

# 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.

- |    |   | <b>Marks</b>       |
|----|---|--------------------|
| 1. | (a) State with reasons, whether the following statements are True or False:                                   | <b>6×2<br/>=12</b> |
|    | (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.                         |                    |

- (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 1<sup>st</sup> April, 2020 was ₹ 28,54,000. Out of this, a plant having book value of ₹ 2,16,000 as on 1<sup>st</sup> April, 2020 was sold on 1<sup>st</sup> 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 1<sup>st</sup> 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 31<sup>st</sup> 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.

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- (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 31<sup>st</sup> March, 2021: 5
  - (i) Debit balance as per Bank Pass Book ₹ 3,500.
  - (ii) A cheque amounting to ₹ 2,500 deposited on 15<sup>th</sup> March, but the same was returned by the Bank on 24<sup>th</sup> 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.

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

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 1<sup>st</sup> January, 2016 at the rate of

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

(i) ₹ 10,000 on 1<sup>st</sup> January, 2017

(ii) ₹ 20,000 on 1<sup>st</sup> January, 2018

(iii) ₹ 30,000 on 1<sup>st</sup> January, 2019

(iv) ₹ 40,000 on 1<sup>st</sup> January, 2020

(v) ₹ 50,000 on 1<sup>st</sup> 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.

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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 31<sup>st</sup> March, 2021. The particulars of the same are as under :

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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.

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Show the Consignment Account.

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4. (a) Karuna decided to start business of fashion garments under the name of M/s. Designer Wear on 1<sup>st</sup> 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 <sup>th</sup> June, 2020	–	₹ 15,000 principal + ₹ 9,000 interest
30 <sup>th</sup> September, 2020	–	₹ 15,000 principal + ₹ 8,550 interest
31 <sup>st</sup> December, 2020	–	₹ 15,000 principal + ₹ 8,100 interest
31 <sup>st</sup> 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	

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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 31<sup>st</sup> 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 31<sup>st</sup> March, 2021 are as follows:

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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

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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 31<sup>st</sup> March, 2021.
- (ii) Balance Sheet as on 31<sup>st</sup> March, 2021

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

(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.

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(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 10<sup>th</sup> June. The surrender value of the policy on 31<sup>st</sup> December of various years was as follows :

2017	-	Nil
2018	-	₹ 900
2019	-	₹ 2,000
2020	-	₹ 3,600

Rama retired on 15<sup>th</sup> 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).

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(ii) PQR Limited's Profit and Loss account for the year ended 31<sup>st</sup> 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 :

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- (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 30<sup>th</sup> 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 30<sup>th</sup> September, 2020 after crediting his share of profit to that date, however showed a debit balance of ₹ 1,920.

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Firm profits were for the year ended

– 31 <sup>st</sup> March, 2017	– ₹ 70,400
– 31 <sup>st</sup> March, 2018	– ₹ 56,320
– 31 <sup>st</sup> March, 2019	– ₹ 48,160
– 31 <sup>st</sup> 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 ?

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