1. (a) Explain any two of the following:
   (i) Branches of accounting
   (ii) General journal
   (iii) Users of accounting information.

   (5 marks each)

(b) State, with reasons in brief, whether the following statements are true or false:
   (i) Outstanding rent is a nominal account.
   (ii) Profit and loss account is a point statement whereas balance sheet is a period statement.
   (iii) A balance in an asset account always signifies a debit balance.
   (iv) Compensatory errors do not disturb agreement of trial balance.
   (v) If the business carried on by a partnership firm becomes illegal, the partnership firm stands dissolved.

   (2 marks each)

2. (a) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s):
   (i) The value of goods withdrawn by proprietor for personal use is debited to _____________ account.
   (ii) Under accounting equation approach, all accounts are divided into three categories namely assets, liabilities and _____________.
   (iii) If partners' capital accounts are fixed, drawings made by a partner will be recorded in his _____________ account.
   (iv) The maximum number of partners in a partnership firm engaged in other than banking business is _____________.

   (5 marks each)
(v) Fee paid for registration of a building is a _____________ expenditure.
(vi) The three parties to a bill of exchange are drawer, drawee and _____________.
(vii) The concession given by the seller to the buyer on the list price at the time of sale is known as _____________.
(viii) The bank reconciliation statement is prepared on a particular date to reconcile the bank balance as per cash book and bank balance as per _____________. book.

(1 mark each)

(b) Distinguish between any two of the following:
   (i) 'Partnership' and 'joint venture'.
   (ii) 'Double entry system' and 'single entry system'.
   (iii) 'Consignment' and 'sale'.

(4 marks each)

3. (a) Write the most appropriate answer from the given options in respect of the following:
   (i) Profit and loss account is prepared by transfer of —
       (a) Nominal accounts
       (b) Real accounts
       (c) Personal accounts
       (d) Real and nominal accounts.
   (ii) Cash book contains —
       (a) All cash receipts only
       (b) All cash payments only
       (c) All cash receipts and cash payments
       (d) All transactions for which no special journal has been kept by the business.
   (iii) Bills receivable book is a part of —
       (a) Journal
       (b) Ledger
       (c) Trial balance
       (d) Profit and loss account.
(iv) An account to make the trial balance tally temporarily is called —
   (a) Suspense account
   (b) Profit and loss adjustment account
   (c) Trading account
   (d) Profit and loss account.

(v) When the goods are returned to the supplier, the statement sent to him by the buyer is called —
   (a) Debit note
   (b) Credit note
   (c) Invoice
   (d) Bill of exchange.

(vi) Income and expenditure account —
   (a) May have a debit opening balance
   (b) May have a credit opening balance
   (c) May have either a debit or a credit opening balance
   (d) Does not have an opening balance.

(vii) Name of the principal book of accounts is —
   (a) Journal
   (b) Ledger
   (c) Subsidiary book
   (d) Cash book.

(viii) General reserve is created on the basis of convention of —
   (a) Conservatism
   (b) Uniformity
   (c) Materiality
   (d) Full disclosure.

(1 mark each)
(b) Explain any two of the following statements:

(i) Average clause is applicable only when the amount of insurance policy is less than the value of asset insured.

(ii) Posting is the process of recording transactions in the ledger accounts based on the entries in the journal.

(iii) Dissolution of a partnership is different from dissolution of a firm.

(4 marks each)

4. On 31st March, 2012 the following trial balance was extracted from the books of Prakash, a trader:

<table>
<thead>
<tr>
<th>Debit balances</th>
<th></th>
<th>Credit balances</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Drawings</td>
<td>30,000</td>
<td>Capital</td>
<td>2,80,000</td>
</tr>
<tr>
<td>Sundry debtors</td>
<td>2,01,000</td>
<td>Sundry creditors</td>
<td>1,04,010</td>
</tr>
<tr>
<td>Interest on loan</td>
<td>3,000</td>
<td>Loan on mortgage</td>
<td>95,000</td>
</tr>
<tr>
<td>Cash in hand</td>
<td>20,500</td>
<td>Provision for bad debts</td>
<td>7,100</td>
</tr>
<tr>
<td>Stock on 1st April, 2011</td>
<td>68,390</td>
<td>Sales</td>
<td>21,02,430</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>1,00,000</td>
<td>Purchases return</td>
<td>13,460</td>
</tr>
<tr>
<td>Cash at bank</td>
<td>35,550</td>
<td>Discount earned</td>
<td>5,500</td>
</tr>
<tr>
<td>Building</td>
<td>1,20,000</td>
<td>Bills payable</td>
<td>26,140</td>
</tr>
<tr>
<td>Bad debts</td>
<td>5,250</td>
<td>Rent received</td>
<td>2,400</td>
</tr>
<tr>
<td>Purchases</td>
<td>16,64,580</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales return</td>
<td>78,210</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carriage outwards</td>
<td>24,040</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carriage inwards</td>
<td>29,290</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries</td>
<td>90,970</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rates and taxes</td>
<td>28,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>910</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertising</td>
<td>32,640</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General expenses</td>
<td>34,890</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bills receivables</td>
<td>68,820</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>26,36,040</td>
<td></td>
<td>26,36,040</td>
</tr>
</tbody>
</table>
Prepare trading and profit and loss account for the year ended 31st March, 2012 and a balance sheet as on that date after making the following adjustments:

(i) Depreciate building @ 2½% and motor vehicles @ 20%.
(ii) Interest on loan @ 6% per annum is due for six months.
(iii) Prepaid insurance on 31st March, 2012 was `150.
(iv) On 31st March, 2012, the outstanding expenses were:
   - Salaries `7,500
   - Rates and taxes `3,500
(v) Provision for bad debts is to be maintained @ 5% on sundry debtors.
(vi) Manager’s commission is to be provided @ 10% on net profit after charging such commission.
(vii) Stock on 31st March, 2012 was `62,500.

(16 marks)

5. (a) On 15th September, 2012, the premises of a firm was destroyed by fire but sufficient records were saved from which the following information was gathered:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock at cost on 1st April, 2011</td>
<td>73,500</td>
</tr>
<tr>
<td>Stock at cost on 31st March, 2012</td>
<td>79,600</td>
</tr>
<tr>
<td>Purchases less return during the year ended 31st March, 2012</td>
<td>3,98,000</td>
</tr>
<tr>
<td>Sales less return during the year ended 31st March, 2012</td>
<td>4,87,000</td>
</tr>
<tr>
<td>Purchases less return during the period from 1st April, 2012 to 15th September, 2012</td>
<td>1,62,000</td>
</tr>
<tr>
<td>Sales less return from 1st April, 2012 to 15th September, 2012</td>
<td>2,31,200</td>
</tr>
</tbody>
</table>

While valuing the stock for preparation of balance sheet as on 31st March, 2012, `2,300 had been written-off on a certain stock which was of a poor selling line, having cost of `6,900. Half of these goods were sold in June, 2012 at a loss of `250 on the original cost of `3,450. The remainder of this stock was now estimated to be worth the original cost, subject to the above exception, gross profit remained at a uniform rate throughout. The stock salvaged was `5,800.

Show the amount of the insurance claim for the loss of goods by fire.

(8 marks)
(b) The trial balance of Mohan showed a difference which was posted to a newly opened suspense account. Later, the following errors were detected:

(i) The total of travelling expenses account has been written as `18,500 instead of `17,500.

(ii) Goods purchased for `5,000 have been posted from the purchases book to the supplier's account as `3,000.

(iii) The sales return of `2,000 from Jayant has been correctly credited to Jayant's personal account, but the transaction has not been recorded in sales return book.

(iv) A cheque of `6,000 issued to a supplier towards amount due has been debited to purchases account.

(v) A credit sale of `1,000 to Ramesh has been recorded in sales book as `10,000.

Pass the necessary journal entries for rectifying the above errors. Assuming that there are no other errors, prepare a suspense account as it would appear in the ledger.

(8 marks)

6. (a) On 31st March, 2012 the cash book of Gopal showed a bank overdraft of `38,200. On examination of cash book and bank statement, the following differences were noted:

- Cheques deposited with bank but not collected by the bank: `50,000
- Interest on securities collected by the bank, but not yet recorded in the cash book: `6,400
- In March, 2012 dividends receivable were credited directly to the bank account, but no entries have been passed in the cash book yet: `5,000
- Cheques issued, but not presented to the bank for payment: `1,87,000
- Bank charges appearing in the bank statement, but not yet entered in the cash book: `1,700

You are required to —

(i) Show the adjustments required in the cash book.

(ii) Prepare a bank reconciliation statement as on 31st March, 2012.

(8 marks)
(b) Jolly, a trader prepares his accounts on the basis of single entry system. He furnishes you the following information:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at bank</td>
<td>4,500</td>
<td>3,000</td>
</tr>
<tr>
<td>Cash in hand</td>
<td>300</td>
<td>4,000</td>
</tr>
<tr>
<td>Stock in trade</td>
<td>40,000</td>
<td>45,000</td>
</tr>
<tr>
<td>Debtors</td>
<td>12,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Office equipments</td>
<td>5,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Sundry creditors</td>
<td>30,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Furniture</td>
<td>4,000</td>
<td>4,000</td>
</tr>
</tbody>
</table>

During the year, Jolly introduced `8,000 as further capital and withdrew `500 every month for his household expenses. Write-off depreciation on furniture @ 10% and on office equipments @ 5%.

Prepare a profit and loss account for the year ended 31st March, 2012 and statement of affairs as on that date.

(8 marks)

7. Anand, Vineet and Manmeet were equal partners in a business. Their balance sheet as on 31st March, 2012 was as under:

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bills payable</td>
<td>2,00,000</td>
</tr>
<tr>
<td>Creditors</td>
<td>4,00,000</td>
</tr>
<tr>
<td>Profit and loss account</td>
<td>60,000</td>
</tr>
<tr>
<td>General reserve</td>
<td>3,00,000</td>
</tr>
<tr>
<td>Capital accounts</td>
<td></td>
</tr>
<tr>
<td>Anand</td>
<td>6,00,000</td>
</tr>
<tr>
<td>Vineet</td>
<td>4,00,000</td>
</tr>
<tr>
<td>Manmeet</td>
<td>3,20,000</td>
</tr>
</tbody>
</table>

Vineet retired from business on 1st April, 2012. Anand and Manmeet decided to continue the business as equal partners on the following terms:

(i) Goodwill of the firm was valued at `1,50,000. An adjustment entry was passed without raising goodwill account.
(ii) Provision for bad debts on debtors was to be maintained @ 10%.
(iii) The book value of land and building was to be increased to `13,20,000.
(iv) Furniture was to be reduced by `80,000.
(v) Rent outstanding `15,000, not provided for as yet, was to be provided.

The remaining partners decided to bring in an equal amount of cash sufficient to pay off Vineet and to maintain the bank balance of `2,00,000.

Prepare revaluation account, partners' capital accounts and cash book. Also prepare the initial balance sheet of the new firm.

(16 marks)

8. (a) The following figures appear in the books of Gaurav:

Provision for bad debts as on 1st April, 2011 8,000
Provision for discount on debtors as on 1st April, 2011 6,000
Discount allowed during the year ended 31st March, 2012 8,000
Bad debts written-off during the year ended 31st March, 2012 4,000
Sundry debtors as on 31st March, 2012 98,000

Create the provision for bad debts @ 5% and provide for discount allowed on debtors @ 10%.

Show the bad debts account, provision for bad debts account, discount allowed account and provision for discount allowed account.

(8 marks)

(b) Ramesh sells goods for `2,00,000 to Mukesh on 1st January, 2012. On the same day Ramesh draws a bill on Mukesh for three months for the amount. Mukesh accepts it and returns it to Ramesh who discounts it on 4th January, 2012 with his bank @ 12% per annum. The acceptance is dishonoured on due date and the bank pays `50 as noting charges. However, Mukesh requests Ramesh to accept `6,050 as interest and reimbursement of noting charges and renew the bill for a further period of three months. Ramesh agrees and on the due date, the bill is met by Mukesh.

Pass necessary journal entries in the books of Ramesh.

(8 marks)