

ACCOUNTANCY
(Principles and Practice of Financial Accounting)
(320)

Time : 3 Hours

Maximum Marks : 100

- Note : (i) This Question Paper consists of two sections, viz., 'A' and 'B'.
(ii) All questions from Section 'A' are to be attempted.
(iii) Section 'B' has got more than one option. Candidates are required to attempt questions from one option only.

SECTION-A

1. Explain the term 'Revenue' with the help of a suitable example. 2
2. What is a 'supporting voucher' ? Name any two supporting vouchers. 2
3. Define a Bank Reconciliation Statement. 2
4. Differentiate between Capital and Revenue Expenditure on the basis of (a) purpose and (b) placement in financial statements. 2
5. Shrey and Shaurya and partners in a firm. They do not have any partnership agreement. What should be done in each of the following cases ?
(a) Shrey wants to introduce his son into his business. Shaurya objects to it.
(b) Shaurya wants that profit should be distributed in the ratio of capitals, but shrey wants that it should be distributed equally. 2
6. Distinguish between Book-keeping and Accounting on the basis of –
(a) function
(b) scope
(c) basis 3
7. Explain in about 30 words the 'Going Concern Assumption' of Accounting. 3
8. Calculate the cost of Goods Sold from the information given below : 3

	Rs.
Opening Stock	16,000
Purchases made during the year	58,800
Sales during the year	80,000
Carriage on Purchases	2,400
Wages	2,400
Closing Stock	12,000
9. Ajay and Alok are partners in a firm sharing profits in the ratio of 3:2. Anupam is admitted as a partner. The new profit-sharing among Ajay, Alok and Anupam is 5:3:2 respectively. Find out the sacrificing ratio. 3

10. A firm has Rs. 40,000 as its annual profits. The rate of normal profit is 10%. The assets of the firm are Rs. 3,00,000 and liabilities Rs. 80,000.

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11. Your accountant tells you that there is a difference between bank-balance as shown by Cash Book and as shown by Pass Book on 31st March, 2005. List for him any four possible reasons of this difference.

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12. Enter the following transactions in the Journal of Sanjay Brothers :
2005

January 2 : Received Rs. 1,000 for Bill Receivable from Sammer
January 6 : Neeraj is declared insolvent. Received from his official receiver a first and final composition of 50 paise in the rupee on a debt of Rs. 4,000 due from him
January 10 : Charged interest on Drawings Rs. 100
January 31 : Received cash for a Bed debt written off last year Rs. 700

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13. What is meant by 'issuing shares at premium' ? State the purposes for which the amount of share premium can be utilized.

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14. Prepare relevant Accounting Vouchers from the following :
2005

January 1 : Commission received by Cheque No. 0058345 of Andhra Bank Rs. 1,500
January 10 : Amount withdrawn from Bank of personal use by Cheque No. 0058374 Rs. 2,000
January 15 : Deposited into Bank Rs. 500 out of the day's cash receipts
January 20 : Sold goods to Aditi on credit for Rs. 1,000 vide Bill No. 131

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15. From the information given below, prepare Trading and Profit & Loss Account for the year ended 30th April, 2004 and a Balance Sheet as on that date.

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Trial Balance as on 30th April, 2004

<i>Particulars</i>	<i>Dr. Balances (Rs.)</i>	<i>Cr. Balances (Rs.)</i>
Opening Stock	40,000	_____
Purchases and Sales	1,80,000	3,20,000
Sales Return	5,500	_____
Wages	22,000	_____
Carriage	1,200	_____
Bad Debts	600	_____
Bad Debts Reserve	_____	1,000
Debtors and Creditors	50,300	15,800
Office Furniture	15,300	_____
Plant and Machinery	78,000	_____
Advertisement	10,600	_____
Import Duty and Clearing Charges	4,200	_____
Commission	_____	800
Capital	_____	1,20,000
Drawings	15,000	_____
Investment	16,100	_____

Cash	16,000	_____
Rent and Insurance	2,800	_____

Adjustments :

- (i) Rent outstanding amounted to Rs. 500 and Insurance unexpired amounted to Rs. 300.
- (ii) Commission amounting to Rs. 120 has been received in advance
- (iii) Write off Rs. 300 as Bad Debts and provide a Reserve for Doubtful Debts at 2.5% on debtors.
- (iv) Depreciate Plant and Machinery by 5%.
- (v) Stock on 30th April, 2004 was valued at Rs. 32,000.

- 16.** Sweta Limited issued a prospectus inviting applications for 4000 shares of Rs. 100 each at a premium of Rs. 20 per share payable as :

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- On Application – Rs. 20 per share
- On Allotment – Rs. 50 per share (including premium)
- On First Call – Rs. 30 per share
- On Second Call – Rs. 20 per share

Applications were received for 6000 shares and allotment was made pro rata to applicants of 4800 shares. Money overpaid on applications was utilized on account of sums due on allotment. Naresh to whom 80 shares were allotted failed to pay allotment money and on his failure to pay the first call, his shares were forfeited. Of these shares, 60 shares were reissued to Yogesh as fully paid for Rs. 90 per share.

Give Journal Entries in the book of the Company along with working notes.

- 17.** The Balance Sheet of Seema and Sangeeta who are partners, as on 31st March, 2004 is given below :

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<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
Capitals :		Freehold Premises	10,000
Seema	30,000	Furniture	3,000
Sangeeta	15,000	Stock	6,000
General Reserve	12,000	Debtors	40,000
Creditors	8,000	Cash	6,000
	65,000		65,000

Seema and Sangeeta share profits in the ratio of 2:1. They agree to admit Poonam as a partner into the firm subject to the following terms :

- (i) Poonam will bring Rs. 10,500, of which Rs. 4,500 will be treated as her share of Goodwill to be retained in business.
- (ii) Poonam will be entitled to $\frac{1}{4}$ th share of profit of the firm.
- (iii) A Reserve for Bad and Doubtful debts is to be created at 3% of the debtors.
- (iv) Furniture is to be depreciated by 5%.
- (v) Stock is to be revalued at Rs. 5,250.

Prepare Revaluation Account, Capital Accounts and Opening Balance Sheet of the new firm.

OR

A, B, and C were partners sharing profits and losses in the ratio of 3:2:1 respectively. On 31st March, 2004, their Balance Sheet was as follows :

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
Sundry Creditors	19,000	Cash at Bank	3,500
A's Loan	19,000	Stock	19,800
Reserve Fund	3,000	Debtors	19,000
Capitals :		Less : Provision	<u>1,000</u>
A	20,000	Plant and Machinery	43,700
B	4,000		
C	<u>20,000</u>		
	44,000		
	<u>85,000</u>		<u>85,000</u>

SECTION-B

OPTION – I

(Analysis of Financial Statements)

18. (a) “There is no need for Analysis of Financial Statements as it does not serve any useful and significant purpose”. Do you agree with this statement ? Give any five reasons in support of your answer.

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- (b) From the following information, calculate Opening Stock and Closing Stock, if Closing Stock is Rs. 5,000 more than the Opening Stock :

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Sales during the year – Rs. 1,00,000

Gross Profit on sales – 50%

Stock Turnover Ratio – 4 times

- (c) From the following Balance Sheets of Shriniwas Ltd., prepare Schedule of Change in Working Capital and Fund Flow Statement :

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<i>Liabilities</i>	<i>2003 Rs.</i>	<i>2004 Rs.</i>	<i>Assets</i>	<i>2003 Rs.</i>	<i>2004 Rs.</i>
Share Capital	75,000	1,00,000	Goodwill	15,000	10,000
10% Debentures	50,000	25,000	Building	50,000	30,000
General Reserve	10,000	17,500	Plant	20,000	50,000
Profit & Loss A/c	12,500	18,000	Debtors	40,000	52,250
Sundry Creditors	18,750	23,750	Stock	15,000	17,500
			Bills Receivable	16,000	12,500
			Cash at Bank	6,250	9,000
			Discount on issue of Debentures	4,000	3,000
	<u>1,66,250</u>	<u>1,84,250</u>		<u>1,66,250</u>	<u>1,84,250</u>

Additional information :

- (i) During the year, a Plant costing Rs. 5,000 (accumulated depreciation thereon being Rs. 3,250) was sold for Rs. 1,000.
- (ii) Depreciation provided during the year on Building was 2,500 and on Plant Rs. 3,000.
- (iii) Dividend was paid during the year @ 10%

OPTION – II
(Accounts of Non-trading Organisations)

18. (a) Suppose you are a newly appointed Accountant of a non-profit making organization. How would you deal with the following items while preparing final accounts for your organisation ? Give reasons :

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- (i) Entrance Fees
- (ii) Sports Fund and Sports Expenses
- (iii) Donations of small amounts
- (iv) Donations for specific purpose

(b) Prepare the Subscription Account from the following items for the year ending 31st December, 2004 :

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- (i) Subscription in arrears on 31st December, 2003 – Rs. 500
- (ii) Subscription received in advance on 31st December, 2003 – Rs. 1,100
- (iii) Total subscription received during 2004 (including Rs. 400 for 2003; Rs. 900 for 2005 and Rs. 300 for 2006) – Rs. 35,400
- (iv) Subscription outstanding for 2004 – Rs. 400

(c) From the following information and Receipts & Payments Accounts of Gurgaon Club, prepare an Income & Expenditure Account for the year ending 31st December, 2004

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Receipts and Payments Accounts
For the year ended 31st December, 2004

Dr.			Cr.
<i>Receipts</i>	<i>Amount Rs.</i>	<i>Payments</i>	<i>Amount Rs.</i>
To Balance b/d	3,200	By Rent	1,700
To Entrance Fee	2,200	By Wages	2,430
To Subscriptions	18,000	By Lighting Charges	720
To Life Membership Fees	2,500	By Books	2,480
To Interest on Deposits	240	By Office Expenses	4,500
To Proceeds of Tournaments	2,310	By 8% Fixed Deposits (on 1.7.2004)	12,000
		By Tournament Expenses	2,020
		By Cash in Hand	2,600
	28,450		28,450

Other information :

On 31st December, 2003, the Club owned books worth Rs. 20,000 and Furniture worth Rs. 8,500. You are to provide depreciation on these assets at the rate of 10% including the purchases made during the year. Subscriptions in arrears at the beginning of the year amounted to Rs. 350 and at the end of the year Rs. 550 were outstanding.

The Club paid three months rent in advance both in the beginning and at the end of the year.