

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 6

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) Imprest system of petty cash
 - (ii) Errors of commission
 - (iii) Deferred revenue expenditure
 - (iv) Income and expenditure account.

(5 marks each)
- (b) State, with reasons in brief, whether the following statements are true or false :
 - (i) Profit and loss account is a point statement whereas balance sheet is a period statement.
 - (ii) Matching principle requires that all anticipated losses should be provided for before arriving at the profit, and such gains should also be taken into account which are uncertain to accrue.
 - (iii) According to the Indian Partnership Act, 1932, if a partner devotes his full time to the firm, he is entitled to get salary.
 - (iv) Debit balance in the pass book means bank overdraft.
 - (v) Discarding of old machinery due to a new invention is called obsolescence.

(2 marks each)
2. (a) Re-write the following sentences after filling-up the blank spaces with appropriate word(s)/figure(s) :
 - (i) Primary record of closing entries is made in _____.
 - (ii) Income and expenditure account is prepared in _____ organisations.
 - (iii) Total amount payable by the hire-purchaser to hire-vendor under the hire-purchase contract is called _____.
 - (iv) Errors of principle do not affect the agreement of _____.
 - (v) The contemplated period of dislocation of a business in consequence of a fire is called _____.
 - (vi) When two or more partnership firms are dissolved and converted into a single firm, it is called _____.
 - (vii) Promissory note contains an unconditional _____ to pay a certain sum of money.

- (viii) The arrangement of assets and liabilities in accordance with a particular order is known as _____ of balance sheet. (1 mark each)
- (b) Distinguish between **any two** of the following :
- (i) 'Trade bill' and 'accommodation bill'.
 - (ii) 'Sale' and 'consignment'.
 - (iii) 'Self-balancing ledgers' and 'sectional balancing ledgers'.
- (4 marks each)
3. (a) Choose the most appropriate answer from the given options in respect of the following :
- (i) Credit balance of a nominal account indicates —
 - (a) An income
 - (b) A loss
 - (c) A liability
 - (d) An expense.
 - (ii) Primary record of cash sales is made in —
 - (a) Sales book
 - (b) Cash book
 - (c) Journal proper
 - (d) Ledger.
 - (iii) Income-tax paid by a sole proprietor is shown —
 - (a) On debit side of profit and loss account
 - (b) On debit side of trading account
 - (c) By way of deduction from capital account in balance sheet
 - (d) On liabilities side of balance sheet.
 - (iv) At the time of admission of a partner, general reserve is transferred to —
 - (a) Revaluation account
 - (b) Profit and loss account
 - (c) Old partners' capital accounts
 - (d) Realisation account.
 - (v) The following is the accounting equation —
 - (a) $\text{Assets} = \text{Liabilities} - \text{Capital}$
 - (b) $\text{Capital} = \text{Assets} + \text{Liabilities}$
 - (c) $\text{Capital} = \text{Assets} - \text{Liabilities}$
 - (d) $\text{Liabilities} = \text{Assets} + \text{Capital}$.

- (vi) Bank overdraft account is a —
- Real account
 - Nominal account
 - Personal account
 - Real account plus personal account.
- (vii) If profit is 20% of the cost price, then it is —
- 16.67% of sales price
 - 20% of sales price
 - 25% of sales price
 - 27.25% of sales price.
- (viii) Suspense account in trial balance will be shown in —
- Trading account
 - Profit and loss account
 - Balance sheet
 - Capital account.

(1 mark each)

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

- Leasing transactions accelerate industrial growth.
- Joint venture is in the nature of a partnership but without a firm name.
- Providing depreciation helps in ascertainment of correct profit.
- Receipts and payments account is a summary of cash book.

(4 marks each)

4. (a) From the following particulars, prepare a bank reconciliation statement as on 31st March, 2008 :

	<i>Rs.</i>
(i) Bank balance as per pass book	16,000
(ii) Cheque deposited into bank, but not recorded in cash book	900
(iii) Cheque received and recorded in cash book in bank column, but not sent to bank	1,200
(iv) Credit side of bank column cast short	100
(v) Insurance premium paid directly by bank as per standing instructions, yet to be recorded in cash book	700
(vi) Cheques issued, but not yet presented to bank for payment	2,500
(vii) Bills discounted dishonoured, but not yet recorded in cash book.	10,000

(8 marks)

(b) During the course of an accounting year, the accountant prepared a trial balance which did not tally. He put the difference in a suspense account. Subsequently, he located the following errors in his books of account :

- (i) The total of the returns outwards book, Rs.21,500 has not been posted.
- (ii) A sale of Rs.4,300 to Ramesh has been credited to him as Rs.3,400.
- (iii) A sale of Rs.2,960 to Shyam has been recorded in sales book as Rs.2,690.
- (iv) Old furniture sold for cash worth Rs.5,400 has been entered in sales account as Rs.4,500. There was no profit or loss on sale.
- (v) Goods taken by proprietor worth Rs.1,000 have not been recorded in the books of account at all.

Pass journal entries to rectify the abovementioned errors and prepare suspense account assuming no error has remained undetected.

(8 marks)

5. (a) Pass journal entries in the books of head office and independent branch for the following transactions at the end of a financial year before preparation of final accounts :

- (i) Cash sent by branch, but not yet received by head office : Rs.20,000.
- (ii) Purchase of a fixed asset by head office which is to be used by the branch : Rs.40,000.
- (iii) Salary charged by head office to branch for rendering clerical services to it : Rs.15,000.
- (iv) Depreciation of fixed assets appearing in the head office books, but used by the branch : Rs.8,000.

(8 marks)

(b) What do you mean by 'account current' ? Which parties usually prepare it ?

(8 marks)

6. (a) Ajoy, Bijoy and Sanjoy shared profits and losses equally. The firm took separate life insurance policies of the partners for Rs.1,00,000, Rs.70,000 and Rs.60,000 respectively and on these policies paid Rs.6,000, Rs.4,000 and Rs.3,000 annually on the first day of every year by way of premia.

On 1st April, 2007, the firm paid the premia for the year 2007-08. Sanjoy died on 31st July, 2007. The firm received the sum assured on Sanjoy's policy from insurance company. On that date, surrender values of Ajoy's and Bijoy's policies were 1/5th of the sums assured.

Journalise the abovementioned transactions in the books of the firm for the year 2007-08 assuming that the firm treated the premium paid as business expense.

(8 marks)

- (b) Aman, Raman and Suman were partners sharing profits in the ratio of 3:2:1 respectively. The profit and sales for the year ended 31st March, 2007 were Rs.3 lakh and Rs.10 lakh respectively.

Aman died on 30th November, 2007. Calculate the share of deceased partner in the profits for the period from 1st April, 2007 to 30th November, 2007, if the same is calculated :

- (i) On the basis of sales which were Rs.8 lakh from 1st April, 2007 to 30th November, 2007.
(ii) On the basis of time.

Also pass the necessary journal entry for the share.

(8 marks)

7. (a) Explain 'first-in-first-out method' and 'weighted average method' of inventory valuation.

(10 marks)

- (b) Explain the meaning of **any three** of the following terms used in connection with hire-purchase business :

- (i) Down payment
(ii) Cash price
(iii) Goods repossessed
(iv) Hire-purchaser.

(2 marks each)

8. Abhay commenced business on 1st April, 2007 with a capital of Rs.4,50,000. He immediately purchased fixed assets for Rs.2,40,000.

During the year 2007-08, he received Rs.30,000 as gift from his mother and borrowed Rs.50,000 from his father which sums he introduced in the business. He withdrew Rs.6,000 per month for his household expenses.

He did not maintain proper books of account, but the following information was available :

	<i>Rs.</i>
Sales (including credit sales for Rs.7,00,000)	10,00,000
Purchases (including cash purchases for Rs. 1,00,000)	7,50,000
Carriage inwards	10,000
Discount allowed to debtors	12,000
Salaries	62,000
Bad debts written off	11,000
Trade expenses	12,000
Advertisements	22,000

There were no prepaid or outstanding expenses on 31st March, 2008. During the year, Abhay took away goods worth Rs.13,000 for his personal use and paid Rs.5,000 out of business cash to his daughter for school fees. The cash received from debtors during the year was Rs.4,67,000. On 31st March, 2008, his creditors were Rs.1,50,000 and stock was valued at Rs.1,00,000. Fixed assets were depreciated at 10% per annum. Father did not charge any interest on loan.

Prepare trading and profit and loss account for the year ended 31st March, 2008 and balance sheet as on that date.

(16 marks)

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