

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 consistency
- (ii) Compensating errors
- (iii) Contingent liability
- (iv) Accounting equation.

(5 marks each)

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

- (i) Receipts and payments account is a summary of all capital receipts and all capital payments.
- (ii) The essence of convention of conservatism is to anticipate no profit but provide for all the losses.
- (iii) Amount paid for acquisition of goodwill is a deferred revenue expenditure.
- (iv) On dishonour of a bill, the holder has to bear the noting charges paid to notary.
- (v) Under sectional ledgers, a trial balance can be independently prepared on the basis of accounts in creditors ledger.

(2 marks each)

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

- (i) Income-tax paid by the proprietor of a business is not treated as a business expense, but as _____ made by the proprietor.
- (ii) In case of a bill of exchange, it is customary to allow _____ days of grace.
- (iii) The difference between hire-purchase price and cash price is called _____.
- (iv) Excess of expenditure over income is shown on the _____ side of income and expenditure account.
- (v) The imprest system may be used to maintain _____ cash book.

- (vi) _____ are those fixed assets which cannot be seen or touched.
- (vii) Manufacturing account shows cost of _____.
- (viii) _____ is the date on which a lump sum payment can be made without loss of interest to either party.

(1 mark each)

- (b) Distinguish between **any two** of the following :
- (i) 'Trade discount' and 'cash discount'.
 - (ii) 'Capital expenditure' and 'deferred revenue expenditure'.
 - (iii) 'Operating lease' and 'finance lease'.

(4 marks each)

3. (a) Choose the most appropriate answer from the given options in respect of the following :
- (i) Purchases book was undercast by Rs.100. It is –
 - (a) An error of omission
 - (b) An error of commission
 - (c) A compensating error
 - (d) An error of principle.
 - (ii) Cost of painting a second-hand truck newly purchased is –
 - (a) Capital expenditure
 - (b) Revenue expenditure
 - (c) Deferred revenue expenditure
 - (d) Income.
 - (iii) The following account is transferred to trading account –
 - (a) Trade expenses account
 - (b) Salaries account
 - (c) Carriage inwards account
 - (d) Carriage outwards account.
 - (iv) The method of depreciation which should be applied in case of wasting assets is –
 - (a) Written down value method
 - (b) Depletion method
 - (c) Straight line method
 - (d) Sum of digits method.

- (v) An old bill is cancelled and a new one is drawn and accepted. It is –
- (a) Endorsement of a bill
 - (b) Discounting of a bill
 - (c) Renewal of a bill
 - (d) Dishonour of a bill.
- (vi) Account current is normally exchanged between the following parties –
- (a) Principal and his agent
 - (b) Lender and borrower
 - (c) Consignor and consignee
 - (d) All the above.
- (vii) Cash brought in by a new partner by way of goodwill is credited to old partners' capital accounts in –
- (a) Ratio of sacrifice
 - (b) Old profit sharing ratio
 - (c) Ratio of capitals
 - (d) New profit sharing ratio.
- (viii) Hire-purchaser always provides depreciation on the fixed asset on the basis of –
- (a) Total hire-purchase price
 - (b) Outstanding hire-purchase price
 - (c) Total cash price
 - (d) Outstanding cash price.

(1 mark each)

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

- (i) The terms book-keeping and accounting are often used inter-changeably but they are different from each other.
- (ii) Cash book serves the purpose of a book of original entry as well as that of a ledger account.
- (iii) Proper determination of profit depends upon proper valuation of inventory.

(4 marks each)

4. (a) From the following particulars, prepare a bank reconciliation statement as on 31st March, 2009 :
- (i) Overdraft as per pass book as on 31st March, 2009 : Rs.1,20,000.
 - (ii) Cheques issued, but not yet presented to bank for payment : Rs.40,000

- (iii) Cheques paid into bank for collection, but not yet credited by bank : Rs.30,000
- (iv) The bank charged Rs.5,000 as interest on overdraft, but no information received from bank so far.
- (v) The bank pass book shows a credit of Rs.10,000 directly collected by bank as interest on investments.
- (vi) A cheque of Rs.2,000 was debited in bank column of the cash book, but it was not sent to bank at all.

(8 marks)

- (b) From the following information relating to the month of March, 2009, prepare sales ledger adjustment account and the purchases ledger adjustment account in general ledger :

	<i>Rs.</i>
Opening balances :	
- Sales ledger (<i>Dr.</i>)	2,56,000
- Sales ledger (<i>Cr.</i>)	7,000
- Purchases ledger (<i>Dr.</i>)	4,000
- Purchases ledger (<i>Cr.</i>)	1,47,000
The transactions during the month :	
- Credit sales	3,18,000
- Credit purchases	1,91,000
- Cash received from customers	2,63,000
- Discount allowed to customers	8,000
- Goods returned by customers	12,000
- Cash paid to customers	4,000
- Cash paid to creditors	1,73,000
- Discount allowed by creditors	5,000
- Transfer from purchases ledger to sales ledger	11,000
Closing balances :	
- Purchases ledger (<i>Dr.</i>)	3,000
- Sales ledger (<i>Cr.</i>)	6,000

(8 marks)

5. (a) A fire occurred on 15th September, 2008 in the premises of Exel Ltd. From the following figures, calculate the amount of claim to be lodged with the insurance company for the loss of stock :

	<i>Rs.</i>
Stock at cost as on 1 st April, 2007	2,00,000
Stock at cost as on 1 st April, 2008	3,00,000
Purchases during the year ended 31 st March, 2008	4,00,000
Purchases from 1 st April, 2008 to 15 th September, 2008	8,80,000
Sales during the year ended 31 st March, 2008	6,00,000
Sales from 1 st April, 2008 to 15 th September, 2008	10,50,000
During the current year, cost of purchases has risen by 10% above last year's level and selling prices have gone up by 5%. Salvage value of stock after fire was Rs.20,000.	

(8 marks)

- (b) On 1st January, 2009, Mayank of Mumbai consigned to Dinesh of Delhi goods for sale. Dinesh is entitled to a commission of 4% on invoice price and 20% on any surplus price realised. Goods costing Rs.12,000 were consigned to Dinesh at invoice price of Rs.14,400. Expenses of consignment amounted to Rs.1,000. On 31st March, 2009, an account sales was received from Dinesh showing that he had effected sales for Rs.12,000 in respect of 3/4th of the goods supplied to him. His actual out of pocket expenses amounted to Rs.600. Dinesh accepted a bill drawn on him by Mayank for Rs.5,000 and remitted the balance due from him in cash. Prepare consignment account and the account of Dinesh in the books of Mayank.

(8 marks)

6. A, B and C were equal partners in a firm. Their balance sheet as on 31st March, 2009 was as follows :

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
A's capital	1,60,000	Building	4,00,000
C's capital	1,00,000	Machinery	4,00,000
A's loan	2,00,000	Furniture and fixtures	1,60,000
Creditors	10,00,000	Stock	1,60,000
		Book debts	2,00,000
		Cash at bank	10,000
		B's capital (overdrawn)	1,30,000
	14,60,000		14,60,000

The firm was dissolved as all the partners were declared insolvent. The assets realised as under :

Book debts : 45% less; Building : Rs.1,60,000; Stock : Rs.1,00,000; Machinery : Rs.2,00,000; and Furnitures and fixtures : Rs.40,000. Realisation expenses were Rs.10,000.

The private assets and private liabilities of the partners were as follows :

<i>Partner</i>	<i>Private Assets</i> (Rs.)	<i>Private Liabilities</i> (Rs.)
A	2,50,000	2,50,000
B	2,00,000	1,80,000
C	2,30,000	2,50,000

Prepare realisation account, bank account, creditors account, deficiency account and partners' capital accounts.

(16 marks)

7. (a) From the following information, calculate closing stock on 31st March, 2009 and total sales and total purchases for the year ended 31st March, 2009 :

	<i>On 31st March, 2008</i> (Rs.)	<i>On 31st March, 2009</i> (Rs.)
Debtors	6,77,000	5,60,000
Creditors	5,00,000	3,60,000
Bills payable	4,00,000	5,20,000
Bills receivable	1,80,000	1,50,000
Stock	2,50,000	?

Transactions during the year ended 31st March, 2009 :

	<i>Rs.</i>
Discount allowed to customers	22,000
Discount allowed by suppliers	15,000
Bills payable discharged	7,20,000
Bills receivable collected	4,40,000
Returns inwards	1,82,000
Returns outwards	94,000
Bad debts	60,000
Bills receivable dishonoured	32,000
Cash paid to creditors	26,00,000
Cash received from debtors	45,00,000
Cash sales	8,25,000
Cash purchases	21,00,000

Uniform sale price of goods was cost plus 25%.

(8 marks)

- (b) On 1st April, 2008, X Ltd. had a balance of Rs.4,05,000 in its machinery account. The company charged depreciation @ 10% per annum by diminishing balance method. On 1st October, 2008, the company sold a part of machinery for Rs.87,500 which was purchased on 1st April, 2006 for Rs.1,20,000 and on the same date the company purchased a new machine for Rs.2,50,000.

On 31st March, 2009, the directors of X Ltd. decided to adopt the fixed instalment method of depreciation from 1st April, 2006, instead of diminishing balance method. The rate of depreciation was kept the same.

Prepare machinery account in the books of the company for the year ended 31st March, 2009.

(8 marks)

8. Ajoy of Ahmedabad has a branch at Mumbai. Goods are invoiced to the branch at cost plus 25%. Branch is instructed to deposit cash every day in the head office account with the bank. All expenses are paid through cheques by the head office except petty cash expenses which are paid by the branch out of its cash receipts. Prepare branch account in the books of the head office, taking into account the following information also :

	<i>On 1st April, 2008</i>	<i>On 31st March, 2009</i>
	<i>(Rs.)</i>	<i>(Rs.)</i>
Stock at invoice price	82,000	96,000
Debtors	31,700	42,150
Furniture	23,400	?

Transactions during the year were --

Cash sales : Rs.4,01,300; Credit sales : Rs.3,72,100; Goods invoiced to branch : Rs.6,28,000; Expenses paid by head office : Rs.1,32,000; Petty expenses paid by branch : Rs.10,450; Furniture purchased by branch Rs.2,500 on 1st October, 2008, payment having been made by branch out of its cash collections. Depreciation is provided on the branch furniture @ 10% per annum on diminishing balance method.

(16 marks)

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