

NOTES: (1) WORKING NOTES SHOULD FORM PART OF ANSWERS.

(2) NEW QUESTION SHOULD BE ON NEW PAGE

Question no. 1 is compulsory, and attempt any four from remaining five questions.

Question 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.
- (v) In case of consignment sale, ownership of goods will be transferred to consignee at the time of receiving the goods.
- (vi) 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.

(6 x 2 Marks = 12 Marks)

(B)

Distinguish between Money measurement concept and matching concept.

(4 Marks)

(C)

A machine was purchased for Rs. 30,00,000 having an estimated total working of 24,000 hours. The scrap value is expected to be Rs. 2,00,000 and anticipated pattern of distribution of effective hours is as follows :

Year

1 – 3 3,000 hours per year

4 - 6 2,600 hours per year

7 - 10 1,800 hours per year

Required : Determine Annual Depreciation under Machine Hour Rate Method.

(4 Marks)

Question 2:**(A)**

The Cash-book of M/s ABC shows Rs. 27,570 as the balance at Bank as on 31st March, 2017. But this does not agree with balance as per the Bank Statement. On scrutiny following discrepancies were found:

- (i) Subsidy Rs. 10,250 received from the government directly by the bank, but not advised to the company.
- (ii) On 15th March, 2017 the payments side of the Cash-book was under cast by Rs. 350.
- (iii) On 20th March, 2017 the debit balance of Rs. 2,156 as on the previous day, was brought forward as credit balance in Cash-book.
- (iv) A customer of the M/s ABC, who received a cash discount of 5% on his account of Rs. 2,000, paid to M/s ABC a cheque on 24th March, 2017. The cashier erroneously entered the gross amount in the Cash-Book.
- (v) On 10th March, 2017 a bill for Rs. 5,700 was discounted from the bank, entered in Cash-book, but proceeds credited in Bank Statement amounted to Rs. 5,500 only.
- (vi) A cheque issued amounting to Rs. 1,725 returned marked 'out of date'. No entry made in Cash-book.
- (vii) Insurance premium Rs. 756 paid directly by bank under a standing order. No entry made in cash-book.
- (viii) A bill receivable for Rs. 1,530 discounted for Rs. 1,500 with the bank had been dishonoured on 30th March, 2017, but advice was received on 1st April, 2017.
- (ix) Bank recorded a Cash deposit of Rs. 1,550 as Rs. 1,505.

Prepare Bank Reconciliation Statement on 31st March, 2017.**(10 Marks)****(B)**

Mr. Roy 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:

- (1) Purchase of a scooter was debited to conveyance account Rs.3,000.
- (2) Purchase account was over-cast by Rs.10,000.
- (3) A credit purchase of goods from Mr. P for Rs.2,000 entered as a sale.
- (4) Receipt of cash from Mr. A was posted to the account of Mr. B Rs.1,000.
- (5) Receipt of cash from Mr. C was posted to the debit of his account, Rs.500.
- (6) Rs. 500 due by Mr. Q was omitted to be taken to the trial balance.
- (7) Sale of goods to Mr. R for Rs.2,000 was omitted to be recorded.
- (8) Amount of Rs.2,395 of purchase was wrongly posted as Rs.2,593.

Mr. Roy used 10% depreciation on vehicles. Suggest the necessary rectification entries.

(10 Marks)

Question 3:

(A)

Manoj of Noida consigned to Kiran of Jaipur, goods to be sold at invoice price which represents 125% of cost. Kiran 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 Manoj were Rs. 15,000. The account sales received by Manoj shows that Kiran has effected sales amounting to Rs. 1,50,000 in respect of 75% of the consignment. His selling expenses to be reimbursed were Rs. 12,000. 10% of consignment goods of the value of Rs. 18,750 were destroyed in fire at the Jaipur godown. Kiran remitted the balance in favour of Manoj.

You are required to prepare consignment account in the books of Manoj along with the necessary calculations.

(10 Marks)

(B)

On 1st January 2018, Akshay draws two bills of exchange for Rs. 16,000 and Rs. 25,000.

The bill of exchange for Rs. 16,000 is for two months while the bill of exchange for Rs. 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 at 15% p.a. for a period of two months. Akshay agreed to this proposal. On 25th March, 2018, Vishal retires the acceptance for Rs. 25,000, the interest rebate i.e. discount being Rs. 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)

The following amounts are due to X by Y. Y wants to pay off (a) on 18th March or (b) on 14th July. Interest rate of 8% p.a. is taken into consideration.

Due Dates	Rs.
10th January	500
26th January (Republic Day)	1,000
23rd March	3,000
18th August (Sunday)	4,000

Determine the amount to be paid in (a) and in (b).

(5 Marks)

OR

(C)

From the following **prepare an account current, as sent by A to B on 30th June, 2016 by means of products method charging interest @ 6% p.a:**

2016		Rs.
Jan. 1	Balance due from B	600
Jan.11	Sold goods to B	520
Jan. 18	B returns Goods	125
Feb 11	B Paid by cheque	400
Feb 14	B accepted a bill drawn by A for one month	300
Apr. 29	Goods sold to B	615
May 15	Received cash from B	700

(5 Marks)

Question 4:

(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:

Liabilities	(Rs.)	Assets	(Rs.)
Trade payables	22,500	Land & Buildings	37,000
Outstanding Liabilities	2,200	Furniture & Fixtures	7,200
General Reserve	7,800	Closing stock	12,600
Capital Accounts:		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>	<u>40,000</u>		
	<u>72,500</u>		<u>72,500</u>

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

- Suresh shall bring Rs. 8,000 towards his capital.
- The value of stock to be increased to Rs. 14,000 and Furniture & Fixtures to be depreciated by 10%.
- Provision for bad and doubtful debts should be provided at 5% of the trade receivables.
- The value of Land & Buildings to be increased by Rs. 5,600 and the value of the goodwill be fixed at Rs. 18,000.
- The new profit sharing ratio shall be divided equally among the partners.

The outstanding liabilities include Rs. 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.

(10 Marks)

(B)

The trial balance of Kumar as at 31st December, 2017 is as follows:

	Dr.	Cr.
	Rs.	Rs.
Kumar's capital account	-	38,345
Stock 1 st January, 2017	23,400	-
Sales	-	1,94,800
Returns inward	4,300	-
Purchases	1,60,850	-
Returns outward	-	2,900
Carriage inwards	9,800	-
Rent & taxes	2,350	-
Salaries & wages	4,650	-
Sundry debtors	12,000	-
Sundry creditors	-	7,400
Bank loan @ 14% p.a.	-	10,000
Bank interest	550	-
Printing and stationary expenses	7,200	-
Bank balance	4,000	-
Discount earned	-	2,220
Furniture & fittings	2,500	-
Discount allowed	900	-
General expenses	5,725	-
Insurance	650	-
Postage & telegram expenses	1,165	-
Cash balance	190	-
Travelling expenses	435	-
Drawings	15,000	-
	2,55,665	2,55,665

The following adjustments are to be made:

- (1) Provision for bad and doubtful debts be created at 5% and for discount @ 2% on sundry debtors.
- (2) Personal purchases of Kumar amounting to Rs. 300 had been recorded in the purchases day book.
- (3) Depreciation on furniture & fittings @ 10% shall be written off.
- (4) Included amongst the debtors is Rs. 1,500 due from Dyal and included amongst the creditors Rs. 500 due to him.
- (5) A quarter of the amount of printing and stationary expenses is to be carried forward to the next year.
- (6) Credit purchase invoice amounting to Rs. 200 had been omitted from the books.

(7) Stock on 31.12.2017 was Rs.39,300.

(8) Interest on bank loan shall be provided for the whole year.

You are required to prepare Trading & profit and loss account for the year ended 31.12.2017.

(10 Marks)

Question 5:

(A)

Doctor Dinesh after retiring from Govt. service, started private practice on 1st April, 2018 with Rs.1,00,000 of his own and Rs.1,50,000 borrowed at an interest of 12% per annum on the security of his life policies. His accounts for the year were kept on cash basis and the following is his summarized cash account:

Receipts	Rs.	Payments	Rs.
Own capital	1,00,000	Medicines purchased	1,22,500
Loan	1,50,000	Surgical equipments	1,25,000
Prescription fees	3,30,000	Motor car	1,60,000
Visiting fees	1,25,000	Motor car expenses	60,000
Fees from lectures	12,000	Wages and salaries	52,500
Pension received	1,50,000	Rent of clinic	30,000
		General charges	24,500
		Household expenses	90,000
		Household Furniture	12,500
		Expenses on daughter's marriage	1,07,500
		Interest on loan	18,000
		Balance at bank	55,000
		Cash in hand	9,500

One-third of the motor car expense may be treated as applicable to the private use of car and Rs. 15,000 of salaries are in respect of domestic servants.

The stock of medicines in hand on 31st March, 2019 was valued at Rs. 47,500.

You are required to prepare his capital account and income and expenditure account for the year ended 31st March, 2019 and balance sheet as on that date. Ignore depreciation on fixed assets.

(10 Marks)

(B)

Mr. Vimal runs a factory which produces soaps. Following details were available in respect of his manufacturing activities for the year ended on 31.3.2016:

Rs.

Opening Work-in-Process (10,000 units)	16,000
Closing Work-in-Process (12,000 units)	20,000
Opening inventory of Raw Materials	1,70,000
Closing inventory of Raw Materials	1,90,000
Purchases	8,20,000
Hire charges of machine @ Rs.0.60 per unit manufactured	
Hire charges of factory	2,20,000
Direct wages-Contracted @ Rs.0.80 per unit manufactured and @ Rs.0.40 per unit of	
Closing W.I.P.	
Repairs and Maintenance	1,80,000
Units produced – 5,00,000 units	

Required

Prepare a Manufacturing Account of Mr. Vimal for the year ended 31.3.2016.

(5 Marks)

(C)

From the following ledger balances, **prepare a trial balance of Anuradha Traders as on 31st March, 2016:**

Account Head	Rs.
Capital	1,00,000
Sales	1,66,000
Purchases	1,50,000
Sales return	1,000
Discount allowed	2,000
Expenses	10,000
Trade receivables	75,000
Trade payables	25,000
Investments	15,000
Cash at bank and in hand	37,000
Interest received on investments	1,500
Insurance paid	2,500

(5 Marks)

Question 6:

(A)

Give necessary journal entries for the forfeiture and re-issue of shares:

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

(10 Marks)

(B)

Pure Ltd. issues 1,00,000 12% Debentures of Rs. 10 each at Rs. 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.

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

(5 Marks)

(C)

A trader prepared his accounts on 31st March, each year. Due to some unavoidable reasons, no stock taking could be possible till 15th April, 2018 on which date the total cost of goods in his godown came to Rs. 50,000. The following facts were established between 31st March and 15th April, 2018.

- (i) Sales Rs. 41,000 (including cash sales Rs. 10,000)
- (ii) Purchases Rs. 5,034 (including cash purchases Rs. 1,990)
- (iii) Sales Return Rs. 1,000.
- (iv) On 15th March, goods of the sale value of Rs. 10,000 were sent on sale or return basis to a customer, the period of approval being four weeks. He returned 40% of the goods on 10th April, approving the rest; the customer was billed on 16th April.
- (v) The trader had also received goods costing Rs. 8,000 in March, for sale on consignment basis; 20% of the goods had been sold by 31st March, and another 50% by the 15th April. These sales are not included in above sales.

Goods are sold by the trader at a profit of 20% on sales.

You are required to ascertain the value of Inventory as on 31st March, 2018.

(5 Marks)