

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) Date of maturity of bills of exchange and promissory notes
  - (ii) *Del credere* commission
  - (iii) Manufacturing account
  - (iv) Receipts and expenditure account.
- (5 marks each)
- (b) State, with reasons in brief, whether the following statements are true or false :
- (i) For purposes of preparing books of account, a business is treated as an entity separate from its owner or owners.
  - (ii) Contra entries in columnar cash book require no posting in the ledger.
  - (iii) Heavy expenditure on advertising a new product is capital expenditure.
  - (iv) Trade expenses account is transferred to trading account.
  - (v) Depreciation is a charge against revenue for a particular accounting period.
- (2 marks each)
2. (a) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :
- (i) The recognition of the two aspects to every transaction is known as \_\_\_\_\_ concept.
  - (ii) The expense whose benefit expires within the year of expenditure is termed as \_\_\_\_\_ expenditure.
  - (iii) \_\_\_\_\_ is a process of allocation of expired cost and not of valuation of fixed assets.
  - (iv) In a trade bill there is consideration, while in \_\_\_\_\_ there is no consideration.
  - (v) Surplus or deficit revealed by income and expenditure account is transferred to \_\_\_\_\_ fund.
  - (vi) A system of book-keeping in which only cash book and personal accounts of customers and suppliers are maintained is called \_\_\_\_\_ system.

- (vii) The debit balance of an account may represent either \_\_\_\_\_ or an expense or a loss.
- (viii) When an old fixed asset is sold on credit, the transaction is originally recorded in \_\_\_\_\_.

(1 mark each)

(b) Distinguish between **any two** of the following :

- (i) 'Book keeping' and 'accounting' .
- (ii) 'Double entry system' and 'single entry system' .
- (iii) 'Partners fixed capital accounts' and 'partners fluctuating capital accounts' .

(4 marks each)

3. (a) Choose the most appropriate answer from the given options in respect of the following :

- (i) Out of the following, which transaction is entered in journal proper –
- (a) Furniture purchased for cash
- (b) Furniture purchased on credit
- (c) Salary paid to clerk
- (d) Goods returned by a customer.
- (ii) On 1<sup>st</sup> April, 2007, a machinery was purchased for Rs.97,000, and Rs.3,000 were spent on its installation. On the basis of written down value method, the amount of depreciation for the year ended 31<sup>st</sup> March, 2009 @10% per annum would be –
- (a) Rs.10,000
- (b) Rs.9,700
- (c) Rs.9,000
- (d) Rs.8,730.
- (iii) The expense to be included proportionately while valuing unsold stock with the consignee is –
- (a) Godown rent
- (b) Advertisement expense
- (c) Selling expense
- (d) Octroi duty.
- (iv) Out of the following items, which one is shown in the receipts and payments account–
- (a) Outstanding salary
- (b) Depreciation
- (c) Life membership fees
- (d) Accrued subscription.

- (v) Trade marks account is a –
- (a) Personal account
  - (b) Real account
  - (c) Nominal account
  - (d) None of the above.
- (vi) The imprest system pertains to –
- (a) Purchases book
  - (b) Sales book
  - (c) Cash book
  - (d) Petty cash book.
- (vii) White-washing charges of Rs.10,000 were debited to building account. It is –
- (a) Error of omission
  - (b) Error of commission
  - (c) Error of principle
  - (d) Compensating error.
- (viii) A certain percentage of original cost of a fixed asset is written off every year. It is the depreciation by –
- (a) Annuity method
  - (b) Depreciation fund method
  - (c) Fixed installments method
  - (d) Depletion method.

(1 mark each)

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

- (i) A cash book is a journal as well as a part of ledger.
- (ii) Capital expenditure provides benefit to the firm for a number of years.
- (iii) Dissolution of a partnership need not necessarily lead to dissolution of the firm.

(4 marks each)

4. A, B, C and D shared profits and losses in the ratio of 4:3:2:1 respectively. The firm was dissolved on 31<sup>st</sup> March, 2009. The firm's balance sheet on that date was as follows :

*Balance Sheet as on 31<sup>st</sup> March, 2009*

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
Bills payable	20,000	Cash at bank	8,000
Creditors	1,20,000	Bills receivable	40,000
Capital accounts :		Debtors	1,40,000
A	80,000	Stock	92,000
C	1,20,000	Capital accounts :	
		B	40,000
		D	20,000
	3,40,000		3,40,000

Bills receivable and debtors realised 90% of their book values. Stock was sold for Rs.78,000. Outstanding salary of Rs.2,000 which was not shown in the above balance sheet was also paid. The realisation expenses amounted to Rs.6,000 and were paid by D. B was insolvent and only Rs.32,000 could be recovered from his estate. Garner vs. Murray rule was applied. Prepare realisation account and partners' capital accounts.

*(16 marks)*

5. (a) A firm purchased a plant on 1<sup>st</sup> April, 2002 for Rs.10,00,000. The plant had an estimated useful life of 5 years. The firm used straight line method of depreciation. An extension was carried out for Rs.2,00,000 and it was made operational from 1<sup>st</sup> April, 2004. Prepare the plant account for all the seven years assuming that the extension was capable of being used independently of existing plant and expected to last 5 years from its installation.

*(8 marks)*

- (b) Kapil does not keep complete records of his business transactions. His statement of affairs as on 1<sup>st</sup> April, 2008 is given below :

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
Sundry creditors	16,500	Cash	7,450
Outstanding expenses	3,500	Sundry debtors	25,350
Capital	50,000	Stock	30,300
		Furniture	6,900
	70,000		70,000

For the year ended 31<sup>st</sup> March, 2009, his drawings have been Rs.15,000. Goods worth Rs.600 have also been withdrawn by him for personal use. On 1<sup>st</sup> October, 2008, there was a transfer of his household furniture worth Rs.2,100 to the business.

On 31<sup>st</sup> March, 2009, his assets and liabilities were as under :

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
Sundry creditors	18,600	Cash	6,580
Outstanding expenses	4,300	Sundry debtors	36,900
		Stock	40,320
		Furniture	9,000
		Prepaid rent	400

Depreciate furniture @10% per annum, create a provision for bad debts on sundry debtors @5% and allow 5% interest on capital which was at the beginning.

Ascertain the profit or loss for the year ended 31<sup>st</sup> March, 2009 and prepare the statement of affairs as on 31<sup>st</sup> March, 2009.

(8 marks)

6. (a) Kailash and Gopal entered into a joint venture for the sale of plots of land. A joint bank account was opened in which Kailash deposited Rs.30 lakh and Gopal deposited Rs.10 lakh. They agreed to share profits and losses in the ratio of their respective capitals.

A piece of land was purchased for Rs.29 lakh. Legal and registration fees of Rs.3 lakh were paid. A sum of Rs.8 lakh was spent on development of the land. The land was divided into 40 plots. 30 plots were sold @ Rs.1.5 lakh each and 6 plots were sold @ Rs.1.2 lakh each. The brokerage of Rs.2.2 lakh was paid for selling the plots. The remaining plots were taken over by Gopal and Kailash at the cost price in proportion of the ratio in which they shared profits and losses.

Prepare the joint venture account, joint bank account and the accounts of the two co-venturers.

(8 marks)

- (b) From the following particulars, ascertain the amount of claim under a loss of profit policy. Assume a 10% upward trend in the sales of the current year over those of the previous year :

- (i) Indemnity period : 6 months
- (ii) Policy amount : Rs.6 lakh
- (iii) Date of fire : 1<sup>st</sup> July, 2009
- (iv) Disruption upto 1<sup>st</sup> November, 2009
- (v) Sales for the year ended 31<sup>st</sup> March, 2008 : Rs.24 lakh

- (vi) Net profit for the year ended 31<sup>st</sup> March, 2008 : Rs.2,60,000
- (vii) Insured standing charges for the year ended 31<sup>st</sup> March, 2008 : Rs.3,40,000
- (viii) Sales from 1<sup>st</sup> July, 2008 to 30<sup>th</sup> June, 2009 : Rs.32 lakh
- (ix) Sales from 1<sup>st</sup> July, 2009 to 1<sup>st</sup> November, 2009 : Rs.3 lakh
- (x) Sales from 1<sup>st</sup> July, 2008 to 1<sup>st</sup> November, 2008 : Rs.10 lakh.

(8 marks)

7. (a) At the end of an accounting year, the trial balance of a concern agreed but the following errors were discovered after preparing the final accounts :

- (i) No adjustment entry was passed for an amount of Rs.2,000 of outstanding rent.
- (ii) Purchases book was overcast by Rs.1,000.
- (iii) Depreciation of Rs.4,000 on machinery had been omitted to be recorded in the books.
- (iv) Rs.600 paid for purchase of stationery had been debited to purchases account.
- (v) Sales book was overcast by Rs.1,000.
- (vi) Rs.5,000 received in respect of book debts had been credited to sales account.

Show the effect of each one of the abovementioned errors on the net profit of the year to which these errors pertain. If the net profit as per profit and loss account is Rs.3,22,000, what is the correct profit arrived at after the rectification of above errors ?

(8 marks)

- (b) While comparing the cash book of Mayank with the bank pass book on 30<sup>th</sup> September, 2009 you find the following :

- (i) The bank pass book showed a debit balance of Rs.15,000.
- (ii) Bank paid insurance premium Rs.2,000, but it was recorded as Rs.200 only in cash book.
- (iii) Cheques issued in favour of suppliers in September, 2009 amounted to Rs.55,000, but cheques for Rs.50,000 only were presented for payment upto 30<sup>th</sup> September, 2009.
- (iv) Direct deposit of Rs.10,000 in Mayank's bank account by a customer on 25<sup>th</sup> September, 2009 had not been recorded in the cash book.
- (v) Dividend collected by bank, but not recorded in cash book Rs.1,000.

- (vi) Bank charged Rs.300 for its services, but they were yet to be recorded in cash book.
- (vii) Cheques amounting to Rs.78,000 were deposited with bank in the last week of September, 2009, but cheques for Rs.51,000 only had been cleared before 1<sup>st</sup> October, 2009.

Prepare the bank reconciliation statement ascertaining bank balance/overdraft as per cash book.

(8 marks)

8. (a) On 1<sup>st</sup> April, 2009, Rohit sold goods to Mahesh for Rs.10,000 and drew upon him a bill for the amount at 3 months. Mahesh accepted the bill. On 4<sup>th</sup> April, 2009, Rohit got the bill discounted with his bankers @10% per annum. Just before the due date, Mahesh approached Rohit with a request for renewal of the bill for 3 months. Rohit agreed on the condition that the new bill was for Rs.10,310 which included Rs.310 by way of interest. Mahesh found the condition as reasonable and accepted the new bill on 4<sup>th</sup> July, 2009. On 29<sup>th</sup> September, 2009, Mahesh was declared insolvent. On 2<sup>nd</sup> November, 2009, a first and final dividend of 40 paise in a rupee was received from the insolvent's receiver.

Pass journal entries in the books of Rohit for all the abovementioned transactions.

(8 marks)

- (b) On 1<sup>st</sup> April, 2008, Bharat Sports Club received a donation of Rs.40 lakh for holding a tournament every year. The amount was immediately invested in 6% Government Bonds acquired at par; half-yearly interest being receivable on 30<sup>th</sup> September and 31<sup>st</sup> March in each accounting year.

During the year ended 31<sup>st</sup> March, 2009, the club spent Rs.2,58,000 by way of expenses on tournament. Gate collections in the final match of the tournament was Rs.24,200.

Prepare the tournament fund account, tournament fund investments account and interest on tournament fund investments account for the year ended 31<sup>st</sup> March, 2009. (Ignore tax.)

(8 marks)

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