

QUESTION NO.1 is compulsory and attempt any four out of five questions.

QUESTION NO.1

QUESTION NO.A

(6 Statements x 2 Marks = 12 Marks)

State with reasons whether the following statements are True or False:

- In the calculation of average due date, only the due date of first transaction must be taken as the base date.
- Accrual concept implies accounting on cash basis.
- Fixed Assets Turnover ratio indicates the firm's ability of generating sales per rupee of long term investment.
- Partners can share profits or losses in their capital ratio, when there is no agreement.
- When shares are forfeited, the share capital account is debited with called up capital of shares forfeited and the share forfeiture account is credited with Calls in arrear of shares forfeited.
- Capital + Long Term Liabilities= Fixed Assets + Current Assets + Cash- Current Liabilities.

QUESTION NO.B

“Change in accounting policy may have a material effect on the items of financial statements.” Explain the statement with the help of an example. **(4 MARKS)**

QUESTION NO.C

(4 MARKS)

Calculate the missing amount for the following.

| | Assets | Liabilities | Capital |
|-----|-------------|-------------|-----------|
| (a) | 30,00,000 | 5,00,000 | ? |
| (b) | ? | 3,00,000 | 1,50,000 |
| (c) | 29,00,000 | ? | 27,50,000 |
| (d) | 1,14,00,000 | (5,60,000) | ? |

QUESTION NO.2

- Arjuna and Bheema entered into a Joint Venture for the production and sale of “Mahabharat” CDs during a festival season. Arjuna contributed Rs. 3,00,000 and Bheema contributed Rs. 2,00,000 to the venture. They incurred the following expenses towards Joint Venture – (a) Payment to Artists and Technicians – Rs. 2,80,000, (b) Hire Charges for Equipment, Lab Fees, etc. – Rs. 1,20,000, (c) CD Making, Packing and Promotion Expenses – Rs. 75,000.

They made 20,000 CDs and sold 16,000 CDs during the festival season at Rs. 45 per CD. Bheema directly received the sale proceeds of 2,500 CDs out of the above 16,000 CDs.

Arjuna took over 3,000 CDs at an agreed cost of Rs. 25 per CD. 1,000 CDs were found defective at the end of the season and had to be scrapped.

Separate books were maintained for the Venture, and the profits were divided in the ratio 3 : 2. Give Journal Entries and Ledger Accounts in the books of the Joint Venture. **(10 Marks)**

B. Smith Library Society showed the following position on 31st March, 2017:

Balance Sheet as on 31st March, 2017

| Liabilities | Rs. | Assets | Rs. |
|------------------|-----------------|--------------------------|-----------------|
| Capital fund | 7,93,000 | Electrical fittings | 1,50,000 |
| Expenses payable | 7,000 | Furniture | 50,000 |
| | | Books | 4,00,000 |
| | | Investment in securities | 1,50,000 |
| | | Cash at bank | 25,000 |
| | | Cash in hand | <u>25,000</u> |
| | <u>8,00,000</u> | | <u>8,00,000</u> |

The receipts and payment account for the year ended on 31st March, 2018 is given below:

| | Rs. | | Rs. |
|--------------------------------|----------|------------------------------|--------|
| To Balance b/d | | By Electric charges | 7,200 |
| Cash at bank 25,000 | | By Postage and stationary | 5,000 |
| Cash in hand <u>25,000</u> | 50,000 | By Telephone charges | 5,000 |
| To Entrance fee | 30,000 | By Books purchased | 60,000 |
| To Membership subscription | 2,00,000 | By Outstanding expenses paid | 7,000 |
| To Sale proceeds of old papers | 1,500 | By Rent | 88,000 |
| To Hire of lecture hall | 20,000 | By Investment in securities | 40,000 |
| To Interest on securities | 8,000 | By Salaries | 66,000 |

| | | | |
|--|-----------------|----------------|-----------------|
| | | By Balance c/d | |
| | | Cash at bank | 20,000 |
| | | Cash in hand | <u>11,300</u> |
| | <u>3,09,500</u> | | <u>3,09,500</u> |

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 after making the following adjustments:

Membership subscription included Rs. 10,000 received in advance. Provide for outstanding rent Rs. 4,000 and salaries Rs. 3,000.

Books to be depreciated @ 10% including additions. Electrical fittings and furniture are also to be depreciated at the same rate.

75% of the entrance fees is to be capitalized.

Interest on securities is to be calculated @ 5% p.a. including purchases made on 1.10.2017 for Rs.40,000. **(10 MARKS)**

QUESTION NO.3

- A. Neha & Co. is a partnership firm with partners Mr. P, Mr. Q and Mr. R, sharing profits and losses in the ratio of 10:6:4. The balance sheet of the firm as at 31st March, 2018 is as under:

| Liabilities | | Rs. | Assets | Rs. |
|--------------------------|--------|-----------------|---------------------|-----------------|
| Capitals: | | | Land | 10,000 |
| Mr. P | 80,000 | | Buildings | 2,00,000 |
| Mr. Q | 20,000 | | Plant and machinery | 1,30,000 |
| Mr. R | 30,000 | 1,30,000 | Furniture | 43,000 |
| Reserves | | | Investments | 12,000 |
| (un-appropriated profit) | | 20,000 | Inventories | 1,30,000 |
| Long Term Debt | | 3,00,000 | Trade receivables | 1,39,000 |
| Bank Overdraft | | 44,000 | | |
| Trade payables | | 1,70,000 | | |
| | | <u>6,64,000</u> | | <u>6,64,000</u> |

It was mutually agreed that Mr. Q will retire from partnership and in his place Mr. T will be admitted as a partner with effect from 1st April, 2018. For this purpose, the following adjustments are to be made:

- (a) Goodwill is to be valued at Rs.1 lakh but the same will not appear as an asset in the books of the reconstituted firm.
- (b) Buildings and plant and machinery are to be depreciated by 5% and 20% respectively. Investments are to be taken over by the retiring partner at Rs. 15,000. Provision of 20% is to be made on Trade receivables to cover doubtful debts.
- (c) In the reconstituted firm, the total capital will be Rs. 2 lakhs which will be contributed by Mr. P, Mr. R and Mr. T in their new profit sharing ratio, which is 2:2:1.
- (i) The surplus funds, if any, will be used for repaying bank overdraft.
- (ii) The amount due to retiring partner shall be transferred to his loan account.

Required:

Prepare

- (a) Revaluation account;
- (b) Partners' capital accounts;
- (c) Bank account; and
- (d) Balance sheet of the reconstituted firm as on 1st April, 2018. **(10 MARKS)**

B. On 1st June, 2017, Suraj Ltd. issued 86,000 shares of Rs. 100 each payable as follows: Rs. 20 on application;

Rs. 20 on allotment;

First call of Rs. 30 on 1st Dec, 2017; and

Second and final call of Rs. 30 on 1st March, 2018.

By 20th July, 80,000 shares were applied for and all applications were accepted. Allotment was made on 1st Aug. All sums due on allotment were received on 15th Sept; those on 1st call were received on 20th Dec.

You are required to journalise the transactions when accounts were closed on 31st March, 2018. **(10 MARKS)**

QUESTION NO.4

A. The following are the balances as at 31st March, 2017 extracted from the books of Mr. XYZ.

| | Rs. | | Rs. |
|------------------------|--------|---------------------|--------|
| Plant and Machinery | 19,550 | Bad debts recovered | 450 |
| Furniture and Fittings | 10,250 | Salaries | 22,550 |
| Bank Overdraft | 80,000 | Salaries payable | 2,450 |
| Capital Account | 65,000 | Prepaid rent | 300 |

| | | | |
|-----------------------------------|----------|-------------------------|----------|
| Drawings | 8,000 | Rent | 4,300 |
| Purchases | 1,60,000 | Carriage inward | 1,125 |
| Opening Stock | 32,250 | Carriage outward | 1,350 |
| Wages | 12,165 | Sales | 2,15,300 |
| Provision for doubtful debts | 3,200 | Advertisement Expenses | 3,350 |
| Provision for Discount on debtors | 1,375 | Printing and Stationery | 1,250 |
| Sundry Debtors | 1,20,000 | Cash in hand | 1,450 |
| Sundry Creditors | 47,500 | Cash at bank | 3,125 |
| Bad debts | 1,100 | Office Expenses | 10,160 |
| | | Interest paid on loan | 3,000 |

Additional Information:

- Purchases include sales return of Rs. 2,575 and sales include purchases return of Rs. 1,725.
- Goods withdrawn by Mr. XYZ for own consumption Rs. 3,500 included in purchases.
- Wages paid in the month of April for installation of plant and machinery amounting to Rs. 450 were included in wages account.
- Free samples distributed for publicity costing Rs. 825.
- Create a provision for doubtful debts @ 5% and provision for discount on debtors @ 2.5%.
- Depreciation is to be provided on plant and machinery @ 15% p.a. and on furniture and fittings @ 10% p.a.
- Bank overdraft is secured against hypothecation of stock. Bank overdraft outstanding as on 31.3.2017 has been considered as 80% of real value of stock (deducting 20% as margin) and after adjusting the marginal value 80% of the same has been allowed to draw as an overdraft.

Prepare a Trading and Profit and Loss Account for the year ended 31st March, 2017, and a Balance Sheet as on that date. Also show the rectification entries.

(15 MARKS)

- B. On 1st January, X's Account in Y's Ledger showed a debit balance of Rs. 5,000. The following transactions took place between Y and X during the quarter ended 31st March :

| Date | Particulars | Rs. |
|----------|--|--------|
| Jan. 11 | Y sold goods to X | 6,000 |
| Jan. 24 | Y received a Promissory Note from X, 3 months date | 5,000 |
| Feb. 01 | X sold goods to Y | 10,000 |
| Feb. 04 | Y sold goods to X | 8,200 |
| Feb. 07 | X returned goods to Y | 1,000 |
| March 01 | X sold goods to Y | 5,600 |
| | | |

| | | |
|----------|-------------------|-------|
| March 18 | Y sold goods to X | 9,200 |
| March 23 | X sold goods to Y | 4,000 |

Accounts were settled on 31st March, by means of a cheque. Prepare an Account Current to be submitted by Y to X as on 31st March, taking interest into account at 10% per annum. Calculate Interest to the nearest multiple of a rupee. **(5 MARKS)**

QUESTION NO.5

- A. Riya Limited issued 20,000 14% Debentures of the nominal value of Rs.1,00,00,000 as follows:
- To sundry persons for cash at 90% of nominal value of Rs. 50,00,000.
 - To a vendor for purchase of fixed assets worth Rs. 20,00,000 – Rs. 25,00,000 nominal value.
 - To the banker as collateral security for a loan of Rs. 20,00,000 – Rs. 25,00,000 nominal value.

You are required to prepare necessary journal entries Journal Entries. **(5 MARKS)**

- B. State the causes of difference between the balance shown by the pass book and the cash book. **(5 MARKS)**
- C. Prepare a Bank Reconciliation Statement of Shri Hari as on 31st March, 2018:
- Balance as per Pass Book is Rs. 10,000.
 - Bank collected a cheque of Rs. 500 on behalf of Shri Hari but wrongly credited it to Shri Hari's Account (another customer of bank).
 - Bank recorded a cash deposit of Rs. 1,589 as Rs.1,598.
 - Withdrawal column of the Pass Book undercast by Rs. 100.
 - The credit balance of Rs. 1,500 on page 5 was recorded on page 6 as debit balance.
 - The payment of a cheque of Rs. 350 was recorded twice in the Pass Book.
 - The Pass Book showed a credit for a cheque of Rs. 1,000 deposited by Shri Hari (another customer of the bank). **(5 MARKS)**
- D. X supplied goods on sale or return basis to customers, the particulars of which are as under: **(5 MARKS)**

| Date of dispatch | Party's name | Amount Rs. | Remarks |
|------------------|--------------|------------|--|
| 10.12.2017 | M/s ABC Co. | 10,000 | No information till 31.12.2017 |
| 12.12.2017 | M/s DEF Co | 15,000 | Returned on 16.12.2017 |
| 15.12.2017 | M/s GHI Co | 12,000 | Goods worth Rs. 2,000 returned on 20.12.2017 |
| 20.12.2017 | M/s DEF Co | 16,000 | Goods Retained on 24.12.2017 |
| 25.12.2017 | M/s ABC Co | 11,000 | Good Retained on 28.12.2017 |

30.12.2017 M/s GHI Co 13,000 No information till 31.12.2017

Goods are to be returned within 15 days from the dispatch, failing which it will be treated as sales. The books of 'X' are closed on the 31st December, 2017.

Prepare the following account in the books of 'X'.

Goods on "sales or return, sold and returned day books".

Goods on sales or return total account.

QUESTION NO.6

- A. Tile Company leased Land in year 1 at a Royalty of Rs. 10 per ton on all the Clay raised. Dead Rent was Rs. 10 Lakhs. Short working was to be recouped during the first 4 years and not afterwards. The Clay raised in the first 4 years was as follows –

| Year | 1 | 2 | 3 | 4 | 5 |
|------|--------|--------|------------------------------|----------|----------|
| Tons | 75,000 | 90,000 | 60,000 (strike for 3 months) | 1,20,000 | 1,80,000 |

There was a provision for proportionate reduction in Dead Rent in case of stoppage of work by strike, lock – out, accident etc.

Show Ledger Accounts in the books of Tile Company, showing all amounts in Rs. Lakhs. **(10 marks)**

- B. With the help of the following information complete the Balance Sheet of MNOP Ltd.: **(5 MARKS)**

| | |
|--|--------------|
| Equity share capital | Rs. 1,00,000 |
| The relevant ratios of the company are as follows: | |
| Current debt to total debt | 0.40 |
| Total debt to owner's equity | 0.60 |
| Fixed assets to owner's equity | 0.60 |
| Total assets turnover | 2 Times |
| Inventory turnover | 8 Times |

- C. Write short notes on Objectives of preparing Trial Balance. **(5 MARKS)**