

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) Users of accounting information
- (iii) Retiring a bill under rebate
- (iv) Objectives of providing depreciation.

(5 marks each)

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

- (i) Credit sales of fixed assets and investments are also entered in sales book.
- (ii) Goodwill is a current asset.
- (iii) The provision for discount on debtors is calculated after deducting the provision for doubtful debts from debtors.
- (iv) The errors of principle are caused due to incorrect allocation of expenses and revenue between capital and revenue items.
- (v) Fire insurance policies include average clause in order to discourage under-insurance.

(2 marks each)

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

- (i) The burden of noting charges is ultimately borne by the _____ of the bill.
- (ii) The amount which is received by a non-trading concern as per the will of a deceased person is called _____.
- (iii) Recording of transactions from journal to ledger is called _____.
- (iv) The _____ balance in the bank columns of the cash book means a bank overdraft.
- (v) The party to whom goods are sent on consignment is called _____.

- (vi) If the insured amount is less than the actual value of insured asset, it is known as _____.
- (vii) Capital of a trader at the end of the year is Rs.60,000. He withdrew Rs.10,000 during the year and suffered a loss of Rs.12,000. His capital in the beginning of the year shall be _____.
- (viii) _____ account appears in the trial balance to account for undetected errors causing a difference in trial balance.

(1 mark each)

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

- (i) 'Capital receipts' and 'revenue receipts'.
- (ii) 'Statement of affairs' and 'balance sheet'.
- (iii) 'Partnership' and 'joint-venture'.

(4 marks each)

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

- (i) Bad debts recovered is credited to —
 - (a) Bad debts account
 - (b) Provision for bad debts account
 - (c) Bad debts recovered account
 - (d) Debtors account.
- (ii) The credit purchases of fixed assets are recorded in —
 - (a) Purchases book
 - (b) Cash book
 - (c) Journal proper
 - (d) Sales returns book.
- (iii) *Del credere* commission is allowed to cover the risk of —
 - (a) Fire
 - (b) Bad debts
 - (c) Damage of goods in transit
 - (d) Theft.
- (iv) The amount of yearly depreciation under diminishing balances method —
 - (a) Remains constant over the years
 - (b) Decreases year after year
 - (c) Increases year after year
 - (d) Fluctuates.

- (v) Provision for bad and doubtful debts is made according to the convention of —
- (a) Disclosure
 - (b) Materiality
 - (c) Conservatism
 - (d) Consistency.
- (vi) Bhola purchased a piece of furniture valued Rs.6,000 at 10% trade discount and 3% cash discount. The amount payable on cash purchase by him is —
- (a) Rs.5,400
 - (b) Rs.5,220
 - (c) Rs.5,238
 - (d) Rs.5,364.
- (vii) A discounted bill till it is paid by the acceptor, remains —
- (a) An asset
 - (b) A liability
 - (c) A contingent liability
 - (d) An expense.
- (viii) In the absence of a partnership deed, the interest on capitals is —
- (a) Allowed @ 5% per annum
 - (b) Allowed @ 6% per annum
 - (c) Allowed @ 10% per annum
 - (d) Not allowed.

(1 mark each)

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

- (i) Single entry system is a simple method of recording business transactions and hence suitable for small business concerns.
- (ii) Depreciation is a charge against revenue whether the business makes profit or incurs loss.
- (iii) Dissolution of partnership between all the partners of a firm is called 'dissolution of the firm'.
- (iv) The relationship between the consignor and consignee is that of principal and agent.

(4 marks each)

4. Arun, a Company Secretary in Practice, started his professional practice on 1st April, 2007. He invested Rs.10,00,000 as his capital. The receipts and payments account for the year ended 31st March, 2008 was as follows :

Receipts and Payments Account

<i>Receipts</i>	<i>Rs.</i>	<i>Payments</i>	<i>Rs.</i>
To fees	32,00,000	By rent	7,20,000
To misc. receipts	4,000	By salary to Assistants	9,00,000
To office equipments sold	80,000	By journals	40,000
		By library books	1,20,000
		By office equipments	1,60,000
		By drawings	4,80,000
		By cash at bank	8,30,000
		By cash in hand	34,000
	<u>32,84,000</u>		<u>32,84,000</u>

Rs.60,000 of the fees were still outstanding. On 1st January, 2008, office equipments costing Rs.1,20,000 were sold and new office equipments were purchased. Depreciation on office equipments @ 20% per annum and on all the library books @ 5% per annum is to be charged. Salaries to Assistants still payable on 31st March, 2008 was Rs.40,000. You are required to prepare receipts and expenditure account for the year ended 31st March, 2008 and balance sheet as on that date.

(16 marks)

5. (a) On 10th January, 2008, a fire occurred in the godown of Bright Electricals. All the stock was burnt. Each year, Bright Electricals values the stock at cost less 10%. From the following additional information, ascertain the value of stock on the date of fire :

	<i>Rs.</i>
Stock on 1 st April, 2006	7,20,000
Purchases during the year ended 31 st March, 2007	28,00,000
Sales during the year ended 31 st March, 2007	40,00,000
Stock on 31 st March, 2007	4,50,000
Purchases from 1 st April, 2007 to date of fire	29,20,000
Sales from 1 st April, 2007 to date of fire	32,00,000

(8 marks)

(b) From the following particulars, prepare a bank reconciliation statement and arrive at the balance as per cash book as on 30th June, 2008 :

- (i) Credit balance as per pass book : Rs.4,750.
- (ii) Cheque issued on 28th June, 2008, but presented for payment on 4th July, 2008 : Rs.14,800.
- (iii) Cheques deposited in the bank on 29th June, 2008, but credited by bank on 3rd July, 2008 : Rs.8,950
- (iv) Bank debited bank charges, but not yet recorded in cash book : Rs.150.
- (v) Dividend on shares collected and credited by bank, but not yet recorded in cash book : Rs.1,200.

(8 marks)

6. Ashok and Biju were partners sharing profits and losses in the ratio of 3:1 respectively. The following was their balance sheet as on 31st March, 2008 :

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
Creditors	1,20,000	Sundry debtors	2,00,000
Bank overdraft	1,50,000	Stock	2,20,000
Ashok's capital	1,50,000	Furniture	40,000
Biju's capital	1,00,000	Machinery	60,000
	<u>5,20,000</u>		<u>5,20,000</u>

On 1st April, 2008, Chandra was admitted to the firm on the following terms :

- (i) Chandra would provide Rs.1,00,000 as a capital and pay Rs.20,000 as goodwill for his one-third share in future profits. Goodwill account would not appear in the books.
- (ii) Ashok, Biju and Chandra would share profits equally.
- (iii) Machinery would be reduced by 10% and Rs.5,000 would be provided for bad debts. Stock would be valued at Rs.2,49,400.
- (iv) Capital accounts of old partners would be adjusted in the profit sharing ratio on the basis of Chandra's capital by bringing in or taking out cash.

Pass necessary journal entries and prepare partners' capital accounts and balance sheet of the new firm.

(16 marks)

7. (a) During the course of an accounting year, an Accountant found a difference in the trial balance. He put this difference in a newly opened suspense account. Subsequently, he located the following errors in his books of account :
- (i) Goods purchased from Shiv for Rs.10,000, but entered in sales book.
 - (ii) Received a bill receivable for Rs.18,000 from Ganesh, but recorded in bills payable book.
 - (iii) An item of Rs.4,000 in respect of purchases returns, wrongly debited to purchases account.
 - (iv) An item of Rs.2,000 relating to pre-paid salary account omitted to be brought forward.
 - (v) Paid Rs.1,000 on account of repair of furniture, but wrongly debited to furniture account.

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

(8 marks)

- (b) Aman and Chaman agreed for purchasing and selling of old cars in a joint venture; their profit sharing ratio being 3:2 respectively. Aman purchased ten old cars @ Rs.60,000 per car. He sent these cars to Chaman for sale after spending Rs.5,000 per car on repairs and cartage. He drew a bill of Rs.3,00,000 on Chaman and this bill was discounted at the discount of Rs.10,000 after the acceptance. Chaman incurred further expenses of Rs.1,60,000 on these cars before sale. He sold all the old cars @ Rs.90,000 per car, giving 5% commission to the broker.

Prepare joint venture with Chaman account in the books of Aman. Also show memorandum joint venture account.

(8 marks)

8. Sohan draws an accommodation bill for Rs.12,000 on Mohan; the proceeds are to be shared by Sohan and Mohan in the ratio of 2: 1 respectively. Mohan accepts the bill. Sohan gets the bill discounted at a discount of Rs.720 and remits $\frac{1}{3}^{\text{rd}}$ of the proceeds to Mohan. Before the due date, Mohan draws an accommodation bill for Rs.16,800 to

arrange the funds to pay the first bill. The second bill is discounted for Rs.16,320. The first bill is paid with the proceeds and a sum of Rs.2,880 is remitted to Sohan.

Sohan becomes insolvent before the due date of the second bill and Mohan receives 50 paise in a rupee as the first and final dividend from Sohan's estate.

Pass necessary journal entries in the books of Mohan and prepare Sohan's account in the ledger of Mohan.

(16 marks)

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