

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) Convention of conservatism
- (ii) Errors of omission
- (iii) Endorsement of a bill
- (iv) Functions of accounting.

(5 marks each)

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

- (i) Outstanding expenses account is a nominal account.
- (ii) Credit purchases of fixed assets in a business are recorded in journal proper.
- (iii) Account sales is a statement sent by the consignor to the consignee.
- (iv) Overhauling expenses of second-hand machinery purchased are revenue expenditure.
- (v) Receipts and payments account records receipts and payments of revenue nature only.

(2 marks each)

2. (a) Re-write the following sentences after filling-up the blank spaces with appropriate word(s)/figure(s) :

- (i) The difference between capital at the end of the year and capital at the beginning of the year will show the \_\_\_\_\_ provided there are no drawings and no fresh introduction of capital during the year.
- (ii) If the consignee is authorised to get \_\_\_\_\_ commission, he is liable for all losses on account of non-recoverable debts.
- (iii) Under \_\_\_\_\_ method of depreciation, the value of assets can never be zero.
- (iv) Business will continue for a long time, it is \_\_\_\_\_ concept of accounting.
- (v) The bank account maintained by an enterprise is a \_\_\_\_\_ account.

- (vi) Discarding the old plant and machinery due to new inventions is called \_\_\_\_\_ .
- (vii) In case of insolvency, the short remittances are credited to \_\_\_\_\_ account.
- (viii) When goods are sent by one person to another to be sold on behalf and at the risk of the former, the arrangement is known as \_\_\_\_\_ .  
(1 mark each)
- (b) Distinguish between **any two** of the following :
- (i) 'Joint venture' and 'partnership'.
  - (ii) 'Balance sheet' and 'statement of affairs'.
  - (iii) 'Error of commission' and 'error of principle'.
- (4 marks each)
3. (a) Choose the most appropriate answer from the given options in respect of the following :
- (i) Working capital is equal to —
    - (a) Assets – Liabilities
    - (b) Current assets – Current liabilities
    - (c) Assets – Capital
    - (d) Current assets + Current liabilities.
  - (ii) The following is a long term liability —
    - (a) Bank overdraft
    - (b) Outstanding expenses
    - (c) Equity share capital
    - (d) Debentures.
  - (iii) Trial balance is prepared with the help of —
    - (a) Purchases book and sales book
    - (b) Cash book and journal
    - (c) Cash book and ledger
    - (d) All subsidiary books.
  - (iv) The following transaction will result in the increase of the assets as well as liabilities of the business —
    - (a) Goodwill written off
    - (b) Issue of bonus shares
    - (c) Credit purchase of a machine
    - (d) Payment to trade creditors.

- (v) Proforma invoice is sent —
- (a) By consignee to consignor
  - (b) By consignor to consignee
  - (c) By debtor to consignee
  - (d) By debtor to consignor.
- (vi) Goodwill brought in by a new partner is distributed among old partners in —
- (a) Old profit sharing ratio
  - (b) New profit sharing ratio
  - (c) In the ratio of sacrifice
  - (d) In the ratio of partners' capitals.
- (vii) Life membership fee received by an institution is a —
- (a) Capital receipt
  - (b) Revenue receipt
  - (c) Deferred revenue expenditure
  - (d) None of the above.
- (viii) Payment on average due date results in the loss of interest to —
- (a) The debtor
  - (b) The creditor
  - (c) Neither party
  - (d) Both the parties.

(1 mark each)

- (b) Comment on **any two** of the following :

- (i) The agreement of a trial balance is not a conclusive proof as to absolute accuracy of books of account.
- (ii) Intangible assets are valueless.
- (iii) Receipts and payments account is summary of cash book.

(4 marks each)

4. (a) From the following particulars, prepare bank reconciliation statement and arrive at the balance as per cash book as on 31<sup>st</sup> March, 2008 :
- (i) Overdraft as per pass book on 31<sup>st</sup> March, 2008 : Rs.10,270.
  - (ii) Four cheques were issued on 30<sup>th</sup> March, 2008, but were presented for payment in the first week of April, 2008 : Rs.120; Rs.10,210; Rs.980; and Rs.1,130.
  - (iii) Interest on overdraft not entered in cash book : Rs.510.

- (iv) Three cheques received on 30<sup>th</sup> March, 2008, entered in the bank column of the cash book, but not deposited in bank till 3<sup>rd</sup> April, 2008 : Rs.11,600; Rs.21,000; and Rs.20,800.
- (v) Cost of duplicate pass book Rs.15, entered twice erroneously in cash book in March, 2008.
- (vi) Chambers of Commerce subscription Rs.100 paid by the bank on 10<sup>th</sup> March, 2008 has not been entered in the cash book.
- (vii) A bill receivable for Rs.2,500 due on 2<sup>nd</sup> April, 2008 was handed over to the bank for collection on 28<sup>th</sup> March, 2008 and was entered in the cash book forthwith, whereas the proceeds were credited in the pass book only on 2<sup>nd</sup> April, 2008.

(8 marks)

- (b) Modern Furniture House sells goods on hire-purchase basis at cost plus 25%. From the following information obtained from its books, prepare hire-purchase trading account for the year ended 31<sup>st</sup> March, 2008 :

		<i>Rs.</i>
1 <sup>st</sup> April, 2007	Stock with hire-purchase customers <i>(at hire-purchase price)</i>	1,00,000
1 <sup>st</sup> April, 2007	Stock at shop	22,500
1 <sup>st</sup> April, 2007	Instalments overdue	6,000
	Instalments received during the year	2,95,000
	Purchases during the year	2,50,000
31 <sup>st</sup> March, 2008	Instalments overdue	11,000
31 <sup>st</sup> March, 2008	Stock in hand at shop	12,500
31 <sup>st</sup> March, 2008	Stock with customers <i>(at hire-purchase price)</i>	1,25,000

(8 marks)

5. (a) A trader prepared his final accounts on 31<sup>st</sup> March, 2008. No stock taking could be possible till 15<sup>th</sup> April, 2008 on which date the cost of total goods in his godown came to Rs.60,500. The following facts relating to the period between 1<sup>st</sup> April, 2008 and 15<sup>th</sup> April, 2008 were brought to your notice :
- (i) Sales : Rs.45,590 (including cash sales of Rs.10,120).
- (ii) Purchases : Rs.16,170 (including cash purchases of Rs.5,990).

- (iii) Sales returns : Rs.1,200.
- (iv) Collection from debtors : Rs.14,600.
- (v) Payment to creditors : Rs.7,816.
- (vi) On 15<sup>th</sup> March, 2008, goods of the sale value of Rs.6,800 were sent on sale or return basis to a customer, the period of approval being four weeks. He returned 40% of goods on 10<sup>th</sup> April, 2008 approving the rest. The customer was billed on 16<sup>th</sup> April, 2008.
- (vii) The trader had received goods costing Rs.8,000 in March, 2008 for sale on consignment basis, 20% of which had been sold by 31<sup>st</sup> March, 2008, another 40% by 15<sup>th</sup> April, 2008 and rest is unsold. These sales are not included in (i) above. Goods are sold by the trader at a gross profit of 20% on sales.

You are required to ascertain the value of stock in hand as on 31<sup>st</sup> March, 2008.

*(8 marks)*

- (b) A fire occurred in the premises of Ranjan on 25<sup>th</sup> November, 2008 when a large part of the stock was destroyed. The value of salvaged stock was Rs.1,50,000. Ranjan gives you the following information for the period from 1<sup>st</sup> April, 2008 to 25<sup>th</sup> November, 2008 :

- (i) Purchases : Rs.8,05,000.
- (ii) Sales : Rs.9,00,000.
- (iii) Goods costing Rs.5,000 were taken away by Ranjan for his personal use.
- (iv) Cost price of the stock on 1<sup>st</sup> April, 2008 : Rs.4,00,000.

Over the last few years, Ranjan has been selling goods at a consistent rate of gross margin of  $33\frac{1}{3}\%$  on sales.

The insurance policy is for Rs.5,00,000. It includes an average clause.

Ranjan asks you to prepare a statement of claim to be made on the insurance company.

*(8 marks)*

6. Kuber sends goods to Kolkata branch at cost plus 25%. From the following particulars, prepare branch stock account, branch adjustment account and branch profit and loss account :

	<i>Rs.</i>
Opening stock at branch at invoice price	20,000
Goods sent to branch	80,000
Loss in transit at invoice price	10,000
Theft at invoice price	4,000
Loss in weight (normal) at invoice price	2,000
Sales	1,02,000
Expenses	32,000
Closing stock at branch at invoice price	24,000
Claims received from insurance company for loss-in-transit by Head Office	8,000
	<i>(16 marks)</i>

7. From the following information, prepare creditors' ledger adjustment account and debtors' ledger adjustment account as would appear in the general ledger for the year ended 31<sup>st</sup> March, 2008 :

	<i>Rs.</i>
Opening balances (1 <sup>st</sup> April, 2007) :	
– Creditors' ledger ( <i>Dr.</i> )	26,100
<i>(Cr.)</i>	3,58,200
– Debtors' ledger ( <i>Dr.</i> )	4,38,600
<i>(Cr.)</i>	7,200
Transactions during the year 2007-08 :	
Purchases	19,85,400
Purchases returns	76,800
Sales	26,24,700
Sales returns	35,100
Cash received from debtors	22,86,300
Cash paid to creditors	17,52,900
Discount allowed	84,600
Discount received	49,800
Cash refunded to debtors	5,200
Bills receivable received	1,23,600
Bills payable issued	67,500
Bills receivable dishonoured	7,500
Closing balances (31 <sup>st</sup> March, 2008) :	
– Creditors' ledger ( <i>Dr.</i> )	23,100
– Debtors' ledger ( <i>Cr.</i> )	13,600
	<i>(16 marks)</i>

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8. Aman, Bhuvan, Chaman and Dron shared profits and losses in the ratio of 2:3:3:2 respectively. On 31<sup>st</sup> March, 2008, their balance sheet stood as follows :

<i>Liabilities</i>		<i>Rs.</i>	<i>Assets</i>		<i>Rs.</i>
Creditors		2,00,000	Sundry assets		3,10,000
Bhuvan's loan		50,000	Cash at bank		10,000
Capitals :			Drawings :		
Aman	90,000		Aman	10,000	
Bhuvan	60,000		Chaman	<u>20,000</u>	30,000
Chaman	60,000		Accumulated loss		1,50,000
Dron	<u>40,000</u>	2,50,000			
		<u>5,00,000</u>			<u>5,00,000</u>

The position of the partners was as follows :

	<i>Private Estates</i>	<i>Private Liabilities</i>
	<i>(Rs.)</i>	<i>(Rs.)</i>
Aman	1,00,000	1,50,000
Bhuvan	2,00,000	60,000
Chaman	50,000	30,000
Dron	80,000	90,000

The assets (excluding cash at bank) realised at Rs.2,70,000. Expenses on dissolution came to Rs.10,000. Prepare the ledger accounts closing the books on dissolution of the firm.

(16 marks)

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