

Foundation (New Syllabus)
Paper - 1
Principles and Practice
of Accounting

DEC 2023

1
31/12/23
(5.20 PM)

SYN

Roll No.

Total No. of Printed Pages : 12

Total No. of Questions : 6

Maximum Marks : 100

Time allowed : 3 Hours

INSTRUCTIONS TO CANDIDATES

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be valued.

Question No. 1 is compulsory.

Candidates are also required to answer any **four** questions from the remaining **five** questions.

Working notes should form part of the respective answers. Wherever necessary, suitable assumptions may be made and disclosed by way of a note.

1. (a) State with reasons, whether the following statements are True or False:
- The financial statement must disclose all the relevant and reliable information in accordance with the full disclosure principle.
 - The gain from sale of capital assets is added to revenue to ascertain the net profit of the business.
 - Depreciation is non-cash and non-operating expense which is to be provided for if there are profits.
 - Sum of the year's digit method is an example of accelerated method of charging depreciation.
 - Inauguration expenses of ₹10 lakhs incurred on the new unit in an existing business is a capital expenditure.
 - Discount column of cash book records the trade discount.

(6 × 2 = 12 Marks)

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(b) Briefly explain the following terms :

- (i) Conversion Cost
- (ii) Diminishing Balance Method
- (iii) Money Measurement Concept
- (iv) Realisation Concept

(4 × 1 = 4 Marks)

(c) From the following information, ascertain the value of Closing Stock as on 31st March, 2023.

Particulars	(₹)
Opening Stock	1,47,500
Cash Sales	5,50,000
Credit Sales	4,00,000
Purchases	8,85,000
Manufacturing Expenses	1,35,000
Advertisement Expenses	43,000
Rate of Gross Profit on Cost	25%

At the time of valuing inventory as on 31st March, 2022, a sum of ₹ 12,500 was written off on a particular item, which was originally purchased for ₹ 50,000 and was sold during the year for ₹ 40,000. (4 Marks)

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2. (a) From the following particulars, prepare a Bank Reconciliation Statement as on 31st December, 2022.

- (i) Debit balance (overdraft) shown by the pass book ₹ 2,48,000.
- (ii) Cheques of ₹ 2,10,000 were issued in the last week of December, but of these ₹ 1,40,000 only were presented for payment.
- (iii) A Cheque for ₹ 19,200 drawn for the payment of telephone bill had been entered in the cash book as ₹ 29,200 but was shown correctly in the bank statement.
- (iv) A Cheque received of ₹ 37,520 entered twice in the Cash Book.
- (v) A Cheque for ₹ 1,17,000 was issued for purchase of merchandise and was paid by the bank but not recorded in cash book.
- (vi) Interest on overdraft and bank charges amounting to ₹ 3,500 were not entered in the Cash Book.
- (vii) A Cheque for ₹ 45,000 was credited in the Pass Book but was not recorded in the Cash Book.
- (viii) A bill of exchange for ₹ 26,200 which was discounted with bank, returned dishonored but no entry was made in the cash book.
- (ix) Payment side of the Cash Book has been undercast by ₹ 12,000.

(8 Marks)

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- (b) ABC sports club had the following income and expenditure account for the year ended 31st Dec 2022.

Income and Expenditure Account for the year ended 31 Dec 2022

Particulars	Amount ₹	Particulars	Amount ₹
To Salaries	2,35,000	By Subscriptions	2,50,000
To Stationary Expenses	30,000	By Interest	90,000
To Rent and Taxes	5,000	By Donations	40,000
To Insurance	2,000	By Misc. Receipts	3,000
To Office Expenses	8,000		
To Depreciation			
Building	37,500		
Furniture	1,200		
Sports Equipment	1,000		
To Excess of Income over Expenditure	63,300		
	3,83,000		3,83,000

Additional information:

	31-12-2021 ₹	31-12-2022 ₹
Govt. securities	18,00,000	18,00,000
Subscription outstanding	70,000	1,00,000
Subscription received in advance	2,000	6,000
Salaries unpaid	10,000	15,000
Furniture	20,000	19,800
Land and Building	20,00,000	19,62,500
Sports Equipment	35,000	39,000
Stock of stationary	3,000	5,500

Cash in hand and Cash at bank as on 31-12-2021 is ₹ 1,08,000.

You are required to prepare Receipts and Payments Account for the period ending 31.12.2022 and Balance Sheet as on 31.12.2022.

(12 Marks)

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3. (a) R draws a bill of exchange on P for ₹ 2,00,000 on 1st July, 2022 for 4 months. P accepted the bill and sent it to R. R discounts the bill from his bankers for ₹ 1,88,000. R immediately remits ₹ 75,200 to P. On the due date, R, being unable to remit the amount due, accepts a bill for ₹ 2,50,000 for 4 months which is discounted by P for ₹ 2,36,250. P sends ₹ 56,700 to R. Before the bill is due for payment R becomes insolvent, his estate is paying fifty paise in the rupee.

Give the journal entries in the books of P. Also show R's account in P's books.

(10 Marks)

- (b) Mr. B and Mr. G had the following mutual dealings and allow each other one month's credit. At the end of three months the accounts rendered are as follow :

Date	Goods sold by Mr. B to Mr. G (₹)	Date	Goods sold by Mr. G to Mr. B (₹)
July 20	35,000	July 25	24,000
Aug 17	30,000	Aug 16	22,000
Sep 13	32,000	Sep 05	25,000

You are required to calculate the date upon which the balance should be paid so that no interest is due either to Mr. B or Mr. G (consider 20 Aug. as base date)

(5 Marks)

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(c) Attempt any ONE of the following two sub-parts i.e. either (i) or (ii).

(i) From the following particulars prepare account current, as sent by Rose to Lily as on 31st March, 2023 by means of product method charging interest @ 6% p.a.

		₹
01/01/2023	Balance due from Lily	8,500
10/01/2023	Sold goods to Lily	14,700
15/01/2023	Purchased goods from Lily	10,200
20/01/2023	Goods returned by Lily	2,500
25/02/2023	Lily paid by cheque	9,500

(5 Marks)

OR

(ii) Mr. X consigned goods costing ₹ 1,50,000 to Mr. Y and spent ₹ 1,800 on insurance. Mr. Y received the goods and spent ₹ 2,000 on freight. He also spent ₹ 1,500 on godown rent. Mr. Y sent bank draft of ₹ 50,000 to Mr. X as advance payment and sent his Account sales showing that 4/5 of the goods had been sold for ₹ 1,40,000. Mr. Y is entitled to a commission of 8%. One of customers turned insolvent and could not pay ₹ 5,000 due from him. (Commission does not include del-credere).

Show the necessary journal entries in the consignee's book.

(5 Marks)

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4. (a) The following is the schedule of balances as on 31.03.23 extracted from the books of M/s RM & Co.

Particulars	Dr. ₹	Cr. ₹
Bank charges	24,000	
Buildings	9,00,000	
Capital A/c		19,48,000
Carriage Outwards	30,000	
Cash at bank	39,000	
Cash in hand	21,000	
Discount allowed	36,000	
Discount received		24,000
Drawings	1,80,000	
Electricity Charges	33,000	
Freight on purchases	18,000	
Furniture & fixtures	3,21,000	
General office expenses	45,000	
Insurance Premium	82,500	
Interest on loan	35,000	
Loan		6,00,000
Printing and Stationery	27,000	
Purchase Returns		39,000
Purchases	21,30,000	
Rent for Godown	82,500	

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Particulars	Dr. ₹	Cr. ₹
Salaries	1,65,000	
Sales		35,50,000
Sales Returns	63,000	
Stock on 1.4.2022	9,30,000	
Sundry Creditors		6,45,000
Sundry Debtors	12,90,000	
Vehicles	3,00,000	
Vehicles running expenses	54,000	
TOTAL	68,06,000	68,06,000

Prepare Trading and Profit & Loss Account for the year ended 31st March 2023 and the Balance Sheet as at that date after making provision for the following:

- (i) Value of stock as on 31.03.2023 is ₹ 4,10,000. This includes goods returned by customers on 31st March, 2023 to the value of ₹ 22,000 for which no entry has been passed in the books.
- (ii) Purchases include furniture purchased on 01.10.2022 for ₹ 30,000.
- (iii) Depreciate :
 - (1) Building by 5%
 - (2) Furniture and Fixtures by 10%
 - (3) Vehicles by 20%
- (iv) Sundry debtors include ₹ 35,000 due from Goku and Sundry creditors include ₹ 25,000 due to him
- (v) Provision for bad debts is to be maintained at 4% of Sundry Debtors.
- (vi) Insurance premium includes ₹ 42,000 paid towards proprietor's life insurance policy and the balance of the insurance charges cover the period from 1.05.2022 to 30.4.2023.

(15 Marks)

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(b) P, Q and R are the 3 partners in partnership firm. Partnership deed includes the following :

- (i) R is entitled to get salary of ₹ 10,000 p.a.
- (ii) P, Q and R are to get interest @ 6% on their respective capital of ₹ 2,50,000 ; ₹ 1,50,000 and ₹ 1,00,000.
- (iii) R is to get extra benefit of 10% of profit in excess of ₹ 50,000 after providing for (i) and (ii) mentioned above.
- (iv) Q is entitled to 10% of profits after providing all the amounts in para (i), (ii) and (iii) mentioned above.
- (v) The balance of profits will be shared by P, Q and R in ratio of 5 : 3 : 2.

The profits for the year before providing above items are ₹ 3,50,000.

You are required to prepare Profit and Loss Appropriation Account.

(5 Marks)

5. (a) X, Y and Z were partners sharing profit and losses in the ratio of 5: 3 : 2. Their Balance Sheet as on 31 March 2023 is as follows.

Balance Sheet as on 31 March 2023

Liabilities	Amount ₹	Assets	Amount ₹
Capital Accounts		Building	2,00,000
X	4,25,000	Machinery	3,50,000
Y	2,55,000	Debtors	1,95,000
Z	1,40,000	Stock	1,05,000
General Reserve	25,000	Bank	25,000
Trade Creditors	30,000		
	8,75,000		8,75,000

Y retired from the business on 1 April 2023 on the following terms:

- (i) To appreciate building by 20% and to depreciate machinery by 5%.
- (ii) Provision for doubtful debts is to create at 10%.

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- (iii) Goodwill of the firm is valued at 1,60,000 and Goodwill is not to be raised in the books of accounts. New profit sharing ratio will be 5:3.
- (iv) Entire sum payable to Y should be brought by X and Z in such a way to make their capital ratios according to new profit ratio. Balance of Y to be paid immediately.

You are required to prepare Revaluation Account, Partners Capital Accounts and Balance Sheet after retirement.

(10 Marks)

- (b) From the following transactions of a concern, prepare the Machinery Account for the year ending 31st Dec, 2022 :

01.01.21	Purchased a second – hand Machinery for ₹ 2,00,000
01.01.21	Spent ₹ 50,000 on repairs for making it serviceable
30.06.21	Purchased additional new Machinery for ₹ 3,50,000
30.06.21	Installation charge of new Machine ₹ 15,000
01.04.22	Repairs and maintenance of Machinery ₹ 30,000
30.06.22	Sold second hand Machinery purchased on 01.01.21 for ₹ 1,55,000
31.12.22	Depreciate the Machinery at 10% per annum by WDV method

(5 Marks)

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- (c) Prepare a Triple Column Cash Book from the following transactions of G. Enterprises for the month of Jan 2023.

Date	Particulars	Amount ₹
01-01-2023	Cash in hand	14,500
	Cash at Bank	1,95,000
03-01-2023	Received from K	
	– Cash	7,300
	– Cheque	15,000
	Discount allowed to him	400
06-01-2023	Goods sold for cash	9,100
07-01-2023	Withdrew from bank by self-cheque	3,000
12-01-2023	Issued a cheque to B	10,590
	Discount received	410
14-01-2023	Received a cheque from R (in full settlement of her account ₹ 6,500) by cheque	6,350
17-01-2023	Withdrew from bank for personal use	15,000
18-01-2023	Paid electricity bill by cheque	5,000
20-01-2023	Cash purchases of stationary	1,200
31-01-2023	Deposit the entire cash in bank in excess of ₹ 10,000	

(5 Marks)

6. (a) A Ltd issued 25000 equity shares of ₹ 100 each at a premium of ₹ 25 per share payable as follows :

On Application ₹ 50

On Allotment ₹ 50 including premium, and

On Final Call ₹ 25

Applications were received for 29000 shares. Letter of regret were issued to applicants for 4000 shares and shares were allotted to all other applicants.

Mr. A, the holder of 150 shares, failed to pay the allotment and call money, the shares were forfeited.

Show the journal entries and cash book in the books of A Limited. (15 Marks)

- (b) What are the sub-fields of Accounting? (5 Marks)

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of Accounting

JUN 2023

PNB
24/06/2023
5:07 PM

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Question No. 1 is compulsory.

Candidates are also required to answer any **four** questions from the remaining **five** questions.

Working notes should form part of the respective answers.

1. (a) State with reasons, whether the following statements are **True or False**:

- (i) As per Concept of Conservatism the accountant should provide for all possible losses, but should not anticipate income.
- (ii) Expenses in connection with obtaining a license for running the Cinema Hall are Revenue Expenditure.
- (iii) Under or over – casting of a subsidiary book is an example of error of commission.
- (iv) If Del-credere commission is paid to consignee, the loss of bad debts is to be borne by the consignor.
- (v) Perpetual debentures are payable at the time of liquidation of the company.
- (vi) Overhead is defined as the total cost of direct material, direct wages and direct expenses.

(6 × 2 = 12 Marks)

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(b) Briefly explain the following terms:

- (i) Materiality
- (ii) Conservatism
- (iii) Extraordinary item
- (iv) Floating Charge

(4 × 1 = 4 Marks)

(c) Enter the following transactions in Sales Book of Gurgaon Engineers, Gurgaon for January 2022 :

2022 January	
5	Sold to Praneet Electricals 10 pieces of microwaves @ ₹ 8,500/- each less trade discount 15%
10	Sold to Ajanta plaza 8 pieces of Mixer grinders @ ₹ 12,500/- each less trade discount 10%.
20	Sold to Naveen traders, 15 pieces of juicers @ ₹ 5,500/- each less trade discount 5%

(4 Marks)

2. (a) The following balances appear in the books of Dheeraj Enterprises :

	₹
Machinery account as on 01.04.2021	12,00,000
Provision for depreciation account as on 01.04.2021	4,65,000

On 1st October 2021 the Machinery which was purchased on 1st April 2018 for ₹ 2,00,000 was sold for ₹ 1,10,000 and on the same date another Machinery was purchased for ₹ 4,80,000. The firm has been charging depreciation at 10% p.a. on written down value of the Machinery every year. Prepare the Machinery account, Provision for Depreciation account and Machinery disposal account for the year ending 31st March 2022.

(10 Marks)

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- (b) From the following information prepare a Bank Reconciliation statement as on 31st March 2022 for A Ltd

		₹
	Bank overdraft as per cash book as 31 st March 2022	15,50,750
1.	Cheques deposited on 15 th February, 2022 credited on 5 th April, 2022	12,50,000
2.	Interest debited by bank on 31 st March, 2022	1,75,500
3.	Cheques issued before 31 st March, 2022 but not yet presented	7,75,000
4.	On 10 th March, 2022 bank credited to A Ltd in error	1,50,000
5.	Draft deposited in bank but not credited till 31 st March, 2022	12,75,000
6.	Bills for collection credited by bank but no advice received by the company	9,45,000
7.	Bank charges charged by bank not entered in cash book	2,85,000
8.	Transport subsidy received from the state government directly by the bank not advised to the company	17,50,000

(5 Marks)

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- (c) The Profit and Loss account of Ram showed a net profit of ₹ 5,75,000 after considering the closing stock of ₹ 2,55,000 on 31st March 2022. Subsequently the following information was obtained from scrutiny of the books.
- (i) Purchases for the year included ₹ 10,500 paid for electrical fittings of the shop.
 - (ii) Ram gave goods worth of ₹ 25,000 as free samples for which no entry was made.
 - (iii) Invoices for goods amounting to ₹ 1,85,000 have been entered on 29th March 2022 but were not included in the stock.
 - (iv) Sales amounting to ₹ 2,05,000 were dispatched on 27th March but were included in sales of April, 2022.
 - (v) Goods costing ₹ 55,000 were sent on sale or return basis in March 2022 at a margin of profit of $33\frac{1}{3}\%$ on cost. Approval was given in April 2022 but these were considered as sales in March, 2022.

Calculate the value of stock on 31st March 2022 and the adjusted net profit for the year ended 2022. (5 Marks)

3. (a) Akbar & Sons of Surat consigned 500 toys to Amar & Sons of Ahmadabad at a cost of ₹ 800 each. Consignor paid freight ₹ 8,000 and insurance ₹ 2,500. During transit, 30 toys were totally damaged. Amar & Sons took delivery of remaining toys and paid ₹ 14,100 as local taxes. Amar & Sons sent a bank draft to Akbar & Sons for ₹ 80,000 as advance payment and later sent an account sale showing that 400 toys had been sold at ₹ 1,500 each. Amar & Sons incurred expenses on godown rent amounting to ₹ 3,500. Amar & Sons was entitled to commission of 6%. One of the credit customers could not pay for 10 toys and nothing was recovered from insurers due to a defect in the policy.

You are required to prepare Consignment Account of Amar & Sons Account in the books of Akbar & Sons. (10 Marks)

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(b) Journalise the following transactions in the books of Karthik :

- (i) Karthik accepted a bill to Balu for ₹ 3,500 discharged by a cash payment of ₹ 1,500 and a new bill for the balance plus ₹ 75 for interest.
- (ii) Gopal acceptance for ₹ 4,500 which was endorsed by Karthik to Mohan was dishonoured. Mohan paid ₹ 50 as noting charges. Bill was withdrawn against cheque.
- (iii) Doshi retires a bill for ₹ 2,500 drawn on him by Karthik for ₹ 25 discount.
- (iv) Karthik's acceptance to Prem for ₹ 6,500 discharged by Prem. Ashok's acceptance to Karthik for a similar amount.

(5 Marks)

(c) Attempt any ONE of the following two sub-parts i.e. either (i) or (ii) :

- (i) Seeta and Geeta are two partners in the firm, have drawn the following amounts from the firm during the year ended 31st March 2023 :

Date	Amount	Drawn By
01.04.2022	53,000	Seeta
14.09.2022	20,000	Geeta
20.11.2022	35,000	Seeta
16.01.2023	25,000	Seeta
31.03.2023	22,000	Geeta

Interest is charged @12% p.a. on all drawings. Calculate interest chargeable from each partner by using average due date system.

For calculation of average due date Consider 1st April, 2022 as base date and 1 year = 365 days.

(5 Marks)

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- (ii) Meera Enterprises sales goods on 'sales or return basis' to few customers. All such transactions are booked as actual sales. On 31st March 2022 the trade receivable balance stood at ₹ 1,10,000 which included ₹ 10,000 goods sent on approval against which no intimation was received during the year. These goods were sent out at 25% over and above cost price to Mr. Arun.

Mr. Arun sent intimation of acceptance for ₹ 6,000 goods on 15th April 2022 and balance goods returned.

Make the adjustment entries and show how these items will appear in the Balance Sheet on 31st March, 2022. Also show the entries to be made during April, 2022. Value of closing inventories as on 31st March, 2022 was ₹ 70,000.

(5 Marks)

4. (a) Following is the Receipts and Payments account of Pune Medical Aid Society for the year ended 31-12-2022.

Receipts and Payments Account for the year ended 31-12-2022

Receipts	Amount ₹	Payments	Amount ₹
To Opening cash in hand	12,000	By Medicine supply	35,000
To Subscription	65,000	By Honorarium to Doctors	15,000
To Donations	25,000	By Salaries	36,000
To Interest on Investment (10%)	10,000	By Sundry expenses	950
To Charity show collection	16,500	By Purchase of Medical equipment	25,000
		By Charity show expenses	2,750
		By Closing Cash in hand	13,800
	1,28,500		1,28,500

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The following is the additional information provided.

	01-01-2022	31-12-2022
	Amount ₹	Amount ₹
Subscription due	2,500	3,100
Subscription received in advance	1,800	1,400
Stock of medicine	12,500	17,250
Amount due for medicine supply	12,000	16,500
Value of equipment	21,500	37,200
Value of building	65,000	61,750

You are required to prepare Income and Expenditure account and Balance sheet as on 31-12-2022. (15 Marks)

- (b) X and Y were partners in a firm, sharing profit and losses in the ratio of 3 : 2. They admit Z for $\frac{1}{6}$ th share in profits and guaranteed that his share of profits will not be less than 50,00,000. Total profits of the firm for the year ended 31st March, 2022 were 1,80,00,000.

Calculate share of profit for each partner when :

- (i) Guarantee is given by firm
(ii) Guarantee is given by A and B equally.

(5 Marks)

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5. A, B and C were trading in partnership sharing profits and losses in the proportion of 4:3:3. The balances in the books of the firm as on 31st December, 2022 subject to final adjustment were as under:

	Debit	Credit
	Amount	Amount
	₹	₹
Capital Accounts		
A		2,25,000
B		1,12,500
C		1,35,000
Current Account		
A	36,000	
B	54,000	
C	54,000	
Land and Building	1,80,000	
Furniture and Fixtures	33,750	
Stock	2,81,250	
Debtors	45,000	
Bank Account	90,000	
Profit for the year before charging interest		2,34,000
Creditors		67,500
Total	7,74,000	7,74,000

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Regarding Goodwill may be made separately, instead of through Revaluation Account

C died on 30th June, 2022. The Partnership deed provided that:

- (a) Interest was credited on Capital Account of Partners as @ 12% per annum on the balance at the beginning of the year.
- (b) On the death of partner
 - (i) Goodwill was to be valued at three years purchase of average annual profits of three years up to the death, after deducting interest on capital employed at 10% p.a. and a fair remuneration for each of the partners.
 - (ii) Fixed assets were to be valued by an independent valuer and all other assets and liabilities to be taken at book value, and
- (c) Whenever necessary, profit or loss should be apportioned on a time basis. You ascertain that:

- (i) Profit for three years, before charging partners' interest were:

2019	2,52,000
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2020	2,83,500
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2021	2,70,000
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(ii) The independent valuation on the date of death revealed:

Land and Building ₹ 2,25,000

Furniture and Fixtures ₹ 22,500

(iii) For valuation of goodwill a fair remuneration for each of the partners would be ₹ 56,250 per annum and that the capital employed in the business to be taken as ₹ 5,85,000 throughout.

It was agreed between the partners that :

- (1) Goodwill was not be shown as an asset of the firm as on 31st December, 2022. Therefore, adjustment for goodwill was to be made in Capital Accounts.
- (2) The amount due to C's Estate was to remain as loan with the firm carrying interest at 12% p.a.
- (3) A and B would share profits equally from the date of death of C.
- (4) Depreciation on revised value of assets would be ignored.

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You are required to prepare:

- (A) Partners' Capital Account and Current Account; and
- (B) Balance Sheet of the firm as on 31st December, 2022.

Working should be done correct to the nearest rupee.

(20 Marks)

6. (a) BP Limited issued a prospectus inviting applications for 1,20,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share payable as follows :

On Application	— ₹ 3 per share
On Allotment	— ₹ 5 per share (including premium)
On First and Final Call	— ₹ 4 per share

Applications were received for 3,60,000 equity shares. Applications for 80,000 shares were rejected and the money refunded. Shares allotted to remaining applications as follows:

Category	No. of shares Applied	No. of shares Allotted
I	1,60,000	80,000
II	1,20,000	40,000

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Excess money received with applications was adjusted towards sums due on Allotment and the balance amount returned to the applicants. All calls were made duly received except the final call by a shareholder belonging to Category I who has applied for 680 shares. His shares were forfeited. The forfeited shares were reissued at ₹ 13 per share fully paid-up.

Pass necessary journal entries for the above transactions in the books of BP Ltd. Open call in arrears account whenever required.

(15 Marks)

(b) What are the importance of Journal?

(5 Marks)

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Foundation
Paper - 1
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RTS

7/14/2022
7:00 P.M.

DEC 2022

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Time allowed : 3 Hours

INSTRUCTIONS TO CANDIDATES

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be valued

Question No. 1 is compulsory

Candidates are also required to answer any **four** questions from the remaining **five** questions.

Working notes should form part of the respective answers

1. (a) State with **reasons**, whether the following statements are **True or False** :

- (i) The financial statements are not prepared on the assumption that an enterprise is a going concern and will continue its operation for the foreseeable future.
- (ii) Periodic inventory system is a method of ascertaining inventory by taking an actual physical count.
- (iii) The provision for discount on creditors is often not provided in keeping with the principle of conservatism.
- (iv) If the errors are detected after preparing trial balance, then all the errors are rectified through suspense account.
- (v) Both revenue and capital nature transactions are recorded in the Receipts and Payments Account.
- (vi) A fixed charge generally covers all the assets of the company including future one. (6 × 2 = 12 Marks)

(b) Differentiate between Provisions and Contingent Liabilities.

(4 Marks)

RTS

P.T.O.

SEAL

RTS

- (c) A purchased a machinery for ₹ 1,30,000 on 1st April, 2019 and paid ₹ 20,000 for freight & installation charges. On 1st October, 2021 another machine was purchased for 50,000 and sold old machinery for ₹ 1,00,000. The machine purchased on 1st October, 2021 was installed on 1st January, 2022.

Under existing practice, the company is charging depreciation @ 20% p.a. on the original cost. However, from 1st April, 2021 it decided to adopt WDV method and charge depreciation @15% p.a. You are required to prepare Machinery Account from 1st April, 2019 to 31st March, 2022. (4 Marks)

2. (a) The cash book of Mr. Karan shows ₹ 2,60,400 as the balance of bank as on 31st December, 2021 but you find that it does not agree with the balance as per the bank pass book. On analysis, you found the following discrepancies :
- (i) On 15th December, 2021 the payment side of the cash book was overcast by ₹ 10,000.
 - (ii) A Cheque for ₹ 1,18,000 issued on 6th December, 2021 was not taken in the bank Column.
 - (iii) On 20th December, 2021 the debit balance of ₹ 8,460 as on the previous day, was brought forward as credit balance in the cash book.
 - (iv) Of the total cheques amounting to ₹ 12,370 drawn in the last week of December 2021, cheques aggregating ₹ 9,360 were encashed in December, 2021.
 - (v) Dividends of ₹ 35,000 collected by the bank and fire insurance premium of ₹ 7,900 paid by the bank were not recorded in the cash book.
 - (vi) A Cheque issued to a creditor of ₹ 1,75,000 was recorded twice in the cash book.
 - (vii) Bill for collection amounting to ₹ 53,000 credited by the bank on 21st December, 2021 but no advice was received by Mr. Karan till 31st December, 2021.
 - (viii) A Customer, who received a cash discount of 3% on his account of ₹ 60,000 paid a cheque on 10th December, 2021. The cashier erroneously entered the gross amount in the bank column of the cash book.

You are required to prepare the bank reconciliation statement as on 31st December, 2021. (10 Marks)

RTS

(3)

RTS

(b) Before preparation of the Trial Balance, the following errors were found in the books of Hare Rama & Sons. Give the necessary entries to correct them.

- (i) Minor Repairs made to the building amounting to ₹ 1,850 were debited to the Building Account.
- (ii) An amount of ₹ 3,000 due from Shayam Lal, which had been written off as bad debts in the previous year, recovered in the current year, and had been posted to the personal Account of Shayam Lal.
- (iii) Furniture purchased for office use amounting to ₹ 20,000 has been entered in the purchase day book.
- (iv) Goods purchased from Ram Singh amounting to ₹ 8,000 have remained unrecorded so far.
- (v) College fees of proprietor's son, ₹ 15,000 debited to the Audit fees Account.
- (vi) Receipt of ₹ 4,500 from Meet Kumar credited to the Pinki Rani.
- (vii) Goods amounting to ₹ 6,200 had been returned by a customer and were taken in to inventory, but no entry was made in the books.
- (viii) ₹ 1500 paid for wages to workmen for making office furniture had been charged to wages account.
- (ix) Salary paid to a clerk ₹ 12,000 has been debited to his personal Account.
- (x) A purchase of goods from Raghav amounting to ₹ 20,000 has been wrongly entered through the sales book. (10 Marks)

3. (a) T draws on J a bill of exchange for ₹ 1,80,000 on 1st April, 2022 for 3 months. J accepts the bill and sends it to T, who gets it discounted from his banker for ₹ 1,72,800. T immediately remits ₹ 57,600 to J. On the due date, T, being unable to remit the amount due, accepts a bill for ₹ 2,52,000 for three months, which is discounted by J from his banker for ₹ 2,40,660. J sends ₹ 40,440 to T. Before the maturity of the bill, T becomes bankrupt and his estate paying fifty paise in a rupee. Give the journal entries in the books of T and J. (15 Marks)

RTS

P.T.O.

(4)

RTS

(b) Attempt any ONE of the following two sub-parts i.e either (i) or (ii).

(i) The following are the transactions that took place between G and H during the period from 1st October, 2021 to 31st March, 2022 :

2021		Amount (₹)
Oct. 1	Balance due to G by H	4,500
Oct. 18	Goods sold by G to H	3,750
Nov. 16	Goods sold by H to G (invoice dated November, 26)	6,000
Dec. 7	Goods sold by H to G (invoice dated December, 17)	5,250
2022		
Jan. 3	Promissory note given by G to H, at three months	7,500
Feb. 4	Cash paid by G to H	1,500
Mar. 21	Goods sold by G to H	6,450
Mar. 28	Goods sold by H to G (invoice dated April, 8)	4,050

Draw up an account current up to March 31st, 2022 to be rendered by G to H, charging interest at 10% per annum.

Interest is to be calculated to the nearest rupee.

(5 Marks)

Or

(ii) A trader allows his customers, credit for one week only, beyond which he charges interest@ 12% per annum. D, a customer buys goods as follows :

Date of Transaction	Amount (₹)
January 2, 2022	60,000
January 28, 2022	55,000
February 17, 2022	70,000
March 4, 2022	42,000

D settles his account on 31st March, 2022. Calculate the amount of interest payable by D, using average due date method. Assume 9th January, 2022 as the base date.

(5 Marks)

RTS

(5)

RTS

4. (a) X and Y are in partnership business sharing profits and losses in the ratio of 2:3.

Their Balance Sheet as at 31st March, 2022 is as follows :

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Accounts :		Building	60,000
X	60,000	Plant	45,000
Y	1,40,000	Furniture	23,500
General Reserve	40,000	Debtors	38,400
Creditors	42,600	Bills receivable	12,500
Bills payable	15,400	Stock	42,600
Salary payable	2,000	Bank	78,000
	<u>3,00,000</u>		<u>3,00,000</u>

On 1st April, 2022 they decided to admit Z into the partnership giving him 1/5th share in the future profits. He brings in ₹ 1,00,000 as his share of capital. Goodwill was valued at ₹ 1, 20,000 at the time of admission of Z. The partners decided to revalue the assets and liabilities as follows :

- Plant ₹ 40,000, Stock ₹ 42,000, Furniture ₹ 20,000 and Bills Receivable ₹ 12,000.
- Out of total Debtors, ₹ 2400 is bad and 5% provision is to be provided for bad and doubtful debts.
- Building is to be appreciated by 75%.
- Actual liability towards salary payable is ₹ 1200 only.

RTS

P.T.O.

(6)

RTS

You are required to show the following accounts in the books of the firm :

(1) Revaluation Account

(2) Partner's Capital Accounts

(3) Balance sheet of the Firm after Admission of Z.

(10 Marks)

(b) The Income and Expenditure Account of the Young Boys Club for the year 2022 is as follows :

Expenditure	Amount (₹)	Income	Amount (₹)
To Salaries	3,750	By Subscription	8,500
To General Expenses	1,500	By Entrance Fees	250
To Audit fees	250	By Contribution for	
To Secretary's Honorarium	1,000	Annual Dinner	1,000
To Stationery and Printing	450	By Annual sports	
To Annual Dinner expenses	1,500	meet receipts	750
To Interest and Bank Charges	150		
To Depreciation	400		
To Surplus	1,500		
	<u>10,500</u>		<u>10,500</u>

RTS

(7)

RTS

This Account has been prepared after the following adjustments :

	Amount (₹)
Subscription outstanding on 31 st December, 2021	700
Subscription received in advance on 31 st December, 2021	550
Subscription received in advance on 31 st December, 2022	370
Subscription outstanding on 31 st December, 2022	750

Salaries outstanding at the beginning and at the end of 2022 were respectively ₹ 600 and ₹ 450. General Expenses include insurance prepaid to the extent of ₹ 150. Audit fee for 2022 is still unpaid. During 2022 audit fee for 2021 was paid amounting to ₹ 200.

The club owned a freehold lease of ground valued at ₹ 20,000. The club had sports equipment on 1st January, 2022 valued at ₹ 2600. At the end of the year, after depreciation, the balance of equipment amounted to ₹ 3,600. In 2021, the club raised a bank loan of ₹ 5,000, This was outstanding throughout 2022. On 31st December, 2022 cash in hand amounted to ₹ 1600.

You are required to prepare :

- (i) Receipts and Payments Account for 2022
- (ii) Balance Sheet as on 31st December, 2022
- (iii) Balance Sheet as on 31st December, 2021.

(10 Marks)

RTS

P.T.O.

(8)

RTS

5. (a) Prepare a Triple Column Cash Book from the following transactions of M/s Raj Agencies and bring down the balance for the start of next month :

2022			₹
March	1	Cash in hand	30,000
	1	Cash at bank	1,20,000
	2	Paid into bank	10,000
	5	Bought furniture and issued cheque	15,000
	8	Purchased goods for cash	5,000
	12	Received cash from Mohan	9,800
		Discount allowed to him	200
	14	Cash sales	50,000
	16	Paid to Lata by cheque	14,500
		Discount received	500
	19	Paid into Bank	5,000
	23	Withdrawn from Bank for Private expenses	6,000
	24	Received cheque from Gupta	14,300
		Allowed him discount	200
	26	Deposited Gupta's cheque into Bank	
	28	Withdrew cash from Bank for Office use	20,000
	30	Paid rent by cheque	8,000

(5 Marks)

- (b) R and S are partners in a firm with a capital of 14,00,000 and 12,00,000 respectively. During the year ended on 31st March, 2022 firm earned a profit of ₹ 6,50,000. Assuming that the normal rate of return is 20%. Calculate the amount of Goodwill of the firm by using

- (i) Capitalization method
 - (ii) Super Profit method, if the goodwill is valued at 6 years purchase of super profits.
- (5 Marks)

RTS

(9)

RTS

(c) The balance sheet of S on 1st April, 2021 was as follows :

Particulars	Amount (₹)	Particulars	Amount (₹)
Trade Payables	6,50,000	Furniture and Fixtures	6,50,000
Expenses Payable	75,000	Vehicle	2,75,000
Capital	22,00,000	Trade Receivable	11,00,000
		Cash at Bank	4,75,000
		Inventories	4,25,000
	<u>29,25,000</u>		<u>29,25,000</u>

During 2021–22, his profit and Loss Account revealed a net profit of ₹ 6,70,000. This was after allowing for the following :

- (i) Commission paid to selling agent ₹ 65,000
- (ii) Discount received from creditors ₹ 75,000
- (iii) Purchased a vehicle of ₹ 50,000 on 31st March, 2022
- (iv) Depreciation on Furniture and Fixtures @ 10% and on Vehicle @ 20%
- (v) A provision for doubtful debts @ 3% of the trade receivables as at 31st March, 2022

But while preparing the Profit and Loss Account he had forgotten to provide for

- (1) prepaid expenses ₹ 15,000 and
- (2) outstanding commission ₹ 35,000.

RTS

P.T.O.

(10)

RTS

His current assets and liabilities on 31st March, 2022 were: Inventories ₹ 6,50,000. Trade Receivables 13,00,000 (before provision for doubtful debts), cash at Bank 5,50,000 and Trade Payables ₹ 1,46,000.

During the year he introduced further capital of ₹ 3,00,000 into the business.

You are required to prepare the balance sheet as at March 31, 2022. (10 Marks)

6. (a) PQR Limited issued 2,00,000 equity shares of ₹ 10 each payable as ₹ 3 per share on application, ₹ 5 per share (including ₹ 2 as premium) on allotment and ₹ 4 per share on call. All these shares were subscribed. Money due on all shares was fully received except from Mr. J, holding 5,000 shares who failed to pay the allotment and call money and Mr. K, holding 10,000 shares, who failed to pay the call money. All these 15,000 shares were forfeited. Out of the forfeited shares, 10,000 shares (including whole of J's shares) were subsequently re-issued to Mr. L as fully paid up at a discount of ₹ 1 per share.

Pass necessary journal entries in the books of PQR Limited. Also prepare balance sheet and notes to accounts of the company. (15 Marks)

- (b) "The cost of Property, Plant and Equipment comprises of any cost directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in a manner intended by the enterprise". Give any five examples of such 'directly attributable costs'. (5 Marks)

RTS

Foundation (New Syllabus)
Paper - 1
Principles and Practice
of Accounting

QEM

MAY 2022

Roll No.

Total No. of Printed Pages : 12

Total No. of Questions : 6

Maximum Marks : 100

Time allowed : 3 Hours

INSTRUCTIONS TO CANDIDATES

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be valued.

• Question No. 1 is compulsory.

Candidates are also required to answer any **four** questions from the remaining **five** questions.

Working notes should form part of the respective answers.

1. (a) State with reasons, whether the following statements are True or False:
- A claim that an enterprise is pursuing through legal process, where the outcome is uncertain, is a Contingent Liability.
 - At the end of the accounting year, all the nominal accounts of the ledger book are balanced.
 - The specific due date excludes the addition of grace days to arrive at the due date.
 - Any amount spent for replacement of worn out part of a machine is capital expenditure.
 - Debentures Suspense Account appears on the Liability side of the Balance Sheet of a Company.
 - If the errors are detected after preparing trial balance, then all the errors are rectified through suspense account.

(6 × 2 = 12 Marks)

QEM

P.T.O.

(2)

QEM

(b) Briefly explain the following Concepts of Accounting :

(4 Marks)

- (i) Money Measurement Concept
- (ii) Periodicity Concept.

(c) One of your clients Mr. X asked you to finalize his account for the year ended 31st March, 2022. As a basis for audit, Mr. X furnished you with the following statement :

	Dr.	Cr.
X's Capital		4,668
X's Drawings	1,692	
Leasehold Premises	2,250	
Sales		8,250
Due from customers		1,590
Purchases	3,777	
Purchase Return	792	
Loan from Bank		768
Trade Expense	2,100	
Trade Payable	1,584	
Bills Payable	300	
Salaries and Wages	1,800	
Cash at Bank	678	
Opening Inventory		792
Rent and Rates	1,389	
Sales Return		294
	16,362	16,362

The closing inventory was ₹ 1,722. Mr. X claims that he has recorded every transaction correctly as the trial balance is tallied. Check the accuracy of the above trial balance and give reasons for the errors, if any.

(4 Marks)

QEM

(3)

QEM

2. (a) The Machinery Account of a Factory showed a balance of ₹ 95 Lakhs on 1st April, 2020. The Books of Accounts of the Factory are closed on 31st March every year and Depreciation is written off @ 10% per annum under the Diminishing Balance Method. On 1st September, 2020 a new machine was acquired at a cost of ₹ 14 Lakhs and ₹ 44,600 was incurred on the same day as installation charges for erecting the machine. On 1st September, 2020 a machine which had cost ₹. 21,87,000 on 1st April, 2018 was sold for ₹ 3,75,000. Another machine which had cost ₹ 21,85,000 on 1st April, 2019 was scrapped on 1st September, 2020 and it realized nothing.

Prepare the Plant and Machinery Account for the year ended 31st March, 2021. Allow the same rate of depreciation as in the past and calculate depreciation to the nearest multiple of a rupee. Also show all the necessary working notes.

(10 Marks)

- (b) Zed Enterprises furnishes the following information for the year ended 31st March, 2021.

Particulars	Amount (₹)
Value of Stock as on 1 st April, 2020	28,00,000
Purchases during the year	1,38,40,000
Manufacturing Expenses during the year	28,00,000
Sales during the year	2,08,80,000

The following further information is also provided:

- (i) At the time of valuing stock on 31st March, 2020 a sum of ₹ 2,40,000 was written off for a particular item which was originally purchased for ₹ 8,00,000. This item was sold during the year ended 31st March, 2021 for ₹ 6,40,000.
- (ii) Except for the above transaction, the Rate of Gross Profit during the year was 1/3rd on cost.

Ascertain the value of Stock as on 31st March, 2021.

(5 Marks)

QEM

P.T.O.

(4)

QEM

- (c) From the following particulars, prepare a Bank Reconciliation Statement on 31st March, 2021:

Particulars	Amount (₹)
Bank balance as per Pass Book	25,00,000
Bills discounted dishonored not recorded in Cash Book	12,50,000
Cheque received entered twice in Cash Book	25,000
Bank charges entered twice in Cash Book	5,000
Insurance premium paid directly by Bank under standing instruction	1,50,000
Cheque issued but not presented to Bank for payment	12,50,000
Cheque received, but not sent to Bank	28,00,000
Cheque deposited in Bank, but no entry passed in the Cash Book	12,50,000
Credit side of the Bank column cast short	5,000

(5 Marks)

3. (a) M of Mumbai sent on consignment, goods valued ₹ 4,00,000 to A of Agra on 1st March, 2020. He incurred the expenditure of ₹ 48,000 on freight and insurance. M's accounting year closes on 31st December. A was entitled to a commission of 5% on gross sales plus a del-credere commission of 3%. A took delivery of the consignment by incurring expenses of ₹ 12,000 for the goods consigned.

On 31/12/2020, A informed on phone that he had sold all the goods for ₹ 6,00,000 by incurring selling expenses of ₹ 8,000. He further informed that only ₹ 5,92,000 had been realized and rest was considered irrecoverable, and would be sending the cheque in a day or so for the amount due along with the accounts sale.

On 5/1/2021, M received the cheque for the amount due from A and incurred bank charges of ₹ 1,040 for collecting the cheque. The amount was credited by the bank on 9/1/2021.

Write up the consignment account finding out the profit/loss on the consignment and A's account in the books of M.

(10 Marks)

QEM

(5)

QEM

- (b) P sends out goods on approval to few customers and includes the same in the Sales Account. On 31.3.2021, the Trade receivables balance stood at ₹ 3,00,000 which included ₹ 21,000 goods sent on approval against which no intimation was received during the year. These goods were sent out at 25% over and above cost price and were sent to Mr. A ₹ 12,000 and Mr. B ₹ 9,000.

Mr. A sent intimation of acceptance on 30th April and Mr. B returned the goods on 10th April, 2021.

Make the adjustment entries and show how these items will appear in the Balance Sheet on 31st March, 2021. Also show the entries to be made during April, 2021. Value of closing inventories as on 31st March, 2021 was ₹ 1,80,000.

(5 Marks)

- (c) Attempt any ONE of the following two sub-parts i.e. either (i) or (ii):

- (i) The following particulars are sent by Mr. A to Mr. K:

Date	Particulars	Amount (₹)
15/7/2021	Balance due from Mr. K	6,000
20/8/2021	Sold goods to Mr. K	10,000
25/8/2021	Goods returned by Mr. K	1,600
15/9/2021	Cheque paid by Mr. K	6,400
20/10/2021	Cash received from Mr. K	4,000

Prepare an Account Current as sent by Mr. A to Mr. K as on 31st October, 2021 by means of product method charging interest @ 8% per annum. Round off the amounts to the nearest rupee.

(5 Marks)

OR

QEM

P.T.O.

(6)

QEM

- (ii) Mr. X gives the following particulars in respect of business carried on by him:

Particulars	Amount (₹)
Capital Invested in business	9,00,000
Market rate of interest on investment	8%
Rate of risk return on capital invested in business	3%
Remuneration per annum from alternative employment of proprietor if he was not engaged in business	36,000

The business earned profits of ₹ 2,40,000, ₹ 2,16,000 and ₹ 3,00,000 in the years 2018, 2019 and 2021 respectively but made a loss of ₹ 36,000 in the year 2020.

Compute the value of Goodwill on the basis of 6 years' purchase of super profits of the business, calculated on the basis of average profit of last four years.

(5 Marks)

4. (a) The following is the Receipts and Payments Account of Mumbai Club for the year ended March 31, 2021:

Receipt and Payment Account of Mumbai Club

Receipts	Amount (₹)	Payments	Amount (₹)
Cash in hand	20,000	Ground man's Fee	75,000
Balance at Bank as per Pass Book:		Purchase of Equipments	1,55,000
Saving Account	1,93,000	Rent of Ground	25,000
Current Account	60,000	Club night expenses	38,000
Bank Interest	5,000	Printing and Office Expenses	30,000
Donations and Subscriptions	2,50,000	Repairs to Equipment	50,000
Entrance fees	18,000	Honorarium to Secretary (2019-20)	40,000
Contribution to Club night	10,000	Balance at Bank as per Pass Book:	
Sale of Equipment	8,000	Saving Account	2,04,000
Bar Room receipts	20,000	Current Account	20,000
Proceeds from club night	78,000	Cash in hand	25,000
	6,62,000		6,62,000

QEM

(7)

QEM

You are given the following additional information (All figures are in ₹)

	01.04.20	31.03.21
Subscription due	15,000	10,000
Amount due for printing etc.	10,000	8,000
Cheques unpresented being payment for repairs	30,000	25,000
Interest not yet entered in the Pass book	—	2,000
Estimated value of machinery and equipment	80,000	1,75,000

For the year ended March 31, 2021, the honorarium to the Secretary is to be increased by a total of ₹ 20,000 and Ground man is to receive a bonus of ₹ 20,000. Prepare the Income and Expenditure Account for period ended 31st March, 2021 and the Balance Sheet as at that date.

(10 Marks)

- (b) X, Y and Z are partners sharing profits and losses in the ratio of 1:2:3. Their Balance Sheet as on 31st March, 2021 was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
<u>Capitals:</u>		Building	2,50,000
X	1,75,000	Machinery	3,37,500
Y	2,50,000	Debtors	3,25,000
Z	4,00,000	Stock	4,00,000
General Reserve	3,00,000	Bank	62,500
Trade Creditors	2,50,000		
Total	13,75,000	Total	13,75,000

QEM

P.T.O.

(8)

QEM

Z retired from business on 1st April, 2021 on the following terms:

- (i) Building to be appreciated by 25%.
- (ii) X and Y to bring in additional capital of ₹ 5,00,000 each.
- (iii) Machinery to be depreciated by 10%.
- (iv) Stock is revalued at ₹ 3,72,250.
- (v) Provision for Doubtful Debts to be created at 4%.
- (vi) Goodwill was to be valued at 3 Years' purchase of average profits of past 3 years. The profits of past 3 years were ₹ 2,75,000, ₹ 2,50,000 and ₹ 1,95,000 respectively.
- (vii) Goodwill was not to be raised in the Books of Accounts.
- (viii) Balance payable to Z was to be paid immediately.

Prepare Revaluation Account, Bank Account and Partners' Capital Accounts after giving effect to Z's retirement. Also show the valuation of Goodwill and pass a Journal Entry for adjustment of Goodwill.

(10 Marks)

QEM

(9)

QEM

5. The following is the trial balance of Mr. B for the year ended 31st March, 2021:

Particulars	Dr.	Particulars	Cr.
Opening Stock:		Sundry Creditors	1,75,000
Raw Material	5,25,000	Purchase Return	17,500
Finished Goods	2,62,500	Capital	3,50,000
Purchase of Raw Material	17,50,000	Bills Payable	84,000
Land & Building	3,50,000	Long Term Loan	7,00,000
Loose Tools	1,05,000	Provision for bad	
Plant and Machinery	1,05,000	and doubtful debts	7,000
Investments	87,500	Sales	29,75,000
Cash in Hand	70,000	Bank Overdraft	80,500
Cash at Bank	17,500		
Furniture and Fixtures	52,500		
Bills Receivables	52,500		
Sundry Debtors	1,40,000		
Drawings	70,000		
Salaries	70,000		
Coal and Fuel	52,500		
Factory rent and rates	70,000		
General Expenses	14,000		
Advertisement	17,500		
Sales Return	35,000		
Bad Debts	14,000		
Direct Wages (Factory)	2,80,000		
Power	1,05,000		
Interest paid	24,500		
Discount allowed	10,500		
Carriage inwards	52,500		
Carriage outwards	24,500		
Commission paid	17,500		
Dividend paid	14,000		
	43,89,000		43,89,000

QEM

P.T.O.

(10)

QEM

Additional Information:

- (i) Stock of finished goods at the end of the year was ₹ 3,50,000.
- (ii) A provision for doubtful debts is to be created @ 5% on Sundry Debtors. Provide Depreciation on building ₹ 3,500 and Machinery ₹ 10,500.
- (iii) Accrued commission is ₹ 43,750. Interest has accrued on investment ₹ 52,500.
- (iv) Salary Outstanding is ₹ 7,000 and Prepaid Interest is ₹ 5,250.

You are required to prepare Manufacturing, Trading and Profit & loss account for the year ended 31st March, 2021 and Balance Sheet as at that date.

(20 Marks)

6. (a) A Limited issued 20,000 Equity shares of ₹ 10 each at a premium of 10%, payable ₹ 2 on application; ₹ 4 on allotment (including premium); ₹ 2 on first call and balance on the final call. All the shares were fully subscribed. Mr. M who held 2000 shares paid full remaining amount on first call itself. The final call which was made after 4 months from the first call was fully paid except a shareholder having 200 shares and one another shareholder having 100 shares. They paid their due amount after 3 months and 4 months respectively along with interest on calls in arrears. Company also paid interest on calls in advance to Mr. M. The Company maintains Calls in Arrear and Calls in Advance A/c. Give journal entries to record these transactions. Show workings of Interest calculation. (Ignore dates).

(15 Marks)

- (b) What is petty cash book? Write it's any two advantages.

(5 Marks)

QEM

Foundation (New Syllabus)
Paper - 1
Principles and Practice
of Accounting

HQV

DEC 2021

Ans.
13/12
5.30 PM

Roll No.

Total No. of Printed Pages : 12

Total No. of Questions : 6

Maximum Marks : 100

Time allowed : 3 Hours

INSTRUCTIONS TO CANDIDATES

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be valued.

Question No. 1 is compulsory.

Candidates are also required to answer any **four** questions from the remaining **five** questions.

Working notes should form part of the respective answers.

1. (a) State **with reasons**, whether the following statements are **True or False**:

- (i) Any amount spent to minimize the working expenses is revenue expenditure.
- (ii) Expenses incurred on the repairs for the first time on purchase of an old building are capital expenditure.
- (iii) The provision for bad debts is debited to sundry debtors account.
- (iv) Non-participating preference shareholders enjoy voting rights.
- (v) There is no entry passed by the consignee in his books for the remaining stock of goods lying with him.
- (vi) Discount column of the cash book is never balanced.

(6 × 2 = 12 Marks)

HQV

P.T.O.

(2)

HQV

(b) The following are the details of the spare parts of an Oil Mill:

1-1-2021	Opening Inventory	Nil
1-1-2021	Purchases	10 units @ ₹ 300 per unit
15-1-2021	Issued for consumption	5 units
1-2-2021	Purchases	20 units @ ₹ 400 per unit
15-2-2021	Issued for consumption	10 units
20-2-2021	Issued for consumption	10 units

Find out the value of Inventory as on 31-3-2021, if the company follows Weighted Average Method. (4 Marks)

(c) Explain the followings:

- (i) Accrual Basis of Accounting
- (ii) Amortisation
- (iii) Contingent Assets
- (iv) Contingent Liabilities

(4 Marks)

2. (a) From the following information, draw up a Trial Balance in the books of Shri M as on 31st March, 2021:

Particulars	Amount (₹.)	Particulars	Amount (₹.)
Capital	1,40,000	Purchases	36,000
Discount Allowed	1,200	Carriage Inward	8,700
Carriage Outwards	2,300	Sales	60,000

HQV

(3)

HQV

Return Inward	300	Return Outwards	700
Rent and Taxes	1,200	Plant and Machinery	80,700
Stock on 1 st April 2020	15,500	Sundry Debtors	20,200
Sundry Creditors	12,000	Investments	3,600
Commission Received	1,800	Cash in Hand	100
Cash at Bank	10,100	Motor Cycle	34,600
Stock on 31 st March 2021	20,500		

(5 Marks)

- (b) On 1st January, 2019 Kohinoor Transport Company purchased a Bus for ₹. 8,00,000. On 1st July, 2020 this bus was damaged due to fire and was completely destroyed and ₹. 6,00,000 were received by a cheque from the Insurance Company in full settlement on 1st October, 2020. On 1st July, 2020 another Bus was purchased by the company for ₹. 10,00,000.

The Company charges Depreciation @ 20% per annum under the WDV Method. Calculate the amount of depreciation for the year ended 31st March 2021 and gain or loss on the destroyed Bus.

(5 Marks)

- (c) According to the cash-book of G, there was a balance of ₹ 4,45,000 in his bank on 30th June, 2021. On investigation you find that :
- (i) Cheques amounting to ₹ 60,000 issued to creditors have not been presented for payment till the date.
 - (ii) Cheques paid into bank amounting to ₹1,10,500, out of which cheques amounting to ₹ 55,000 only collected by the bank up to 30th June 2021.
 - (iii) A dividend of ₹ 4,000 and rent amounting to ₹ 60,000 received by the bank and entered in the pass-book but not recorded in the cash book.

HQV

P.T.O.

(4)

HQV

- (iv) Insurance premium (up to 31st December, 2021) paid by the bank ₹ 2,700 not entered in the cash book.
- (v) The payment side of the cash book had been under cast by ₹ 500.
- (vi) Bank charges ₹ 150 shown in the pass book had not been entered in the cash book.
- (vii) A bill payable of ₹ 20,000 had been paid by the bank but was not entered in the cash book and bill receivable for ₹ 6,000 had been discounted with the bank at a cost of ₹ 100 which had also not been recorded in cash book.

You are required:

- (1) To make the appropriate adjustments in the cash book, and
- (2) To prepare a statement reconciling it with the bank pass book.

(10 Marks)

3. (a) On 12th May, 2020 A sold goods to B for ₹. 36,470 and drew upon the later two bills one for ₹. 16,470 at one month and the other for ₹. 20,000 at three months. B accepted both the bills.

On 5th June, 2020 A sent both the bills to his banker for collection on the due dates. The first bill was duly met. But due to some temporary financial difficulties, B failed to honour the second bill on the due date and the bank had to pay ₹ 20 as noting charges.

However, on 16th August, 2020 it was agreed between A and B that B would immediately pay ₹. 8,020 in cash and accept a new bill at 3 months for ₹. 12,480 which included interest for postponement of the part payment of the dishonoured bill. A immediately sent new acceptance to its bank for collection on the due date. On 1st October, 2020 B approached A offering ₹. 12,240 for retirement of his acceptance. A accepted the request.

You are required to pass journal entries of all the above transactions in the books of A.

(10 Marks)

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- (b) Mr. Grow and Mr. Green had the following mutual dealings. They desired to settle their account on the average due date:

Purchases by Grow from Green:	₹
6 th January, 2021	60,000
2 nd February, 2021	28,000
31 st March, 2021	20,000

Sales by Grow to Green:	
6 th January, 2021	66,000
9 th March, 2021	24,000
20 th March, 2021	5,000

You are asked to ascertain the average due date taking base date as 6th January 2021.

(5 Marks)

- (c) Attempt any ONE of the following two sub-parts i.e. either (i) or (ii):

- (i) From the following details, prepare an account current, as sent by A to B on 30th June, 2021 by means of product method charging interest @ 6% p.a.:

2021	Particulars	Rs.
January 1	Balance due from B	600
January 11	Sold goods to B	520
January 18	B returned goods	125
February 11	B paid by cheque	400
February 14	B accepted a bill drawn by A for one month	300
April 29	Goods sold to B	615
May 15	Received cash from B	700

(5 Marks)

OR

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(6)

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- (ii) A, B and C are partners in a firm. On 1st April, 2019, their fixed capital stood at ₹. 50,000, ₹. 25,000 and ₹. 25,000 respectively.

As per the provisions of partnership deed :

- (1) C was entitled for a salary of ₹. 5000 p.a.
- (2) All the partners were entitled to interest on capital at 5% p.a.
- (3) Profits and losses were to be shared in the ratio of Capitals of the partners.

Net Profit for the year ended 31st March, 2020 of ₹. 33,000 and 31st March, 2021 of ₹ 45,000, was divided equally without providing for the above adjustments.

You are required to pass an adjustment journal entry to rectify the above errors.

(5 Marks)

4. (a) The Income and Expenditure Account of the Women Club for the Year ended on December 31, 2021 is as follows:

Expenditure	₹	Income	₹
To Salaries	47,500	By Subscription	75,000
To General Expenses	5,000	By Entrance Fees	2,500
To Audit Fee	2,500	By Contribution for Annual Dinner	10,000
To Secretary's Honorarium	10,000	By Annual Sports Meet Receipts	7,500
To Stationary and Printing	4,500		
To Annual Dinner Expenses	15,000		
To Interest and Bank charges	1,500		
To Depreciation	3,000		
To Surplus	6,000		
	95,000		95,000

HQV

(7)

HQV

This account had been prepared after the following adjustments:

	₹
Subscription outstanding at the end of 2020	6,000
Subscription received in advance on 31 st December, 2020	4,500
Subscription received in advance on 31 st December, 2021	2,700
Subscription outstanding on 31 st December, 2021	7,500
Salaries outstanding at the beginning and end of the year 2021 were respectively ₹ 4,000 and ₹ 4,500. General Expenses include insurance prepaid to the extent of ₹ 600. Audit fee for the year 2021 is as yet unpaid. During the year 2021 audit fee for the year 2020 was paid amounting to ₹ 2,000.	

The Club owned a freehold lease of ground valued at ₹1,00,000. The club had sports equipment on 1st January, 2021 valued at ₹ 26,000. At the end of the year 2021, after depreciation, this equipment amounted to ₹27,000. In the year 2020, the Club had raised a bank loan of ₹ 20,000. This was outstanding throughout the year 2021. On 31st December, 2021 cash in hand was ₹16,000.

You are required to:

Prepare the Receipts and Payments Account for the year ended on December 31, 2021 and the Balance Sheet as on that date.

(10 Marks)

- (b) A and B are partners, sharing profits and losses in the proportion of $\frac{3}{4}$ th and $\frac{1}{4}$ th. As at 31st March, 2021, following is the Balance Sheet of A and B:

Balance Sheet as at 31st March, 2021

Liabilities	(₹)	Assets	(₹)
Capital accounts:		Cash in hand	1,15,000
A	2,85,000	Cash at bank	1,10,000
B	1,55,000	Sundry debtors	1,60,000
		Stock	2,00,000
Creditors	3,75,000		

HQV

P.T.O.

(8)

HQV

General reserve	60,000	Bills receivable	30,000
		Land and building	2,50,000
		Office furniture	10,000
	<u>8,75,000</u>		<u>8,75,000</u>

They agreed to take C into Partnership on 1st April, 2021 on the following terms :

- (i) Goodwill is to be valued at ₹. 2,00,000. C is unable to bring cash for his share of goodwill. So, it was decided that due credit for goodwill be given to A and B for their sacrifice in favour of C through C's current account.
- (ii) C pays ₹. 1,40,000 as his capital for 1/5th share in the future profits.
- (iii) Stock and Furniture be reduced by 10%.
- (iv) A provision @ 5% for doubtful debts be created on debtors.
- (v) Land and building be appreciated by 20%.
- (vi) Capital Accounts of the partners be readjusted on the basis of their profit-sharing arrangement and any excess or deficiency is to be transferred to their Current Accounts.

Prepare Revaluation Account and Partners Capital Accounts.

(10 Marks)

5. (a) Pass the Journal entries to rectify the following errors detected during preparation of the Trial Balance :

- (i) Wages paid for construction of office building debited to wages account ₹. 20,000.
- (ii) A credit sale of goods ₹. 1,200 to Ramesh has been wrongly passed through the Purchase Book.
- (iii) An amount of ₹. 2,000 due from Mahesh Chand which had been written off as a bad debt in the previous year was unexpectedly recovered and has been posted to the personal account of Mahesh Chand.
- (iv) Goods (Cost being ₹. 5,000 and Sales price being ₹. 6,000) distributed as free samples among prospective customers were not recorded anywhere.
- (v) Goods worth ₹. 1,500 returned by Green have not been recorded anywhere.

(5 Marks)

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(9)

HQV

(b) On 31st March, 2021 the Trial Balance of Mr. Black was as follows:

Particulars	Debit (₹.)	Particulars	Credit (₹.)
Stock on 1/4/2020:		Sundry Creditors	1,50,000
Raw Materials	2,10,000	Bills Payables	75,000
Work-in-Progress	95,000	Sale of scrap	25,000
Finished Goods	1,55,000	Commission received	4,500
Sundry Debtors	2,40,000	Provision for doubtful debts	16,500
Carriages on Purchases	15,000	Capital account	10,00,000
Bills Receivables	1,50,000	Sales	16,72,000
Wages	1,30,000	Bank overdraft	85,000
Salaries	1,00,000		
Telephone and Postage	10,000		
Repairs to office furniture	3,500		
Cash at Bank	1,70,000		
Office Furniture	1,00,000		
Repairs to Plant	11,000		
Purchases	8,50,000		
Plant and Machinery	7,00,000		
Rent	60,000		
Lighting	13,500		
General Expenses	15,000		
	30,28,000		30,28,000

HQV

P.T.O.

(10)

HQV

The following additional information is available:

Stocks on 31st March, 2021 were:

Raw materials	₹ 1,62,000
Finished goods	₹ 1,81,000
Work-in-progress	₹ 78,000

Salaries and wages unpaid for the year ended 31st March, 2021 were respectively, ₹ 9,000 and ₹ 20,000. Machinery is to be depreciated by 10% and office furniture by 7½%. A provision for doubtful debts is to be maintained @ 1% of sales. Rent is to be charged as to 3/4 to factory and 1/4 to office. Lighting is to be charged as to 2/3 to factory and 1/3 to office.

Prepare the Manufacturing Account, Trading Account and Profit and Loss Account for the year ended on 31st March, 2021.

(15 Marks)

6. (a) Fashion Garments Ltd invited applications for issuing 10,000 Equity Shares of ₹10 each. The amount was payable as follows: -

(i) On Application	-	Rs. 1 per share
(ii) On Allotment	-	Rs. 2 per share
(iii) On First call	-	Rs. 3 per share
(iv) On Second and Final Call	-	Rs. 4 per share

The issue was fully subscribed. Ram to whom 100 shares were allotted, failed to pay the allotment money and his shares were forfeited immediately after the allotment. Shyam to whom 150 shares were allotted, failed to pay the first call. His shares were also forfeited after the first call. Afterwards the second and final call was made. Mohan to whom 50 shares were allotted failed to pay the second and final call. His shares were also forfeited. All the forfeited shares were re-issued at ₹. 9 per share fully paid -up.

Pass necessary Journal entries in the books of Fashion Garments Ltd.

(15 Marks)

- (b) Discuss the following:

- What do you mean by principal books of accounts?
- What are the rules of posting of journal entries into the Ledger?

(5 Marks)

HQV

Roll No.
Total No. of Questions – 6
Time Allowed – 3 Hours

**Foundation (New Syllabus)
Paper - 1
Principles and Practice
of Accounting**

JUL 2021
Total No. of Printed Pages – 11
Maximum Marks – 100

NEX

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be valued.

Question No. 1 is compulsory.

Candidates are also required to answer any **four** questions from the remaining **five** questions.

Working notes should form part of the respective answers. Wherever necessary, suitable assumptions may be made and disclosed by way of a note.

Marks

1. (a) State with reasons, whether the following statements are **True** or **False:** **6×2
=12**
- (i) Goods sold on approval or return basis are not recorded as credit sales initially when they are sent out.
- (ii) A Company is not allowed to issue shares at a discount to the public in general.

NEX

P.T.O.

(2)

NEX

Marks

- (iii) Warehouse rent paid for storage of finished inventory should be included in the cost of finished inventory.
- (iv) A person holding preference shares of a company cannot hold equity shares of the same company.
- (v) Business of partnership comes to an end on death of a partner.
- (vi) Cash book is a subsidiary book as well as a principal book.

(b) Discuss the basic considerations in distinguishing between capital and revenue expenditure. **4**

(c) The balance of Machinery Account of a firm on 1st April, 2020 was ₹ 28,54,000. Out of this, a plant having book value of ₹ 2,16,000 as on 1st April, 2020 was sold on 1st July, 2020 for ₹ 82,000. On the same date a new plant was purchased for ₹ 4,58,000 and ₹ 22,000 was spent on its erection. On 1st November, 2020 a new machine was purchased for ₹ 5,60,000. Depreciation is written off @ 15% per annum under the diminishing balance method. Calculate the depreciation for the year ended 31st March, 2021. **4**

2. (a) Mr. Ratan was unable to agree the Trial Balance last year and wrote off the difference to the Profit and Loss Account of that year. Next year, he appointed a Chartered Accountant who examined the old books and found the following mistakes: **10**

- (i) Purchase of a scooter was debited to conveyance account ₹ 30,000. Mr. Ratan charges 10% depreciation on scooter.
- (ii) Purchase account was over cast by ₹ 1,00,000.

NEX

(3)

NEX

Marks

- (iii) A credit purchase of goods from Mr. X for ₹ 20,000 was entered as sale.
- (iv) Receipt of cash from Mr. Anand was posted to the account of Mr. Bhaskar ₹ 10,000.
- (v) Receipt of cash from Mr. Chandu was posted to the debit of his account, ₹ 5,000.
- (vi) ₹ 5,000 due by Mr. Ramesh was omitted to be taken to the Trial Balance.
- (vii) Sale of goods to Mr. Ram for ₹ 20,000 was omitted to be recorded.
- (viii) Amount of ₹ 23,950 of purchase was wrongly posted as ₹ 25,930.

Suggest the necessary rectification entries.

- (b) From the following information, ascertain the Cash Book balance of Mr. Bajaj as on 31st March, 2021: 5
- (i) Debit balance as per Bank Pass Book ₹ 3,500.
 - (ii) A cheque amounting to ₹ 2,500 deposited on 15th March, but the same was returned by the Bank on 24th March for which no entry was passed in the Cash Book.
 - (iii) During March, two bills amounting to ₹ 2,500 and ₹ 500 were collected by the Bank but no entry was made in the Cash Book.
 - (iv) A bill for ₹ 5,000 due from Mr. Balaji previously discounted for ₹ 4,800 was dishonored. The Bank debited the account, but no entry was passed in the Cash Book.
 - (v) A Cheque for ₹ 1,500 was debited twice in the cash book.

NEX

P.T.O.

(4)

NEX

Marks

- (c) From the following information, calculate the historical cost of closing **5**

inventories using adjusted selling price method :

Purchase during the year – ₹ 5,00,000

Sales during the year – ₹ 7,50,000

Opening Inventory – Nil

Closing Inventory at selling price – ₹ 1,00,000

3. (a) Ramesh lent ₹ 1,50,000 to Deepak on 1st January, 2016 at the rate of **5**

12% per annum. The loan is repayable as under :

(i) ₹ 10,000 on 1st January, 2017

(ii) ₹ 20,000 on 1st January, 2018

(iii) ₹ 30,000 on 1st January, 2019

(iv) ₹ 40,000 on 1st January, 2020

(v) ₹ 50,000 on 1st January, 2021

You are required to determine the average due date for settling all the above installments by a single payment and compute interest.

- (b) ABC Limited supplied goods on sale or return basis to customers. **5**

Goods are to be returned within 15 days from the date of dispatch, failing which it is treated as sales. The books of ABC Limited are closed on 31st March, 2021. The particulars of the same are as under :

NEX

(5)

NEX

Marks

Date of Dispatch	Party Name	Amount	Remarks
10.03.2021	PQR	25,000	No information till 31.03.2021
12.03.2021	DEF	15,000	Returned on 16.03.2021
15.03.2021	GHI	40,000	Goods worth ₹ 8,000 Returned on 20.03.2021
20.03.2021	DEF	10,000	Goods Retained on 24.03.2021
25.03.2021	PQR	22,000	Goods Retained on 28.03.2021
30.03.2021	XYZ	35,000	No information till 31.03.2021

You are required to prepare the following accounts in the books of ABC Limited :

- (i) Goods on Sale or return, sold and returned day books
- (ii) Goods on sales or return total account

- (c) Max Chemical Works consigned 700 boxes of medicines to Raja Medical Stores at an invoice price of ₹ 1,68,000 which was 20% above the actual cost price and paid ₹ 14,000 for Insurance and freight. In the course of transit, 50 boxes were lost and the transporter paid ₹ 22,000 for the loss. The Consignee took the delivery of the remaining boxes and incurred ₹ 9,750 for carriage. The Consignee sold 500 boxes for ₹ 1,60,000 and incurred ₹ 6,000 for selling expenses. The Consignee is entitled to a commission of 6% on gross sales. 10

Show the Consignment Account.

NEX

P.T.O.

(6)

NEX

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4. (a) Karuna decided to start business of fashion garments under the name of M/s. Designer Wear on 1st April, 2020. She had a saving of about ₹ 10,00,000. She invested ₹ 3,00,000 out of her savings and borrowed equal amount from Bank. She purchased a commercial space for ₹ 5,00,000 and further spent ₹ 1,00,000 on its renovation to make it ready for business.

Loan and interest repaid by her in the first year are as follows:

30 th June, 2020	–	₹ 15,000 principal + ₹ 9,000 interest
30 th September, 2020	–	₹ 15,000 principal + ₹ 8,550 interest
31 st December, 2020	–	₹ 15,000 principal + ₹ 8,100 interest
31 st March, 2021	–	₹ 15,000 principal + ₹ 7,650 interest

In view of further capital requirement, she transferred ₹ 2,00,000 from her saving bank account to the bank account of the business. She paid security deposit of ₹ 7,000 for telephone connection. Furniture of ₹ 10,000 was purchased. All payments were made by cheque and all receipts in cash were deposited in the bank.

At the end of the year, her business showed the following results :

Particulars	Amount	Particulars	Amount
Total Sales	20,00,000	Total Purchase	17,00,000
Electricity Expenses paid	40,000	Telephone Charges	50,000
Cartage Outwards	60,000	Travelling Expenses	45,000
Entertainment Expenses	5,000	Maintenance Expenses	25,000
Misc. Expenses	15,000	Electricity Expenses	20,000
		Payable	

NEX

(7)

NEX

Marks

Other Information :

- (i) She withdrew ₹ 5,000 by cheque each month for her personal expenses.
- (ii) Depreciation on building @ 5% p.a. and on furniture @ 10% p.a.
- (iii) Closing stock in hand as on 31st March, 2021: ₹ 5,50,000

Prepare trading account, profit and loss account for the year ended 31-3-2021 and Balance Sheet as on that date.

- (b) Summary of Receipts and Payments of AMA Society for the year ended 31st March, 2021 are as follows: 10

Receipts	Amount	Payments	Amount
Subscription Received	5,00,000	Payment for Medicine Supply	3,00,000
Donation Raised for meeting revenue expenditure	1,50,000	Honorarium to Doctors	1,00,000
Interest on Investments @ 9% p.a.	90,000	Salaries	2,80,000
Charity Show Collection	1,25,000	Sundry Expenses	10,000
		Equipment Purchase	1,50,000
		Charity Show Expenses	15,000

NEX

P.T.O.

(8)

NEX

Marks

Additional Information :

Particulars	01.04.2020	31.03.2021
Subscription due	15,000	22,000
Subscription received in advance	12,000	7,000
Stock of medicine	1,00,000	1,50,000
Amount due for medicine supply	90,000	1,30,000
Value of equipment	2,10,000	3,00,000
Value of building	5,00,000	4,80,000
Cash Balance	80,000	90,000
Opening Balance of Capital Fund	18,03,000	

You are required to prepare :

- (i) Income and Expenditure Account for the year ended 31st March, 2021.
- (ii) Balance Sheet as on 31st March, 2021

5. (a) From the following information prepare the Purchase Book of M/s. Shyam & Company : 5

- (i) Purchased from Red & Company on credit :
 - 10 pair of black shoes @ ₹ 800 per pair
 - 5 pair of brown shoes @ 900 per pair
 - Less : Trade Discount @ 10%
- (ii) Purchased Computer from M/s. Rahul Enterprises on credit for ₹ 40,000.

NEX

(9)

NEX

Marks

(iii) Purchased from Blue & Company in cash :

- 5 pair of black shoes @ ₹ 700 per pair
- 15 pair of brown shoes @ 100 per pair

Less : Trade Discount @ 15%

(b) Attempt any ONE of the following two sub-parts i.e. either (i) or (ii) :

5

(i) Rama, Krishna and Raghu shared profits and losses in the ratio of 5: 3: 2. They took out a Joint Life Policy in 2017 for ₹ 50,000, a premium of ₹ 3,000 being paid annually on 10th June. The surrender value of the policy on 31st December of various years was as follows :

2017 - Nil

2018 - ₹ 900

2019 - ₹ 2,000

2020 - ₹ 3,600

Rama retired on 15th April, 2021 and the policy was surrendered.

You are required to prepare Joint Life Policy Account from 2017 to 2021 (assuming the Policy Account is maintained at surrendered value basis).

OR

NEX

P.T.O.

(10)

NEX

Marks

- (ii) PQR Limited's Profit and Loss account for the year ended 31st March, 2021 includes the following information :

(1) Liability for Income Tax	– ₹ 40,000
(2) Retained Profit	– ₹ 2,00,000
(3) Proposed Dividend	– ₹ 20,000
(4) Increase in Provision for Doubtful Debts	– ₹ 25,000
(5) Bad Debts written off	– ₹ 20,000

State which one of the items above is – (a) transfer to provisions; (b) transfer to reserves; and (c) neither related to provisions nor reserves.

- (c) It was provided under the Partnership Agreement between Ram, Laxman and Bharat that in the event of death of a partner, the survivors would have to purchase his share in the firm on the following terms : 10

- (i) Goodwill is to be valued at 3 year's purchase of simple average profits of last 4 completed years.
- (ii) Outstanding amount due to the representative of a deceased partner shall be paid in 4 equal half yearly installments commencing 6 months after the death plus interest @ 5% p.a. on the outstanding dues.

They shared profit and loss in the ratio 9:4:3.

Ram died on 30th September 2020 and Partner's Capital account balances on that date were : Ram - ₹ 21,600, Laxman - ₹ 12,800 and Bharat - ₹ 7,200. Ram's current account on 30th September, 2020 after crediting his share of profit to that date, however showed a debit balance of ₹ 1,920.

NEX

(11)

NEX

Marks

Firm profits were for the year ended

–	31 st March, 2017	–	₹ 70,400
–	31 st March, 2018	–	₹ 56,320
–	31 st March, 2019	–	₹ 48,160
–	31 st March, 2020	–	₹ 17,408

Show Ram's Capital Account and Executor's Account (of Ram) till full payment is made to Ram's Executor.

6. (a) X Limited invited applications for issuing 75,000 equity shares of ₹ 10 each at a premium of ₹ 5 per share. The total amount was payable as follows :

- ₹ 9 per share (including premium) on application and allotment
- Balance on the First and Final Call

Applications for 3,00,000 equity shares were received. Applications for 2,00,000 equity shares were rejected and money refunded. Shares were allotted on pro-rata basis to the remaining applicants. The first and final call was made. The amount was duly received except on 1,500 shares applied by Mr. Raj. His shares were forfeited. The forfeited shares were re-issued at a discount of ₹ 4/- per share.

Pass necessary journal entries for the above transactions in the books of X Limited.

- (b) What are the advantages of Subsidiary Books ? 5

NEX

Roll No.

Foundation (New Syllabus)
Paper - 1
Principles and Practice
of Accounting

JAN 2021

Total No. of Questions – 6

Total No. of Printed Pages – 11

Time Allowed – 3 Hours

Maximum Marks – 100

YPS

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be valued.

Question No. 1 is compulsory.

Candidates are also required to answer any **four** questions from the remaining **five** questions.

Working notes should form part of the respective answers.

Marks

1. (a) State **with reasons**, whether the following statements are **True or False** : **6×2 =12**
- (i) Re-issue of forfeited shares is allotment of shares but not a sale.
 - (ii) Subsidy received from the government for working capital by a manufacturing concern is a revenue receipt.
 - (iii) The Sale Book is kept to record both the cash and credit sales.
 - (iv) There are two ways of preparing an account current.
 - (v) Consignee will not pass any journal entry in his books at time of receiving of goods from Consignor.
 - (vi) Accounting Standards for non-corporate entities in India are issued by the Central Government.

YPS

P.T.O.

(b) Define the following terms :

4

- (i) Capital Commitment
- (ii) Expired Cost
- (iii) Floating Charge
- (iv) Obsolescence

(c) Prepare a Bank Reconciliation Statement from the following particulars as on 31st December, 2020 :

4

Particulars	₹
Bank Balance as per Cash Book (Debit)	1,98,000
Bank Charges debited by the bank not recorded in Cash Book	34,000
Received from debtors vide RTGS on 31 st December, 2020 not recorded in Cash Book	1,00,000
Cheque issued but not presented for payment	45,000
Cheque deposited but not cleared	25,000
Cheque received and deposited but dishonoured. Entry for dishonour not made in the Cash Book	5,000
Instruction for payment given to the bank on 31 st December, 2020 but the same effected by the Bank on 01 st January, 2021	4,000

(3)

YPS

Marks

2. (a) Mr. Joshi's trial balance as on 31st March, 2020 did not agree. The difference was put to a Suspense Account. During the next trading period, the following errors were discovered :

10

- (i) The total of the Purchases Book of one page, ₹ 5,615 was carried forward to the next page as ₹ 6,551.
- (ii) A sale of ₹ 281 was entered in the Sales Book as ₹ 821 and posted to the credit of the customer.
- (iii) A return to creditor, ₹ 295 was entered in the Returns Inward Book; however, the creditor's account was correctly posted.
- (iv) Cash received from Senu, ₹ 895 was posted to debit of Sethu.
- (v) Goods worth ₹ 1,400 were dispatched to a customer before the close of the year but no invoice was made out.
- (vi) Goods worth ₹ 1,600 were sent on sale or return basis to a customer and entered in the Sales Book at the close of the year, the customer still had the option to return the goods. The gross profit margin was 20% on Sale.
- (vii) ₹ 600 due from Mr. Q was omitted to be taken to the trial balance.
- (viii) Sale of goods to Mr. R for ₹ 3,000 was omitted to be recorded.

You are required to give journal entries to rectify the errors in a way so as to show the current year's profit or loss correctly.

- (b) M/s. Dayal Transport Company purchased 10 trucks @ ₹ 50,00,000 each on 1st July 2017. On 1st October, 2019, one of the trucks is involved in an accident and is completely destroyed and ₹ 35,00,000 is received from the insurance in full settlement. On the same date, another truck is purchased by the company for the sum of ₹ 60,00,000. The company writes off 20% of the original cost per annum. The company observes the calendar year as its financial year.

10

Give the motor truck account for two years ending 31st December, 2020.

YPS

P.T.O.

(4)

YPS

Marks

3. (a) A Products Limited of Kolkata has given the following particulars regarding tea sent on consignment to C Stores of Mumbai : 10

	Cost price	Selling price	Qty consigned
5 Kg. Tin	₹ 100 each	₹ 150 each	1,000 Tins
10 Kg. Tin	₹ 180 each	₹ 250 each	1,000 Tins

- (i) The consignment was booked on freight "To Pay" basis. The freight was charged @ 5% of selling value.
- (ii) C Stores sold 500, 5 kg Tins and 800, 10 kg Tins. It paid insurance of ₹ 10,000 and storage charges of ₹ 20,000.
- (iii) C Stores is entitled to a fixed commission @ 10% on Sales.
- (iv) During transit 50 quantity of 5 kg Tin and 20 quantity of 10 kg Tin got damaged and the transporter paid ₹ 5,000 as damage charge.

Prepare the Consignment Account in the books of A Products Limited.

- (b) From the following particulars prepare an account current, as sent by Mr. Amit to Mr. Piyush as on 31st December, 2020 by means of product method charging interest @ 8% p.a. 5

Date	Particulars	₹
01-09-2020	Balance due from Piyush	900
15-10-2020	Sold goods to Piyush	1,450
20-10-2020	Goods returned by Piyush	250
22-11-2020	Piyush paid by Cheque	1,200
15-12-2020	Received cash from Piyush	600

YPS

(5)

YPS

Marks

(c) Attempt any ONE of the following two sub-parts i.e. either (i) or (ii) 5

(i) From the following information show the journal entries in the books of ABC Limited for the year ended 31st March, 2020:

- (1) 100 units of goods costing ₹ 500 each sent to XYZ Limited on Sales or Return Basis @ ₹ 750 per unit. This transaction was however treated as actual sales in the books of accounts.
- (2) Out of the above 100 units, only 60 units were accepted by XYZ Limited during the year @ ₹ 700 per unit. No information was received about acceptability of balance units by the year end.

OR

(ii) Mahesh had the following bill receivables and bills payables against Rajesh. Calculate the average due date, when the payment can be received or made without any loss of interest. 5

Date	Bills Receivable	Tenure	Date	Bills Payable	Tenure
12-06-20	5,000	3 months	27-05-20	3,700	3 months
10-07-20	6,200	1 month	07-06-20	4,000	3 months
15-07-20	3,500	3 months	10-07-20	5,000	1 month
12-06-20	1,500	2 months			
28-06-20	2,500	2 months			

15th August, 2020 was Public holiday. However, 10th September, 2020 was also suddenly declared as holiday.

YPS

P.T.O.

(6)

YPS

Marks

4. (a) The partnership deed of a firm consisting of 3 partners - P, Q and R (profit sharing ratio being 2:1:1) and whose fixed capitals are ₹ 30,000, ₹ 12,000 and ₹ 8,000 respectively provides as follows: 10

- (i) The partners be allowed interest @ 8% p.a. on their fixed capitals, but no interest to be allowed on undrawn profits or charged on drawings.
- (ii) That upon the death of a partner, the goodwill of the firm be valued at 2 years purchase of the average net profit (after charging interest on capital) for the 3 years to 31st December preceding the death of a partner.
- (iii) That an insurance policy of ₹ 25,000 each was taken in individual names of each partner. The premium was charged against the profits of the firm. The surrender value of the policy was 20% of the sum assured.
- (iv) Upon the death of a partner, he is to be credited with his share of the profits, interest on capitals, etc. calculated upto 31st December following his death.
- (v) That the share of the partnership policy and goodwill be credited to a deceased partner as on 31st December following his death.
- (vi) That the partnership books to be closed annually on 31st December.

P died on 30th September, 2020. The amount standing to the credit of his current account as on 31st December, 2019 was ₹ 5,000 and from that date to the date of death he had withdrawn ₹ 30,000 from the business.

An unrecorded liability of ₹ 6,000 was discovered on 30th September, 2020 and it was decided to record it and immediately pay it off.

The trading results of the firm (before charging interest on capital) had been as follows :

2017 : Profit ₹ 29,340

2018 : Profit ₹ 26,470

2019 : Loss ₹ 8,320

2020 : Profit ₹ 13,470

You are required to prepare an account showing amount due to P's legal heir as on 31st December, 2020.

Note : Impact for unrecorded liability not to be given in earlier years.

YPS

(7)

YPS

Marks

- (b) Dr. Deku started private practice on 1st April, 2019 with ₹ 2,00,000 of his own fund and ₹ 3,00,000 borrowed at an interest of 12% p.a. on the security of his life policies. His accounts for the year were kept on a cash basis and the following is his summarized cash account: 10

Receipts	₹	Payments	₹
Own Capital	2,00,000	Medicines Purchased	2,45,000
Loan	3,00,000	Surgical Equipment	2,50,000
Prescription Fees	6,60,000	Motor Car	3,20,000
Visiting Fees	2,50,000	Motor Car Expenses	1,20,000
Lecture Fees	24,000	Wages and Salaries	1,05,000
Pension Received	3,00,000	Rent of Clinic	60,000
		General Charges	49,000
		Household Expenses	1,80,000
		Household Furniture	25,000
		Expenses on Daughter's Marriage	2,15,000
		Interest on Loan	36,000
		Balance at Bank	1,10,000
		Cash in Hand	19,000
	17,34,000		17,34,000

1/3rd of the motor car expenses may be treated as applicable to the private use of car and ₹ 30,000 of salaries are in respect of domestic servants.

The stock of medicines in hand on 31st March, 2020 was valued at ₹ 95,000.

You are required to prepare his private practice income and expenditure account and capital account for the year ended 31st March, 2020. Ignore depreciation on fixed assets.

YPS

P.T.O.

(8)

YPS

Marks

5. (a) From the following particulars ascertain the value of inventories as on 31st March, 2020 : 5

Inventory as on 1 st April, 2019	–	₹ 3,50,000
Purchase made during the year	–	₹ 12,00,000
Sales	–	₹ 18,50,000
Manufacturing Expenses	–	₹ 1,00,000
Selling and Distribution Expenses	–	₹ 50,000
Administration Expenses	–	₹ 80,000

At the time of valuing inventory as on 31st March, 2019, a sum of ₹ 20,000 was written off on a particular item which was originally purchased for ₹ 55,000 and was sold during the year for ₹ 50,000.

Except the above mentioned transaction, gross profit earned during the year was 20% on sales.

- (b) Mr. K is engaged in business of selling magazines. Several of his customers pay money in advance for subscribing his magazines. Information related to year ended 31st March, 2020 has been given below : 5

On 1st April, 2019 he had a balance of ₹ 3,00,000 advance from customers of which ₹ 2,25,000 is related to year 2019-20 while remaining pertains to year 2020-21. During the year 2019-20 he made cash sales of ₹ 7,50,000.

You are required to compute :

- (i) Total income for the year 2019-20.
- (ii) Total money received during the year, if the closing balance as on 31st March, 2020 in Advance from Customers Account is ₹ 2,55,000.

YPS

(9)

YPS

Marks

- (c) From the following Income and Expenditure Account and additional information of ATK Club, prepare Receipts and Payments Accounts and Balance Sheet of the club as on 31st March, 2020. **10**

ATK ClubIncome and Expenditure Account for the year ending 31st March, 2020

Expenditure	₹	Income	₹
To Salaries	4,80,000	By Subscription	6,80,000
To Printing and Stationery	24,000	By Entrance Fees	16,000
To Postage	2,000	By Misc. Income	1,44,000
To Telephone	6,000		
To Office expenses	48,000		
To Bank Interest	22,000		
To Audit Fees	10,000		
To Annual General Meeting Exp.	1,00,000		
To Depreciation (Sports Equipment)	28,000		
To Surplus	1,20,000		
	8,40,000		8,40,000

YPS

P.T.O.

(10)

YPS

Marks

Additional Information :

Particulars	As on 31 st March, 2019	As on 31 st March, 2020
Subscription Outstanding	64,000	72,000
Subscription Received in advance	52,000	33,600
Salaries Outstanding	24,000	32,000
Audit Fees Payable	8,000	10,000
Bank Loan	1,20,000	1,20,000
Value of Sports Equipment	2,08,000	2,52,000
Value of Club Premises	7,60,000	7,60,000
Cash in Hand	?	1,14,000

6. (a) A Limited is a company with an authorised share capital of ₹ 1,00,00,000 in equity shares of ₹ 10 each, of which 6,00,000 shares had been issued and fully paid up on 31st March, 2020. The company proposes to make a further issue of 1,35,000 of these ₹ 10 shares at a price of ₹ 14 each, the arrangement of payment being : 15
- (i) ₹ 2 per share payable on application, to be received by 31st May, 2020;
 - (ii) Allotment to be made on 10th June, 2020 and a further ₹ 5 per share (including the premium to be payable);
 - (iii) The final call for the balance to be made, and the money received by 31st December, 2020.

YPS

(11)

YPS

Marks

Applications were received for 5,60,000 shares and dealt with as follows:

- (1) Applicants for 10,000 shares received allotment in full;
- (2) Applicants for 50,000 shares received allotment of 1 share for every 2 applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;
- (3) Applicants for 5,00,000 shares received an allotment of 1 share for every 5 shares applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and
- (4) The money due on final call was received on the due date.

You are required to record these transactions (including bank transactions) in the Journal Book of A Limited.

- (b) Discuss the rules if there is no Partnership Agreement.

5

YPS

Roll No.

NOV 2020

Foundation (New Syllabus)

Total No. of Questions – 6

**Paper - 1
Principles and Practice
of Accounting**

Total No. of Printed Pages – 15

Time Allowed – 3 Hours

Maximum Marks – 100

FYZ

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be valued.

Question No. 1 is compulsory.

Candidates are also required to answer any **four** questions from the remaining **five** questions.

Working notes should form part of the respective answers.

- | | | Marks |
|----|---|--------------------|
| 1. | (a) State with reasons , whether the following statements are True or False . | 6×2
=12 |
| | (i) In case of admission of a new partner in a partnership firm, the profit/loss on revaluation account is transferred to all partners in their new profit sharing ratio. | |
| | (ii) In the balance sheet of X Limited, preliminary expenses amounting to ₹ 5 lakhs and securities premium account of ₹ 35 lakhs are appearing. The accountant can use the balance in securities premium account to write off preliminary expenses. | |

FYZ

P.T.O.

(2)

FYZ

Marks

- (iii) Insurance claim received on account of plant and machinery completely damaged by fire is a capital receipt.
- (iv) Purchase of office furniture & fixtures of ₹ 2,500 has been debited to General Expense Account. It is an error of omission.
- (v) A Limited is sending goods costing ₹ 50,000 to B Limited on consignment basis. The accountant of A Limited is of the opinion that these goods should be sent under a sale invoice.
- (vi) A concern proposes to discontinue its business from December 2020 and decides to dispose off all its plants within a period of 3 months. The Balance Sheet as on 31st December, 2020 should continue to indicate the plants at its historical costs as the assets will be disposed off after the Balance Sheet date.
- (b) What services can a Chartered Accountant provide to the society ? **4**
- (c) The following are some of the transactions of M/s. Kamal & Sons for the year ended 31st March, 2020. You are required to make out their Sales Book. **4**
- (i) Sold to M/s. Ashok & Mukesh on Credit :
- 40 Shirts @ ₹ 900 per shirt
- 30 trousers @ ₹ 1,000 per trouser
- Less : Trade discount @ 10%
- (ii) Sold furniture to M/s. XYZ & Co. on credit ₹ 8,000
- (iii) Sold 15 shirts to Aman @ ₹ 750 each for cash.

FYZ

(3)

FYZ

Marks

2. (a) On 31-3-2020, Mahesh's Cash Book Showed a Bank overdraft of **10**
₹ 98,700. On comparison he finds the following :

- (1) Out of the total cheques of ₹ 8,900 issued on 27th March, one cheque of ₹ 7,400 was presented for payment on 4th April and the other cheque of ₹ 1,500 handed over to the customer, was returned by him and in lieu of that a new cheque of the same amount was issued to him on 1st April. No entry for the return was made.
- (2) Out of total cash and cheques of ₹ 6,800 deposited in the Bank on 24th March, one cheque of ₹ 2,600 was cleared on 3rd April and the other cheque of ₹ 500 was returned dishonoured by the bank on 4th April.
- (3) Bank charges ₹ 35 and Bank interest ₹ 2,860 charged by the bank appearing in the passbook are not yet recorded in the cash book.
- (4) A cheque deposited in his another account of ₹ 1,550 wrongly credited to this account by the bank.
- (5) A cheque of ₹ 800, drawn on this account, was wrongly debited in another account by the bank.
- (6) A debit of ₹ 3,500 appearing in the bank statement for an unpaid cheque returned for being 'out of date' had been re-dated and deposited in the bank account again on 5th April 2020.

FYZ

P.T.O.

(4)

FYZ

Marks

- (7) The bank allowed interest on deposit ₹ 1,000.
- (8) A customer who received a cash discount of 4% on his account of ₹ 1,00,000 paid a cheque on 20th March, 2020. The cashier erroneously entered the gross amount in the bank column of the Cash Book.

Prepare Bank Reconciliation Statement as on 31-3-2020.

- (b) Physical verification of stock in a business was done on 23rd February, 2020. The value of the stock was ₹ 28,00,000. The following transactions took place from 23rd February to 29th February, 2020 :

10

- (1) Out of the goods sent on consignment, goods at cost worth ₹ 2,30,000 were unsold.
- (2) Purchases of ₹ 3,00,000 were made out of which goods worth ₹ 1,20,000 were delivered on 5th March, 2020.
- (3) Sales were ₹ 13,60,000 which include goods worth ₹ 3,20,000 sent on approval. Half of these goods were returned before 29th February, 2020, but no information is available regarding the remaining goods.
- (4) Goods are sold at cost plus 25%. However goods costing ₹ 2,40,000 had been sold for ₹ 1,50,000.

Determine the value of stock on 29th February, 2020.

FYZ

(5)

FYZ

Marks

3. (a) Maya consigned 400 boxes of shaving brushes, each box containing 100 shaving brushes. Cost price of each box was ₹ 3,000. Maya spent ₹ 500 per box as cartage, freight, insurance and forwarding charges. One box was lost on the way and Maya lodged claim with insurance company and could get ₹ 2,700 as claim on average basis. Consignee took delivery of the rest of the boxes and spent ₹ 1,99,500 as non-recurring expenses and ₹ 1,12,500 as recurring expenses. He sold 370 boxes at the rate of ₹ 65 per shaving brush. He was entitled to 2% commission on sales plus 1% del-credere commission.

You are required to prepare Consignment Account.

- (b) Attempt any ONE of the following two sub-parts i.e. either (i) or (ii). 5

- (i) From the following particulars prepare a account current, as sent by Mr. Raju to Mr. Sunil as on 31st October 2020 by means of product method charging interest @ 12% p.a.

2020	Particulars	Amount (₹)
1 st July	Balance due from Sunil	840
15 th August	Sold goods to Sunil	1,310
20 th August	Goods returned by Sunil	240
22 nd September	Sunil paid by cheque	830
15 th October	Received cash from Sunil	560

FYZ

P.T.O.

(6)

FYZ

Marks

OR

- (ii) Rakesh had the following bills receivable and bills payable against Mukesh.

Date	Bills Receivable	Tenure	Date	Bills Payable	Tenure
1 st June	3,400	3 month	29 th May	2,500	2 month
5 th June	2,900	3 month	3 rd June	3,400	3 month
9 th June	5,800	1 month	9 th June	5,700	1 month
12 th June	1,700	2 month			
20 th June	1,900	3 month			

15th August was a public holiday. However, 6th September, was also declared a sudden holiday.

Calculate the average due date, when the payment can be received or made without any loss of interest to either party.

- (c) Suresh draws a bill for ₹ 15,000 on Anup on 15th April, 2020 for 3 months, which Anup returns to Suresh after accepting the same. Suresh gets it discounted with the bank for ₹ 14,700 on 18th April, 2020 and remits one-third amount to Anup. On the due date Suresh fails to remit the amount due to Anup, but he accepts a bill of ₹ 17,500 for 3 months, which Anup discounts for ₹ 17,100 and remits ₹ 2,825 to Suresh. Before the maturity of the renewed bill Suresh becomes insolvent and only 50% was realized from his estate on 31st October, 2020. 10

Pass necessary Journal entries for the above transactions in the books of Suresh.

FYZ

(7)

FYZ

Marks

4. (a) M/s. TB is a partnership firm with the partners A, B and C sharing profits and losses in the ratio of 3 : 2 : 5. The balance sheet of the firm as on 30th June, 2020 was as under :

Balance Sheet of M/s. TB as on 30-6-2020

Liabilities	Amount (₹)	Assets	Amount (₹)
A's Capital A/c	1,24,000	Land	1,20,000
B's Capital A/c	96,000	Building	2,20,000
C's Capital A/c	1,60,000	Plant & Machinery	4,00,000
Long Term Loan	4,20,000	Investments	42,000
Bank Overdraft	64,000	Inventories	1,36,000
Trade Payables	2,13,000	Trade Receivables	1,59,000
	10,77,000		10,77,000

FYZ

P.T.O.

(8)

FYZ

Marks

It was mutually agreed that B will retire from partnership and in his place D will be admitted as a partner with effect from 1st July, 2020.

For this purpose, following adjustments are to be made :

- (a) Goodwill of the firm is to be valued at ₹ 3 lakhs due to the firm's location advantage but the same will not appear as an asset in the books of the reconstituted firm.
- (b) Building and Plant & Machinery are to be valued at 95% and 80% of the respective balance sheet values. Investments are to be taken over by the retiring partner at ₹ 46,000. Trade receivables are considered good only upto 85% of the balance sheet figure. Balance to be considered bad.
- (c) In the reconstituted firm, the total capital will be ₹ 4 lakhs, which will be contributed by A, C and D in their new profit sharing ratio, which is 3 : 4 : 3.
- (d) The amount due to retiring partner shall be transferred to his loan account.

You are required to prepare Revaluation Account and Partners' Capital Accounts after reconstitution, along with working notes.

FYZ

(9)

FYZ

Marks

- (b) From the following balances and particulars of AS College, prepare Income & Expenditure Account for the year ended March, 2020 and a Balance Sheet as on the date :

10

Particulars	Amount (₹)	Amount (₹)
Security Deposit – Students	–	1,55,000
Capital Fund	–	13,08,000
Building Fund	–	19,10,000
Tuition Fee Received	–	8,10,000
Government Grants	–	5,01,000
Interest & Dividends on Investments	–	1,75,000
Hostel Room Rent	–	1,65,000
Mess Receipts (Net)	–	2,05,000
College Stores – Sales	–	7,60,000
Outstanding expenses	–	2,35,000
Stock of Stores and Supplies (opening)	3,10,000	–
Purchases – Stores & Supplies	8,20,000	–
Salaries – Teaching	8,75,000	–
Salaries – Research	1,25,000	–
Scholarships	85,000	–
Students Welfare expenses	37,000	–
Games & Sports expenses	52,000	–
Other investments	12,75,000	–
Land	1,50,000	–
Building	15,50,000	–
Plant and Machinery	8,50,000	–
Furniture and Fittings	5,40,000	–
Motor Vehicle	2,40,000	–
Provision for Depreciation :		–
Building	–	4,90,000
Plant & Equipment	–	5,05,000
Furniture & Fittings	–	3,26,000
Cash at Bank	3,16,000	
Library	3,20,000	
	75,45,000	75,45,000

FYZ

P.T.O.

Adjustments :**(a) Materials & Supplies consumed : (From college stores)**

Teaching – ₹ 52,000

Research – ₹ 1,45,000

Students Welfare – ₹ 78,000

Games or Sports – ₹ 24,000

**(b) Tuition fee receivable from Government for backward class
Scholars – ₹ 82,000.**

**(c) Stores selling prices are fixed to give a net profit of 15% on
selling price.**

**(d) Depreciation is provided on straight line basis at the following
rates :**

Building 5%

Plant & Equipment 10%

Furniture & Fixtures 10%

Motor Vehicle 20%

5. (a) M/s. Applied Laboratories were unable to agree the Trial Balance as on 31st March, 2020 and have raised a suspense account for the difference. Next year the following errors were discovered :

5

- (i) Repairs made during the year were wrongly debited to the building A/c – ₹ 12,500.
- (ii) The addition of the 'Freight' column in the purchase journal was short by ₹ 1,500.
- (iii) Goods to the value of ₹ 1,050 returned by a customer, Rani & Co., had been posted to the debit of Rani & Co. and also to sales returns.
- (iv) Sundry items of furniture sold for ₹ 30,000 had been entered in the sales book, the total of which had been posted to sales account.
- (v) A bill of exchange (received from Raja & Co.) for ₹ 20,000 had been returned by the bank as dishonoured and had been credited to the bank and debited to bills receivable account.

You are required to pass journal entries to rectify the above mistakes.

(12)

FYZ

Marks

- (b) Max & Co. employs a team of 9 worker who were paid ₹ 40,000 per month each in the year ending 31st December, 2018. At the start of 2019, the company raised salaries by 10% to ₹ 44,000 per month each. 5

On 1st July, 2019 the company hired 2 trainees at salary of ₹ 21,000 per month each. The work force are paid salary on the first working day of every month, one month in arrears, so that the employees receive their salary for January on the first working day of February, etc.

You are required to calculate :

- (i) Amount of salaries which would be charged to the profit and loss for the year ended 31st December, 2019.
 - (ii) Amount actually paid as salaries during 2019.
 - (iii) Outstanding salaries as on 31st December, 2019.
- (c) Following are the Manufacturing A/c, Creditors A/c and Trading A/c 10
provided by M/s. Shivam related to financial year 2019-20. There are certain figures missing from these accounts.

Raw Material A/c.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening Stock A/c	1,27,000	By Raw Materials Consumed	—
To Creditors A/c	—	By Closing Stock	—

FYZ

(13)

FYZ

Marks

Creditors A/c.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank A/c	23,50,000	By Balance b/d	15,70,000
To Balance c/d	6,60,000		

Manufacturing A/c.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Raw Material A/c.	—	By Trading A/c.	17,44,000
To Wages	3,65,000		
To Depreciation	2,15,000		
To Direct Expenses	2,49,000		

Additional Information :

- (i) Purchase of machinery worth ₹ 12,00,000 on 1st April, 2019 has been omitted. Machinery are chargeable at a depreciation rate of 15%.

- (ii) Wages include the following :

Paid to factory workers – ₹ 3,15,000

Paid to labour at office – ₹ 50,000

FYZ

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(14)

FYZ

Marks

(iii) Direct expenses including following :

Electricity charges	– ₹ 80,000 of which 25% pertained to office
Fuel charges	– ₹ 25,000
Freight inwards	– ₹ 32,000
Delivery charges to customers	– ₹ 22,000

You are required to prepare revised Manufacturing A/c and Raw Material A/c.

6. (a) ABC Limited issued 20,000 equity shares of ₹ 10 each payable as : **10**

- ₹ 2 per share on application
- ₹ 3 per share on allotment
- ₹ 4 per share on first call
- ₹ 1 per share on final call

All the shares were subscribed. Money due on all shares was fully received except for Mr. Bird, holding 300 shares, who failed to pay first call and final call money. All those 300 shares were forfeited. The forfeited shares of Mr. Bird were subsequently re-issued to Mr. John as fully paid up at a discount of ₹ 2 per share.

Pass the necessary Journal Entries to record the above transactions in the books of ABC Limited.

FYZ

(15)

FYZ

Marks

5

(b) Y Company Limited issue 10,000 12% Debentures of the nominal value of ₹ 60,00,000 as follows :

- (i) To a vendor for purchase of fixed assets worth ₹ 13,00,000 – ₹ 15,00,000 nominal value.
- (ii) To sundry persons for cash at 90% of nominal value of ₹ 30,00,000.
- (iii) To the banker as collateral security for a loan of ₹ 14,00,000 – ₹ 15,00,000 nominal value.

You are required to pass necessary Journal Entries.

(c) Discuss the factors taken into consideration for calculation of depreciation. **5**

FYZ

Foundation (New Syllabus)
Paper - 1
Principles and Practice
of Accounting

NOV 2019

DRC

Roll No.

Total No. of Printed Pages : 12

Total No. of Questions : 6

Maximum Marks : 100

Time allowed : 3 Hours

INSTRUCTIONS TO CANDIDATES

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be valued.

Question No. 1 is compulsory.

Candidates are also required to answer any **four** questions from the remaining **five** questions.

Working notes should form part of the respective answers.

1. (a) State **with reasons**, whether the following statements are **True or False**:
- (i) Trade Discount is a reduction granted by a supplier from the list price of goods or services on business considerations for prompt payment.
 - (ii) M/s. XYZ & Co. runs a cafe. They renovated some of the old cabins. Because of this renovation some space was made free and number of cabins was increased from 15 to 18. The total expenditure incurred was ₹ 30,000 and was treated as a revenue expenditure.
 - (iii) Valuation of inventory at cost or net realizable value is based on principle of Conservatism.
 - (iv) In case of bill of exchange, the drawer and the payee may not be the same person but in case of a promissory note, the maker and the payee may be the same person.
 - (v) A Partnership firm cannot own any Assets.
 - (vi) Since company has existence independent of its members, it continues to be in existence despite the death, insolvency or change of members.

(6 × 2 = 12 Marks)

DRC

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SEAL

(2)

DRC

- (b) Distinguish between Provision and Contingent Liability. (4 Marks)
- (c) X purchased a machinery on 1st January 2017 for ₹. 4,80,000 and spent ₹ 20,000 on its installation. On July 1, 2017 another machinery costing ₹ 2,00,000 was purchased. On 1st July, 2018 the machinery purchased on 1st January, 2017 having become scrapped and was sold for ₹ 2,90,000 and on the same date fresh machinery was purchased for ₹ 5,00,000. Depreciation is provided annually on 31st December at the rate of 10% p.a. on written down value. Prepare Machinery account for the years 2017 and 2018. (4 Marks)
2. (a) On 30th September, 2018, the bank account of XYZ, according to the bank column of the cash book, was overdrawn to the extent of ₹8,062. An examination of the Cash book and Bank Statement reveals the following:
- (i) A cheque for ₹ 11,14,000 deposited on 29th September, 2018 was credited by the bank only on 3rd October, 2018.
 - (ii) A payment by cheque for ₹ 18,000 has been entered twice in the Cash book.
 - (iii) On 29th September, 2018, the bank credited an amount of ₹ 1,15,400 received from a customer of XYZ, but the advice was not received by XYZ until 1st October, 2018.
 - (iv) Bank charges amounting to ₹280 had not been entered in the cash book.
 - (v) On 6th September 2018, the bank credited ₹ 30,000 to XYZ in error.
 - (vi) A bill of exchange for ₹ 1,60,000 was discounted by XYZ with his bank. The bill was dishonoured on 28th September, 2018 but no entry had been made in the books of XYZ.

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- (vii) Cheques issued upto 30th September, 2018 but not presented for payment upto that date totalled ₹13,46,000.
- (viii) A bill payable of Rs. 2,00,000 had been paid by the bank but was not entered in the cash book and bill receivable for Rs. 60,000 had been discounted with the bank at a cost of ₹. 1,000 which had also not been recorded in cash book.

You are required:

To show the appropriate rectifications required in the cash book of XYZ, to arrive at the correct balance on 30th September, 2018 and to prepare a Bank Reconciliation Statement as on that date. (10 Marks)

- (b) Correct the following errors (i) without opening a Suspense Account and (ii) with opening a Suspense Account:

- (1) The sales book has been totalled Rs. 2,100 short.
- (2) Goods worth Rs. 1,800 returned by Gaurav & Co. have not been recorded anywhere.
- (3) Goods purchased Rs. 2,250 have been posted to the debit of the supplier Sen Brothers.
- (4) Furniture purchased from Mary Associates, Rs. 15,000 has been entered in the purchase Daybook.
- (5) Discount received from Black and White Rs. 1,200 has not been entered in the books.
- (6) Discount allowed to Radhe Mohan & Co. Rs. 180 has not been entered in the Discount Column of the Cashbook. The account of Radhe Mohan & Co. has, however, been correctly posted. (10 Marks)

3. (a) Anand of Bangalore consigned to Raj of pune, goods to be sold at invoice price which represents 125% of cost. Raj is entitled to a commission of 10% on sales at invoice price and 25% of any excess realised over invoice price. The expenses on freight and insurance incurred by Anand were ₹12,000. The account sales received by Anand shows that Raj has effected sales amounting to ₹1,20,000 in respect of 75% of the consignment. His selling expenses to be reimbursed were ₹9,600. 10% of consignment goods of the value of ₹15,000 were destroyed in fire at the Pune godown and the insurance company paid ₹12,000 net of salvage. Raj remitted the balance in favour of Anand.

You are required to prepare Consignment Account and the account of Raj in the books of Anand along with the necessary calculations. (10 Marks)

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- (b) A firm sends goods on "Sale or Return basis". Customers have the choice of returning the goods within a month. During May 2018, the following are the details of goods sent:

Date (May)	2	8	12	18	20	27
Customers	P	B	Q	D	E	R
Value (₹)	17,000	22,000	25,000	5,500	2,000	28,000

Within the stipulated time, P and Q returned the goods and B, D and E signified that they have accepted the goods.

Show in the books of the firm, the Sale or Return Account and Customer-Q for Sale or Return Account as on 15th June 2018. (5 Marks)

- (c) Attempt any ONE of the following two sub-parts i.e. either (i) or (ii)

- (i) The following amounts are due to X by Y.Y wants to pay on 10th July 2019. Interest rate of 9% p.a. is taken into consideration.

Due dates	₹
10th January	750
26th January (Republic Day)	1,200
23rd March	3,300
18th August (Sunday)	4,100

Determine average due date and the amount to be paid on 10th July 2019. Assume 10th January as base date. (5 Marks)

OR

DRC

(5)

DRC

- (ii) Ramesh has a Current Account with Partnership firm. He had a debit balance of ₹85,000 as on 01-07-2018. He has further deposited the following amounts:

Date	Amount (₹)
14-07-2018	1,23,000
18-08-2018	21,000

He withdrew the following amounts:

Date	Amount (₹)
29-07-2018	92,000
09-09-2018	11,500

Show Ramesh's A/c in the books of the firm. Interest is to be calculated at 10% on debit balance and 8% on credit balance. You are required to prepare current account as on 30th September, 2018 by means of product of balances method.

(5 Marks)

4. (a) Arup and Swarup were partners. The partnership deed provides inter alia:

- (i) That the annual accounts be balanced on 31st December each year;
- (ii) That the profits be allocated as follows:

Arup: One-half; Swarup: One-third and Carried to reserve account: One Sixth;

- (iii) That in the event of death of a partner, his executor will be entitled to the following:

- (1) The capital to his credit at the date of death;
- (2) His proportionate share of profit to date of death based on the average profits of the last three completed years; and
- (3) His Share of goodwill based on three years' purchase of the average profits for the three preceding completed years

DRC

P.T.O.

(6)

DRC

Trial Balance as on 31st December 2018

Particulars	Debit (₹)	Credit (₹)
Arup's Capital		90,000
Swarup's Capital		60,000
Reserve		45,000
Bills receivable	50,000	
Investment	55,000	
Cash	1,10,000	
Trade payables		20,000
Total	2,15,000	2,15,000

The profits for the three year were 2016: Rs. 51,000; 2017: Rs. 39,000 and 2018: Rs. 45,000. Swarup died on 1st May 2019.

Show the calculation of Swarup (A) Share of profits; (B) Share of Goodwill; (C) Draw up Swarup's Executors Account as would appear in the firms' ledger transferring the amount to the Loan account. (10 Marks)

- (b) From the following Income and Expenditure account and the Balance sheet of a club, prepare its Receipts and Payments Account and subscription account for the year ended 31st March 2019:

Income & Expenditure Account for the year 2018-19

Particulars	₹	Particulars	₹
To Upkeep of ground	11,000	By Subscriptions	19,052
To Printing	1,100	By Sale of Newspapers (Old)	286
To Salaries	11,100	By Lectures (Fee)	1,650
To Depreciation on furniture	1,100	By Entrance Fee	2,145
To Rent	1,660	By Misc. Income	440
		By Deficit	2,387
	<u>25,960</u>		<u>25,960</u>

DRC

(7)

DRC

Balance sheet as at 31st March 2019

Liabilities	₹	Assets	₹
Subscription in advance (2019-20)	110	Furniture	9,900
Prize fund:			
Opening balance	27,500		
Add: Interest	1,100		
	<u>28,600</u>	Ground and Building	51,700
Less: Prizes given	2,200		
	<u>26,400</u>	Prize Fund Investment	22,000
General Fund:		Cash in Hand	2,530
Opening balance	62,062		
Less: Deficit	2,387		
	<u>59,675</u>	Subscription (outstanding)	770
Add: Entrance Fee	715	(2018-2019)	
	<u>60,390</u>		
	<u>86,900</u>		<u>86,900</u>

The following adjustments have been made in the above accounts:

- Upkeep of ground ₹660 and printing ₹264 relating to 2017-18 were paid in 2018-19
- One fourth of entrance fee has been capitalized by transfer to General Fund
- Subscription outstanding in 2017-18 was ₹880 and for 2018-19 ₹770
- Subscription received in advance in 2017-18 was ₹220 and in 2018-19 for 2019-20 was ₹110
- Furniture was purchased during the year

(10 Marks)

DRC

P.T.O.

(8)

DRC

5. (a) An inexperienced book keeper has drawn up a Trial balance for the year ended 31st March, 2019.

Particulars	Debit(₹)	Credit(₹)
Provision for Doubtful Debts	250	—
Cash Credit Account	1,654	—
Capital	—	4,591
Trade payables	—	1,637
Due from customers	2,983	—
Discount Received	252	—
Discount Allowed	—	733
Drawings	1,200	—
Office Furniture	2,155	—
Carriage Inward	—	829
Purchases	10,923	—
Returns Inward	—	330
Rent & Rates	314	—
Salaries	2,520	—
Sales	—	16,882
Inventory	2,418	—
Provision for Depreciation on Furniture	364	—
Total	25,033	25,002

Draw up a corrected Trial Balance by debiting or crediting any residual errors to a Suspense account. (5 Marks)

DRC

(9)

DRC

- (b) Mr. Shyamal runs a factory, which produces detergents. Following details were available in respect of his manufacturing activities for the year ended 31-03-2019.

	₹
Opening work-in-progress (9000 units)	26,000
Closing work-in-progress (14,000 units)	48,000
Opening inventory of Raw Materials	2,60,000
Closing inventory of Raw Materials	3,20,000
Purchases	8,20,000
Hire charges of Machinery @ Rs. 0.70 per unit manufactured	
Hire charges of factory	2,60,000
Direct wages contracted @ Rs. 0.80 per unit manufactured	
and @ ₹ 0.40 per unit of closing W.I.P	
Repairs and maintenance	1,80,000
Units produced-5,00,000 units	

Required a Manufacturing Account of Mr. Shyamal for the year ended 31-03-2019.

(5 Marks)

- (c) The balance sheet of Mittal on 1st January, 2018 was as follows:

Liabilities	Amount	Assets	Amount
	₹		₹
Trade payables	16,00,000	Plant & Machinery	31,00,000
Expenses payable	2,50,000	Furniture & Fixture	4,00,000
Capital	51,00,000	Trade receivables	14,50,000
		Cash at bank	7,00,000
		Inventories	13,00,000
	<u>69,50,000</u>		<u>69,50,000</u>

DRC

P.T.O.

(10)

DRC

During 2018, his profit and loss account revealed a net profit of ₹ 15,10,000. This was after allowing for the following:

- (i) Interest on capital @ 6% p.a.
- (ii) Depreciation on plant and machinery @ 10% and on Furniture and Fixtures @ 5%.
- (iii) A provision for Doubtful debts @ 5% of the trade receivables as at 31st December 2018.

But while preparing the profit and loss account he had forgotten to provide for (1) outstanding expenses totalling ₹ 1,85,000 and (2) prepaid insurance to the extent of ₹ 25,000.

His current assets and liabilities on 31st December, 2018 were: Trade receivables ₹ 21,00,000; Cash at bank ₹ 5,20,000 and Trade payables ₹ 13,84,000. During the year he withdrew ₹ 6,20,000 for domestic use. Closing inventories is equal to net trade receivables at the year-end.

You are required Draw up revised Profit and Loss account and Balance Sheet at the end of the year. (10 Marks)

6. (a) B Limited issued 50,000 equity shares of ₹10 each payable as ₹3 per share on application, ₹ 5 per share (including ₹ 2 as premium) on allotment and ₹ 4 per share on call. All these shares were subscribed. Money due on all shares was fully received except from X, holding 1000 shares who failed to pay the allotment and call money and Y, holding 2000 shares, failed to pay the call money. All those 3,000 shares were forfeited. Out of forfeited shares, 2,500 shares (including whole of X's shares) were subsequently re-issued to Z as fully paid up at a discount of ₹2 per share.

Pass necessary journal entries in the books of B limited. Also prepare Balance Sheet and notes to accounts of the company. (15 Marks)

- (b) Distinguish between Periodic Inventory System and Perpetual Inventory System.

(5 Marks)

DRC

Roll No.

Total No. of Printed Pages : 16

Total No. of Questions : 6

Maximum Marks : 100

Time allowed : 3 Hours

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Question No. 1 is compulsory.

Candidates are also required to answer any four questions from the remaining five questions.

Working notes should form part of the respective answers.

1. (a) State with reasons, whether the following statements are true or false :
- (i) Amount spent for the construction of temporary huts, which were necessary for construction of the Cinema House and were demolished when the Cinema House was ready, is capital expenditure.
 - (ii) If the amount is posted in the wrong account or it is written on the wrong side of the account, it is called error of principle.
 - (iii) In case of consignment sale, ownership of goods will be transferred to consignee at the time of receiving the goods.

(2)

HAF2

- (iv) In case the due date of a bill falls after the date of closing the account, the interest from the date of closing to such due date is known as Red-Ink interest.
- (v) Limited Liability Partnership (LLP) is governed by Indian Partnership Act, 1932.
- (vi) The relationship between sales and fixed assets is expressed as working capital ratio.

(6 Statements × 2 Marks = 12 Marks)

- (b) Distinguish between Going Concern concept and Cost concept. (4 Marks)
- (c) Give journal entries (with narrations) to rectify the following errors located in the books of a Trader after preparing the Trial Balance :
 - (i) An amount of ₹ 4,500 received on account of Interest was credited to Commission account.
 - (ii) A sale of ₹ 2,760 was posted from Sales Book to the Debit of M/S Sobhag Traders at ₹ 2,670
 - (iii) ₹ 35,000 paid for purchase of Airconditioner for the personal use of proprietor debited to Machinery a/c.
 - (iv) Goods returned by customer for ₹ 5,000. The same have been taken into stock but no entry passed in the books of accounts. (4 Marks)

HAF2

HAF2

2. (a) Prepare the Bank Reconciliation Statement of M/s. R.K. Brothers on 30th June 2018 from the particulars given below :

- (i) The Bank Pass Book had a debit balance of ₹ 25,000 on 30th June, 2018.
- (ii) A cheque worth ₹ 400 directly deposited into Bank by a customer but no entry was made in the Cash Book.
- (iii) Out of cheques issued worth ₹ 34,000, cheques amounting to ₹ 20,000 only were presented for payment till 30th June, 2018.
- (iv) A cheque for ₹ 4,000 received and entered in the Cash Book but it was not sent to the Bank.
- (v) Cheques worth ₹ 20,000 had been sent to Bank for collection but the collection was reported by the Bank as under.
 - (1) Cheques collected before 30th June, 2018, ₹ 14,000
 - (2) Cheques collected on 10th July, 2018, ₹ 4,000
 - (3) Cheques collected on 12th July, 2018, ₹ 2,000.
- (vi) The Bank made a direct payment of ₹ 600 which was not recorded in the Cash Book.

HAF2

P.T.O.

(4)

HAF2

- (vii) Interest on Overdraft charged by the bank ₹ 1,600 was not recorded in the Cash Book.
- (viii) Bank charges worth ₹ 80 have been entered twice in the cash book whereas Insurance charges for ₹ 70 directly paid by Bank was not at all entered in the Cash Book.
- (ix) The credit side of bank column of Cash Book was undercast by ₹ 2,000.

(10 Marks)

- (b) A Firm purchased an old Machinery for ₹ 37,000 on 1st January, 2015 and spent ₹ 3,000 on its overhauling. On 1st July 2016, another machine was purchased for ₹ 10,000. On 1st July 2017, the machinery which was purchased on 1st January 2015, was sold for ₹ 28,000 and the same day a new machinery costing ₹ 25,000 was purchased. On 1st July, 2018, the machine which was purchased on 1st July, 2016 was sold for ₹ 2,000.

Depreciation is charged @ 10% per annum on straight line method. The firm changed the method and adopted diminishing balance method with effect from 1st January, 2016 and the rate was increased to 15% per annum. The books are closed on 31st December every year.

Prepare Machinery account for four years from 1st January, 2015.

(10 Marks)

HAF2

(5)

HAF2

3. (a) R & S entered into a joint venture and opened a Joint Bank account with an amount of ₹ 1,50,00,000 towards which R contributed ₹1,00,00,000. They agreed to share profits and losses the ratio of 2 : 1. They purchased a big residential house measuring area of 5,000 sq.ft. @ ₹2,900 per sq.ft. Out of the total area, 200 sq.ft. was left over for general use as a community hall and remaining area was sub-divided in 6 equal flats. Out of those 6 flats, 4 front facing flats were sold by R for ₹ 1,28,00,000 and the remaining 2 flats were sold by S for ₹ 56,00,000.

The following expenses were incurred in connection with above transaction –

Registration fees	:	₹ 1,50,000
Stamp duty	:	₹ 1,00,000
Renovation Exp.	:	₹ 25,00,000

R and S were entitled to brokerage @ 2% on flats sold by them.

Separate books were maintained for the joint venture. You are required to prepare the necessary ledger accounts. (10 Marks)

HAF2

P.T.O.

(6)

HAF2

- (b) On 1st January 2018, Akshay draws two bills of exchange for ₹ 16,000 and ₹ 25,000.

The bill of exchange for ₹ 16,000 is for two months while the bill of exchange for ₹ 25,000 is for three months. These bills are accepted by Vishal. On 4th March, 2018, Vishal requests Akshay to renew the first bill with interest @ 15% p.a. for a period of two months. Akshay agreed to this proposal. On 25th March, 2018, Vishal retires the acceptance for ₹ 25,000, the interest rebate i.e. discount being ₹ 250. Before the due date of the renewed bill, Vishal becomes insolvent and only 50 paise in a rupee could be recovered from his estate.

Show the Journal Entries (with narrations) in the books of Akshay. (5 Marks)

- (c) Attempt any one of the following two sub-parts i.e. either (i) or (ii).

- (i) Two Traders Yogesh and Yusuf buy goods from one another, each allowing the others, one month's credit. At the end of 3 months the accounts rendered are as follows :

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HAF2

Goods sold by Yogesh to Yusuf		Goods sold by Yusuf to Yogesh	
	(₹)		(₹)
April 18	12,000	April 23	10,600
May 15	14,000	May 24	10,000
June 16	16,000		

Calculate the date upon which the balance should be paid so that no interest is due either to Yogesh or Yusuf. (5 Marks)

OR

- (ii) Exe Collieries Co. Ltd. took from M/s. Zed a lease of coal field for a period of 20 years from 1st April 2013, on a royalty of ₹ 25 per tonne of coal extracted with a dead rent of ₹ 2,50,000 per annum with power to recoup short-working during the first five years of the lease. The company closes its books of account on 31st March every year.

The output in the first five years of the lease was as follows :

Year ended	Tonnes
31 st March 2014	3,000
31 st March 2015	4,800
31 st March 2016	10,600
31 st March 2017	16,800
31 st March 2018	21,000

You are required to compute the amount of royalty payable for the years ended 31st March, 2014, 2015, 2016, 2017 and 2018. (5 Marks)

HAF2

P.T.O.

(8)

HAF2

4. (a) Monika, Yedhant and Zoya are in partnership, sharing profits and losses equally. Zoya died on 30th June 2018. The Balance Sheet of Firm as at 31st March 2018 stood as.

Liabilities	Amount	Assets	Amount
	₹		₹
Creditors	20,000	Land and Building	1,50,000
General Reserve	12,000	Investments	65,000
Capital Accounts :		Stock in trade	15,000
Monika	1,00,000	Trade receivables	35,000
Yedhant	75,000	Less : Provision for doubtful debt	<u>2,000</u>
Zoya	75,000	Cash in hand	7,000
		Cash at bank	12,000
	<u>2,82,000</u>		<u>2,82,000</u>

In order to arrive at the balance due to Zoya, it was mutually agreed that :

- (i) Land and Building be valued at ₹ 1,75,000
- (ii) Debtors were all good, no provision is required
- (iii) Stock is valued at ₹ 13,500

HAF2

(9)

HAF2

- (iv) Goodwill will be valued at one Year's purchase of the average profit of the past five years. Zoya's share of goodwill be adjusted in the account of Monika and Yedhant.
- (v) Zoya's share of profit from 1st April 2018, to the date of death be calculated on the basis of average profit of preceding three years.
- (vi) The profit of the preceding five years ended 31st March were :

2018	2017	2016	2015	2014
25,000	20,000	22,500	35,000	28,750

You are required to prepare :

- (1) Revaluation account
- (2) Capital accounts of the partners and
- (3) Balance sheet of the Firm as at 1st July 2018. (10 Marks)

- (b) Following particulars are extracted from the books of Mr. Sandeep for the year ended 31st December, 2018.

Particulars	Amount	Particulars	Amount
	₹		₹
<u>Debit Balances :</u>		<u>Credit Balances :</u>	
Cash in hand	1,500	Capital	16,000
Purchase	12,000	Bank overdraft	2,000

HAF2

P.T.O.

(10)

HAF2

Particulars	Amount	Particulars	Amount
	₹		₹
Sales return	1,000	Sales	9,000
Salaries	2,500	Purchase return	2,000
Tax and Insurance	500	Reserve for Bad debts	1,000
Bad debts	500	Creditors	2,000
Debtors	5,000	Commission	500
Investments	4,000	Bills payable	2,500
Opening stock	1,400		
Drawings	2,000		
Furniture	1,600		
Bills receivables	3,000		
	<u>35,000</u>		<u>35,000</u>

Other information :

- (i) Closing stock was valued at ₹ 4,500
- (ii) Salary of ₹ 100 and Tax of ₹ 200 are outstanding whereas insurance ₹ 50 is prepaid.
- (iii) Commission received in advance is ₹ 100
- (iv) Interest accrued on investment is ₹ 210
- (v) Interest on overdraft is unpaid ₹ 300

HAF2

(11)

HAF2

- (vi) Reserve for bad debts is to be kept at ₹ 1,000
- (vii) Depreciation on furniture is to be charged @ 10%

You are required to prepare the final accounts after making above adjustments.

(10 Marks)

5. (a) What do you understand by Ratio Analysis? Find out the value of Current Assets of a company from the following information:

- (i) Inventory Turnover Ratio : 4 Times.
- (ii) Inventory at the end is ₹20,000 more than inventory in the beginning.
- (iii) Revenue from Operations i.e., Net Sales ₹3,00,000.
- (iv) Gross Profit Ratio 25%.
- (v) Current Liabilities ₹ 40,000.
- (vi) Quick Ratio 0.75.

(10 Marks)

HAF2

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(12)

HAF2

- (b) From the following information supplied by M.B.S. Club prepare Receipts and Payments account and Income and Expenditure Account for the year ended 31st March 2019.

	01.04.2018	31.03.2019
	₹	₹
Outstanding subscription	1,40,000	2,00,000
Advance Subscription	25,000	30,000
Outstanding Salaries	15,000	18,000
Cash in Hand and at Bank	1,10,000	?
10% Investment	1,40,000	70,000
Furniture	28,000	14,000
Machinery	10,000	20,000
Sports Goods	15,000	25,000

Subscription for the year amount to ₹ 3,00,000/-. Salaries paid ₹ 60,000. Face value of the Investment was ₹ 1,75,000, 50% of the Investment was sold at 80% of Face Value. Interest on Investments was received ₹ 14,000. Furniture was sold for ₹ 8000 at the beginning of the year. Machinery and Sports Goods purchased and put to use at the last date of the year. Charge depreciation @ 15% p.a. on Machinery and Sports Goods and @10% p.a. on Furniture.

HAF2

(13)

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Following Expenses were made during the year :

Sports Expenses: ₹ 50,000

Rent : ₹ 24,000 out of which ₹ 2,000 outstanding

Misc. Expenses : ₹ 5,000

(10 Marks)

6. (a) Bhagwati Ltd. invited applications for issuing 2,00,000 equity shares of ₹ 10 each.

The amounts were payable as follows :

On application – ₹ 3 per share

On allotment – ₹. 5 per share

On first and final call – ₹ 2 per share.

Applications were received for 3,00,000 shares and pro-rata allotment was made to all the applicants. Money overpaid on application was adjusted towards allotment money. B, who was allotted 3,000 shares, failed to pay the first and final call money. His shares were forfeited. Out of the forfeited shares, 2,500 shares were reissued as fully paid - up @ ₹ 6 per share.

Pass necessary Journal entries to record the above transactions in the books of Bhagwati Ltd.

(10 Marks)

HAF2

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(14)

HAF2

- (b) On 1st January 2018, Ankit Ltd. issued 10% debentures of the face value of ₹ 20,00,000 at 10% discount. Debenture interest after deducting tax at source @10% was payable on 30th June and 31st December every year. All the debentures were to be redeemed after the expiry of five year period at 5% premium.

Pass necessary journal entries for the accounting year 2018.

(5 Marks)

- (c) Raj Ltd. Prepared their accounts for financial year ended on 31st March 2019. Due to unavoidable circumstances actual stock has been taken on 10th April 2019, when it was ascertained at ₹1,25,000. It has been found that ;

- (i) Sales are entered in the Sales Book on the day of dispatch and return inwards in the Returns Inward Book on the day of the goods received back.
- (ii) Purchases are entered in the Purchase Book on the day the Invoices are received.
- (iii) Sales between 1st April 2019 to 9th April 2019 amounting to ₹ 20,000 as per Sales Day Book.
- (iv) Free samples for business promotion issued during 1st April 2019 to 9th April 2019 amounting to ₹ 4,000 at cost.
- (v) Purchases during 1st April 2019 to 9th April 2019 amounting to ₹10,000 but goods amounts to ₹ 2,000 not received till the date of stock taking.

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(15)

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- (vi) Invoices for goods purchased amounting to ₹ 20,000 were entered on 28th March 2019 but the goods were not included in stock.

Rate of Gross Profit is 25% on cost.

Ascertain the value of Stock as on 31st March 2019.

(5 Marks)

HAF2

P.T.O.

Roll No.

NOV 2018

Total No. of Questions – 6 **Foundation (New Syllabus)**
Paper - 1

Total No. of Printed Pages – 8

Time Allowed – 3 Hours **Principles and Practice**
of Accounting

Maximum Marks – 100

DSNQ

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium and answers in Hindi, his/her answers in Hindi will not be valued.

Question No. 1 is compulsory.

Candidates are required to answer any **four** questions from the remaining **five** questions.

Working notes should form part of your answer.

Marks

1. (a) State with reasons, whether the following statements are true or false : **6×2**
(i) Overhauling expenses for the engine of motor car to get better fuel efficiency is revenue expenditure. **=12**
(ii) Depreciation is a non-cash expense and does not result in any cash outflow.
(iii) Fees received for Life Membership is a revenue receipt as it is of recurring nature.
(iv) If Closing Stock appears in the Trial Balance :
The closing inventory is then not entered in Trading Account. It is shown only in the balance sheet.
(v) Inventory Turnover Ratio is also known as Stock Turnover Ratio.
(vi) If del-credere commission is paid to consignee, the loss of bad debts is to be borne by the consignor.
- (b) Discuss the limitations which must be kept in mind while evaluating the Financial Statements. **4**
- (c) A Plant & Machinery costing ₹ 10,00,000 is depreciated on straight line assuming 10 year working life and zero residual value, for four years. At the end of the fourth year, the machinery was revalued upwards by ₹ 40,000. The remaining useful life was reassessed at 8 years. Calculate Depreciation for the fifth year. **4**

DSNQ

P.T.O.

(2)

DSNQ

Marks

2. (a) The following mistakes were located in the books of a concern after its books were closed and a Suspense Account was opened in order to get the Trial Balance agreed : 10
- (i) Sales Day Book was overcast by ₹ 1,000.
 - (ii) A sale of ₹ 5,000 to X was wrongly debited to the Account of Y.
 - (iii) General expenses ₹ 180 was posted in the General Ledger as ₹ 810.
 - (iv) A Bill Receivable for ₹ 1,550 was passed through Bills Payable Book. The Bill was given by P.
 - (v) Legal Expenses ₹ 1,190 paid to Mrs. Neetu was debited to her personal account.
 - (vi) Cash received from Ram was debited to Shyam ₹ 1,500.
 - (vii) While carrying forward the total of one page of the Purchases Book to the next, the amount of ₹ 1,235 was written as ₹ 1,325.
- Find out the nature and amount of the Suspense Account and pass entries (including narration) for the rectification of the above errors in the subsequent year's books.
- (b) Define the term "Royalty" and give any four examples for the same. 5
- (c) Attempt any one of the following two sub-parts i.e. Either (i) or (ii). 5
- (i) From the following particulars prepare an account current, as sent by Mr. AB to Mr. XY as on 31st October, 2018 by means of product method charging interest @ 5% p.a.

Date	Particulars	(₹)
1 st July	Balance due from XY	1,500
20 th August	Sold goods to XY	2,500
28 th August	Goods returned by XY	400
25 th September	XY paid by cheque	1,600
20 th October	Received cash from XY	1,000

(OR)

DSNQ

(3)

DSNQ

Marks

5

- (ii) Mr. Ganesh sends out goods on approval to few customers and includes the same in the Sales Account. On 31.03.2018, the Trade Receivables balance stood at ₹ 75,000 which included ₹ 6,500 goods sent on approval against which no intimation was received during the year. These goods were sent out at 30% over and above cost price and were sent to –

Mr. Adhitya ₹ 3,900 and Mr. Bakkiram ₹ 2,600.

Mr. Adhitya sent intimation of acceptance on 25th April, 2018 and Mr. Bakkiram returned the goods on 15th April, 2018.

Make the adjustment entries and show how these items will appear in the Balance Sheet as on 31st March, 2018. Show also the entries to be made during April, 2018. Value of Closing Inventories as on 31st March, 2018 was ₹ 50,000.

3. (a) Dinesh, Ramesh and Naresh are partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. Their Balance Sheet as on 31st March, 2018 is as below :

15

Liabilities	(₹)	Assets	(₹)
Trade Payables	22,500	Land & Buildings	37,000
Outstanding Liabilities	2,200	Furniture & Fixtures	7,200
General Reserve	7,800	Closing stock	12,600
<u>Capital Accounts :</u>		Trade Receivables	10,700
Dinesh 15,000		Cash in hand	2,800
Ramesh 15,000		Cash at Bank	2,200
Naresh <u>10,000</u>	40,000		
	72,500		72,500

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(4)

DSNQ**Marks**

The partners have agreed to take Suresh as a partner with effect from 1st April, 2018 on the following terms :

- (i) Suresh shall bring ₹ 8,000 towards his capital.
- (ii) The value of stock to be increased to ₹ 14,000 and Furniture & Fixtures to be depreciated by 10%.
- (iii) Reserve for bad and doubtful debts should be provided at 5% of the Trade Receivables.
- (iv) The value of Land & Buildings to be increased by ₹ 5,600 and the value of the goodwill be fixed at ₹ 18,000.
- (v) The new profit sharing ratio shall be divided equally among the partners.

The outstanding liabilities include ₹ 700 due to Ram which has been paid by Dinesh. Necessary entries were not made in the books.

Prepare (i) Revaluation Account, (ii) Capital Accounts of the partners, (iii) Balance Sheet of the firm after admission of Suresh.

- (b) Mr. Fazhil is a proprietor in business of trading. An abstract of his Trading and P & L account is as follows :

5

Trading and P & L A/c for the year ended 31st March, 2018.

Particulars	(₹)	Particulars	(₹)
To Cost of Goods sold	22,00,000	By Sales	45,00,000
To Gross Profit C/d	?		
	?		45,00,000
To Salaries paid	12,00,000	By Gross Profit B/d	?
To General Expenses	6,00,000	By Other Income	45,000
To Selling Expenses	?		
To Commission to Manager (On Net profit before charging such commission)	1,00,000		
To Net Profit	?		
	?		?

Selling expenses amount to 1% of total Sales.

You are required to compute the missing figure.

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(5)

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Marks

4. (a) Raj of Gwalior consigned 15,000 kgs of Ghee at ₹ 30 per kg to his agent Siraj at Delhi. He spent ₹ 5 per kg as freight and insurance for sending the Ghee at Delhi. On the way 100 kgs. of Ghee was lost due to the leakage (which is to be treated as normal loss) and 400 kgs. of Ghee was destroyed in transit. ₹ 9,000 was paid to consignor directly by the Insurance company as Insurance claim.

10

Siraj sold 7,500 kgs. at ₹ 60 per kg. He spent ₹ 33,000 on advertisement and recurring expenses.

You are required to calculate :

- The amount of abnormal loss.
 - Value of stock at the end and
 - Prepare Consignment account showing profit or loss on consignment, if Siraj is entitled to 5% commission on sales.
- (b) Prepare a bank reconciliation statement from the following particulars as on 31st March, 2018.

10

Particulars	(₹)
Debit balance as per bank column of the cash book	18,60,000
Cheque issued to creditors but not yet presented to the Bank for payment	3,60,000
Dividend received by the bank but not entered in the Cash book	2,50,000
Interest allowed by the Bank	6,250
Cheques deposited into bank for collection but not collected by bank up to this date	7,70,000
Bank charges not entered in Cash Book	1,000
A cheque deposited into bank was dishonored, but no intimation received	1,60,000
Bank paid house tax on our behalf, but no intimation received from bank in this connection	1,75,000

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(6)

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5. (a) You are provided with the followings :

10

Balance Sheet as on 31st March, 2017

Liabilities	(₹)	Assets	(₹)
Capital Fund	1,06,200	Building	1,50,000
Subscription received in Advance	6,000	Outstanding Subscription	3,800
Outstanding Expenses	14,000	Outstanding Locker Rent	2,400
Loan	40,000	Cash in Hand	20,000
Sundry Creditors	10,000		
Total	1,76,200	Total	1,76,200

The Receipts and Payment account for the year ended on 31st March, 2018

Receipts	(₹)	Payments	(₹)
To Balance b/d		<u>By Expenses :</u>	
Cash in Hand	20,000	For 2017 12,000	
<u>To Subscriptions :</u>		For 2018 <u>20,000</u>	32,000
For 2017 2,000		By Land	40,000
For 2018 21,000		By Interest	4,000
For 2019 <u>1,000</u>	24,000	By Miscellaneous Expenses	4,700
To Entrance Fees	38,000	By Balance c/d	
To Locker Rent	7,000	Cash in Hand	18,300
To Sale proceeds of old newspapers	1,000		
To Miscellaneous Income	9,000		
	99,000		99,000

You are required to prepare Income and Expenditure account for the year ended 31st March, 2018 and a Balance Sheet as at 31st March, 2018 (Workings should form part of your answer).

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(7)

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Marks

- (b) With the following ratios and further information given below, you are required to prepare a Trading account and Profit & Loss account and a Balance Sheet of Sri Ganesh :

10

- (i) Gross Profit Ratio = 25%
- (ii) Net Profit / Sales = 20%
- (iii) Stock Turnover Ratio = 10
- (iv) Net Profit / Capital = 1/5
- (v) Capital to Total other Liabilities = 1/2
- (vi) Fixed Assets / Capital = 5/4
- (vii) Fixed Assets / Total Current Assets = 5/7
- (viii) Fixed Assets = ₹ 10,00,000
- (ix) Closing Stock = ₹ 1,00,000

6. (a) Give necessary journal entries for the forfeiture and re-issue of shares :

10

- (i) X Ltd. forfeited 300 shares of ₹ 10 each fully called up, held by Ramesh for non-payment of allotment money of ₹ 3 per share and final call of ₹ 4 per share. He paid the application money of ₹ 3 per share. These shares were re-issued to Suresh for ₹ 8 per share.
- (ii) X Ltd. forfeited 200 shares of ₹ 10 each (₹ 7 called up) on which Naresh had paid application and allotment money of ₹ 5 per share. Out of these, 150 shares were re-issued to Mahesh as fully paid up for ₹ 6 per share.
- (iii) X Ltd. forfeited 100 shares of ₹ 10 each (₹ 6 called up) issued at a discount of 10% to Dimple on which she paid ₹ 2 per share. Out of these, 80 shares were re-issued to Simple at ₹ 8 per share and called up for ₹ 6 per share.

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(8)

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Marks

- (b) Pure Ltd. issues 1,00,000 12% Debentures of ₹ 10 each at ₹ 9.40 on 1st January, 2018. Under the terms of issue, the Debentures are redeemable at the end of 5 years from the date of issue. 5

Calculate the amount of discount to be written-off in each of the 5 years.

- (c) Karan purchased goods from Arjun, the average due date for payment in cash is 10.08.2018 and the total amount due is ₹ 1,75,800. How much amount should be paid by Karan to Arjun, if total payment is made on following dates and interest is to be considered at the rate of 15% p.a. 5

(i) On average due date

(ii) On 28th August, 2018.

(iii) On 29th July, 2018

DSNQ

Foundation (New Syllabus)
Paper - 1
Principles and Practice
of Accounting

JMKS

MAY 2018

Roll No.

Total No. of Printed Pages : 12

Total No. of Questions : 6

Maximum Marks : 100

Time allowed : 3 Hours

INSTRUCTIONS TO CANDIDATES

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium and answers in Hindi, his/her answers in Hindi will not be valued.

Question No. 1 is compulsory.

Candidates are required to answer any **four** questions from the remaining **five** questions.

In case, any candidate answers extra question(s)/sub-question(s) over and above the required number, then only the requisite number of questions first answered in the answer book shall be valued and subsequent extra question(s) answered shall be ignored.

Working notes should form part of the answer.

Wherever necessary, suitable assumptions may be made and indicated in the answer by the candidates.

1. (a) State with reasons, whether the following statements are true or false :
 - (i) Expenses in connection with obtaining a license for running the Cinema Hall is Revenue Expenditure.
 - (ii) Re-issue of forfeited shares is allotment of shares but not a sale.
 - (iii) If the effect of errors committed cancel out, the errors will be called compensating errors and the trial balance will disagree.
 - (iv) There are two ways of preparing an account current.

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P.T.O.

(2)

JMKS

- (v) when there is no partnership deed prevails, the interest on loan of a partner to be paid @ 6%.
- (vi) Interest coverage ratio indicates the firm's ability to pay off current interest and installments.

(6 Statements × 2 Marks = 12 Marks)

(b) Differentiate between provision and contingent liability. (4 Marks)

(c) Give journal entries (narrations not required) to rectify the following:

- (i) Purchase of Furniture on credit from Nigam for Rs.3,000 posted to Subham account as Rs.300.
- (ii) A Sales Return of Rs.5,000 to Jyothy was not entered in the financial accounts though it was duly taken in the stock book.
- (iii) Investments were sold for Rs.75,000 at a profit of Rs.15,000 and passed through Sales account.
- (iv) An amount of Rs.10,000 withdrawn by the proprietor (Darshan) for his personal use has been debited to Trade Expenses account. (4 Marks)

2. (a) Shri Ganpath of Nagpur consigns 500 cases of goods costing ₹ 1,500 each to Rawat of Jaipur. Shri Ganpath pays the following expenses in connection with the consignment :

Particulars	₹
Carriage	15,000
Freight	45,000
Loading Charges	15,000

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(3)

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Shri Rawat sells 350 cases at ₹ 2,100 per case and incurs the following expenses:

Clearing charges	18,000
Warehousing and Storage charges	25,000
Packing and selling expenses	7,000

It is found that 50 cases were lost in transit and another 50 cases were in transit. Shri Rawat is entitled to a commission of 10% on gross sales. Draw up the Consignment Account and Rawat's Account in the books of Shri Ganpath.

(10 Marks)

- (b) Mr. Alok owes Mr. Chirag ₹ 650 on 1st January 2018. From January to March, the following further transactions took place between Alok and Chirag :

January 15	Alok buys goods	₹ 1,200
February 10	Alok buys goods	₹ 850
March 7	Alok receives Cash loan	₹ 1,500

Alok pays the whole amount on 31st March, 2018 together with interest @ 6% per annum. Calculate the interest by average due date method.

(5 Marks)

- (c) Attempt any one of the following two sub-parts i.e. either (i) or (ii)

- (i) Mr. Badhri sends goods to his customers on Sale or Return. The following transactions took place during the month of December 2017.

December 2nd – Sent goods to customers on sale or return basis at cost plus 25%—₹ 80,000

December 10th – Goods returned by customers – ₹ 35,000

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P.T.O.

(4)

JMKS

December 17th – Received letters from customers for approval – ₹ 35,000

December 23rd – Goods with customers awaiting approval – ₹ 15,000

Mr. Badhri records sale or return transactions as ordinary sales. You are required to pass the necessary Journal Entries in the books of Mr. Badhri assuming that the accounting year closes on 31st Dec. 2017. (5 Marks)

OR

- (ii) From the following prepare an account current, as sent by Avinash to Bhuvanesh on 31st March, 2018 by means of products method charging interest @ 5% per annum:

Date	Particulars	Amount (₹)
2018 January 1	Balance due from Bhuvanesh	1,800
January 10	Sold goods to Bhuvanesh	1,500
January 15	Bhuvanesh returned goods	650
February 12	Bhuvanesh paid by cheque	1,000
February 20	Bhuvanesh accepted a bill drawn by Avinash for one month	1,500
March 11	Sold goods to Bhuvanesh	720
March 14	Received cash from Bhuvanesh	800

(5 Marks)

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(5)

JMKS

3. The following are the balances extracted from the books of Shri Raghuram as on 31.03.2018, who carries on business under the name and style of M/s Raghuram and Associates., at Chennai :

Particulars	Debit (₹)	Credit (₹)
Capital A/c		14,11,400
Purchases	12,00,000	
Purchase Returns		18,000
Sales		15,00,000
Sales Returns	24,000	
Freight Inwards	62,000	
Carriage Outwards	8,500	
Rent of Godown	55,000	
Rates and Taxes	24,000	
Salaries	72,000	
Discount allowed	7,500	
Discount received		12,000
Drawings	20,000	
Printing and Stationery	6,000	
Insurance premium	48,000	
Electricity charges	14,000	

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P.T.O.

(6)

JMKS

Particulars	Debit (₹)	Credit (₹)
General expenses	11,000	
Bank charges	3,800	
Bad debts	12,200	
Repairs to Motor vehicle	13,000	
Interest on loan	4,400	
Provision for Bad debts		10,000
Loan from Mr. Rajan		60,000
Sundry creditors		62,000
Motor vehicles	1,00,000	
Land and Buildings	5,00,000	
Office equipment	2,00,000	
Furniture and Fixtures	50,000	
Stock as on 31.03.2017	3,20,000	
Sundry debtors	2,80,000	
Cash at Bank	22,000	
Cash in Hand	16,000	
Total	30,73,400	30,73,400

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(7)

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Prepare Trading and Profit and Loss Account for the year ended 31.03.2018 and the Balance Sheet as at that date after making provision for the following:

- (a) Depreciate Building by 5%, Furniture and Fixtures by 10%, Office Equipment by 15% and Motor Car by 20%.
- (b) Value of stock at the close of the year was ₹ 4,10,000.
- (c) One month rent for godown is outstanding.
- (d) Interest on loan from Rajan is payable @ 10% per annum. This loan was taken on 01.07.2017.
- (e) Reserve for bad debts is to be maintained at 5% of Sundry debtors.
- (f) Insurance premium includes ₹42,000 paid towards proprietor's life insurance policy and the balance of the insurance charges cover the period from 01.04.2017 to 30.06.2018. (20 Marks)

4. (a) Piyush Limited is a company with an authorized share capital of ₹2,00,00,000 in equity shares of ₹ 10 each, of which 15,00,000 shares had been issued and fully paid on 30th June, 2017. The company proposed to make a further issue of 1,30,000 shares of ₹ 10 each at a price of ₹ 12 each, the arrangements for payment being :
- (i) ₹ 2 per share payable on application, to be received by 1st July, 2017;
 - (ii) Allotment to be made on 10th July, 2017 and a further ₹ 5 per share (including the premium) to be payable;
 - (iii) The final call for the balance to be made, and the money received by 30th April, 2018.

Applications were received for 4,20,000 shares and were dealt with as follows:

- (1) Applicants for 20,000 shares received allotment in full;
- (2) Applicants for 1,00,000 shares received an allotment of one share for every two applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;

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P.T.O.

(8)

JMKS

- (3) Applicants for 3,00,000 shares received an allotment of one share for every five shares applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and
- (4) The money due on final call was received on the due date.

You are required to record these transactions (including cash items) in the journal of Piyush limited. (10 Marks)

- (b) A, B and C are partners sharing profits in the ratio of 3:2:1. Their Balance Sheet as at 31st March, 2018 stood as :

Liabilities	₹	Assets	₹
Capital Accounts		Building	10,00,000
A	8,00,000	Furniture	2,40,000
B	4,20,000	Office equipments	2,80,000
C	4,00,000	Stock	2,50,000
	<u>16,20,000</u>		
Sundry Creditors	3,70,000	Sundry debtors	3,00,000
General Reserves	3,60,000	Less : Provision for Doubtful debts	30,000
			<u>2,70,000</u>
		Joint life policy	1,60,000
		Cash at Bank	1,50,000
	<u>23,50,000</u>		<u>23,50,000</u>

B retired on 1st April, 2018 subject to the following conditions :

- (i) Office Equipments revalued at Rs. 3,27,000.
- (ii) Building revalued at Rs.15,00,000. Furniture is written down by Rs.40,000 and Stock is reduced to Rs,2,00,000.

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- (iii) Provision for Doubtful Debts is to be created @ 5% on Debtors.
- (iv) Joint Life Policy will appear in the Balance Sheet at surrender value after B's retirement. The surrender value is Rs.1,50,000.
- (v) Goodwill was to be valued at 3 years purchase of average 4 years profit which were :

Year	Rs.
2014	90,000
2015	1,40,000
2016	1,20,000
2017	1,30,000

- (vi) Amount due to B is to be transferred to his Loan Account.

Prepare the Revaluation Account, Partners' Capital Accounts and the Balance Sheet immediately after B's retirement. (10 Marks)

5. (a) You are provided with the following details:

Current ratio	2.5
Liquidity ratio	1.5
Net Working Capital	Rs,3,00,000
Stock Turnover Ratio	6 times
Ratio of Gross Profit on Sales	20%
Turnover to Fixed assets (net)	2 times
Average debt collection period	2 months
Fixed Assets to net worth	0.8
Reserve and Surplus to Capital	0.5

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(10)

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Draw up the Balance Sheet as at 31st March, 2018 of Zoom Ltd. with appropriate figures:

Zoom Ltd.			
Balance Sheet as at 31 st March, 2018			
Liabilities	Rs.	Assets	Rs.
Share Capital	?	Fixed Assets	?
Reserves and Surplus	?	Stock	?
Long-Term Borrowings	1,50,000	Debtors	?
Current Liabilities	?	Bank	50,000
Total	<u>11,00,000</u>		<u>11,00,000</u>

(10 Marks)

- (b) Calculate the Trade Receivables Turnover Ratio, the average collection period and Gross Profit Ratio from the following information :

Particulars	₹
Total revenue from operations	— 6,00,000
Cash revenue from operations	— 25% of Total Revenue from operations
Trade Receivables as at 01.04.2017	— 60,000
Trade Receivables as at 31.03.2018	— 1,40,000
Cost of Revenue from Operations	— 4,20,000

(10 Marks)

6. (a) The Bank Pass Book of Account No.5678 of Mrs.Rani showed an overdraft of Rs.33,575 on 31st March 2018. On going through the Pass Book, the accountant found the following :

- A Cheque of Rs.1,080 credited in the pass book on 28th March 2018 being dishonoured is debited again in the pass book on 1st April 2018. There was no entry in the cash book about the dishonour of the cheque until 15th April 2018.
- Bankers had credited her account with Rs.2,800 for interest collected by them on her behalf, but the same has not been entered in her cash book.

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- (iii) Out of Rs.20,500 paid in by Mrs.Rani in cash and by cheques on 31st March 2018 cheques amounting to Rs.7,500 were collected on 7th April 2018.
- (iv) Out of Cheques amounting to Rs.7,800 drawn by her on 27th March 2018 a cheque for Rs.2,500 was encashed on 3rd April 2018.
- (v) Bankers seems to have given her wrong credit for Rs.500 paid in by her in Account No.8765 and a wrong debit in respect of a cheque for Rs.300 against her account No.8765.
- (vi) A Cheque for Rs.1,000 entered in Cash Book but omitted to be banked on 31st March, 2018.
- (vii) A Bill Receivable for Rs.5,200 previously dishonoured (Discount Rs.200) with the Bank had been dishonoured but advice was received on 1st April, 2018.
- (viii) A Bill for Rs.10,000 was retired/paid by the bank under a rebate of Rs.175 but the full amount of the bill was credited in the bank column of the Cash Book.
- (ix) A Cheque for Rs.2,400 deposited into bank but omitted to be recorded in Cash Book and was collected by the bank on 31st March, 2018.

Prepare Bank Reconciliation Statement as on 31st March 2018.

(10 Marks)

- (b) Miss Daisy was unable to agree the Trial Balance last year and wrote off the difference to the profit and loss account of that year. On verifying the old books by a Chartered Accountant next year, the following mistakes were found.
- (i) Purchase account was under cast by ₹ 8,000.
 - (ii) Sale of goods to Mr. Rahim for ₹ 2,500 was omitted to be recorded.
 - (iii) Receipt of cash from Mr. Asok was posted to the account of Mr. Anbu ₹ 1,200.
 - (iv) Amount of ₹ 4,167 of sales was wrongly posted as ₹ 4,617.
 - (v) Repairs to Machinery was debited to Machinery Account ₹ 1,800.
 - (vi) A credit purchase of goods from Mr. Paul for ₹ 3,000 entered as sale. Suggest the necessary rectification entries.

(10 Marks)

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P.T.O.