,50,000
	<u>5,19,000</u>		<u>5,19,000</u>

Y retired and the following adjustments of assets and liabilities were agreed upon before the ascertainment of the amount payable by the firm to Y —

- (i) that the stock be depreciated by 6%;
- (ii) that provision for doubtful debts be brought upto 5% on debtors;
- (iii) that the land and buildings be appreciated by 20%;
- (iv) that a provision of Rs.7,700 be made in respect of outstanding legal charges;
- (v) that the goodwill of the entire firm be fixed at Rs.1,08,000 and Y's share of the same be adjusted into capital accounts of X and Z who are going to share in future in the ratio of 5/8 and 3/8 respectively; and
- (vi) that the assets and liabilities (except cash) were to appear in the balance sheet at their old figures.

Prepare necessary ledger accounts to give effect to the above arrangements and the balance sheet of X and Z transferring Y's share of capital to his loan account.

(16 marks)

7. On 1st April, 2006, Bombay Transport Ltd. purchased from Delhi Motors five trucks costing Rs.3,00,000 each on the hire-purchase system. The payment was to be made as follows :

- 10% of cash price down; and
- 25% of cash price at the end of the four subsequent half years.

The payment due on 31st March, 2007 could not be made and hence the trucks were seized by the vendor. But after negotiation, the hire-purchaser was allowed to keep three trucks on the condition that the value of other two trucks would be adjusted against the amount due, the trucks being valued at cost less 25% depreciation. Bombay Transport Ltd. closes its books on 31st March each year and the depreciation is charged at 15% per annum on the original cost of trucks.

The vendor spent Rs.60,000 on getting the trucks repaired and sold them for Rs.5,00,000. Prepare necessary ledger accounts in the books of both the parties.

(16 marks)

8. Mahesh and Naresh jointly agreed to underwrite the subscription at par of 1,00,000 shares of Rs. 10 each in Mona Ltd. and to pay all expenses upto allotment. The consideration in return for the guarantee was 5,000 other shares of Rs.10 each fully paid to be issued to them. They were to share profits in the ratio of 3:1.

Mahesh provided the funds to meet the following expenses :

Registration fees	...	Rs.4,850
Advertising charges	...	Rs.2,850
Printing charges	...	Rs.2,300

: 7 :

Naresh contributed towards the payment of the following expenses :

Rent	...	Rs.5,000
Solicitor's charges	...	Rs.3,000

Applications fell short of the full issue by 10,000 shares. Naresh took over on joint-account and paid for the same in full. The guarantee having been fulfilled, Mona Ltd. handed over 5,000 shares to Mahesh and Naresh. They sold all their shares at Rs.15 per share. The proceeds were shared by Mahesh for 4,000 shares and by Naresh for the balance.

Prepare joint venture accounts and co-venturer's account in the books of both the parties.

(16 marks)

—o—