

Question No. 1 is compulsory.

Attempt any **four** questions from the remaining **five** questions.

Wherever necessary, suitable assumptions should be made and disclosed by way of note forming part of the answer.

Working Notes should form part of the answer.

QUESTION NO.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) Depreciation is a non-cash expense and does not result in any cash outflow.
- (v) Fees received for Life Membership is a revenue receipt as it is of recurring nature.
- (vi) Overhauling expenses for the engine of motor car to get better fuel efficiency is revenue expenditure.

(6*2 = 12 MARKS)

B. Differentiate between provision and contingent liability.

(4 MARKS)

C. Subramanya Ltd. provides the following information. Find the Value of Inventory for Balance Sheet purposes.

Value of Stocks as per Physical Verification on 31st March = Rs. 28,00,000. The following items are to be considered.

- Goods held by Sub – Contractors and Job Workers of Aruna Ltd. for which Confirmation Certificates have been received = Rs. 8,30,000.
- Goods sold to Harini Ltd., a customer, who has requested for despatch only on 7th April, included in above physical stock = Rs. 10,00,000.
- Goods held by Aruna Ltd. on behalf of Padmini Ltd. (Consignor) = Rs. 2,50,000
- Goods sold on approval to Sankari Ltd. Rs. 7,00,000 for which confirmation not yet received in respect of Rs. 2,00,000.
- Goods purchased under Firm Contracts, still in transit at year – end = Rs. 3,50,000.

QUESTION NO.2**(10 MARKS X 2 = 20 MARKS)**

A. Raj of Gwalior consigned 15,000 kgs of Ghee at Rs. 30 per kg to his agent Siraj at Delhi. He spent Rs. 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. Rs. 9,000 was paid to consignor directly by the Insurance company as Insurance claim.

Siraj sold 7,500 kgs. at Rs. 60 per kg. He spent Rs. 33,000 on advertisement and recurring expenses. **You are required to calculate:**

- a. The amount of abnormal loss
 - b. Value of stock at the end and
 - c. Prepare Consignment account and loss in transit A/c , if Siraj is entitled to 5% commission on sales.
- B. Piyush Limited is a company with an authorized share capital of Rs. 2,00,00,000 in equity shares of Rs. 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 Rs. 10 each at a price of Rs. 12 each, the arrangements for payment being:

- a. Rs. 2 per share payable on application, to be received by 1st July, 2017;
- b. Allotment to be made on 10th July, 2017 and a further Rs. 5 per share (including the premium) to be payable;
- c. 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;
- (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 towards allotment only, 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.

QUESTION NO.3**(20 MARKS)**

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 (Rs.)	Credit (Rs.)
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	
General expenses	11,000	
Bank charges	3,800	
Bad debts	12,200	
Repairs the 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

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:

- Depreciate Building by 5%, Furniture and Fixtures by 10%, Office Equipment by 15% and Motor Car by 20%.
- Value of stock at the close of the year was Rs. 4,10,000.
- 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 Rs. 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.

QUESTION NO.4

(10 MARKS X 2 = 20 MARKS)

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. 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.
- b. 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.
- c. 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.
- d. 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.
- e. Bankers seems to have given here 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.
- f. A cheque for Rs. 1,000 entered in bank column Cash Book but omitted to be banked on 31st March, 2018.
- g. A Bill Receivable for Rs. 5,200 discounted (Discount Rs. 200) with the Bank had been dishonoured but advice was received on 1st April, 2018.
- h. 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.
- i. 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.

B. You are provided with the following:

Balance Sheet as on 31st March, 2017

Liabilities	(Rs.)	Assets	(Rs.)
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	<u>10,000</u>		
Total	<u>1,76,200</u>		<u>1,76,200</u>

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

Receipts	(Rs.)	Payment	(Rs.)
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>
For 2017	2,000	By Land	40,000
For 2018	21,000	By Interest	4,000
For 2019	1,000	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	<u>9,000</u>		
	<u>99,000</u>		<u>99,000</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 (Workings should form part of your answer).

QUESTION NO.5

(10 MARKS X 2 = 20 MARKS)

- 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		
Ramesh	15,000		
Naresh	10,000	Cash in hand	2,800
	40,000	Cash at Bank	2,200
	72,500		72,500

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

- (i) Suresh shall bring Rs. 8,000 towards his capital.
- (ii) The value of stock to be increased to Rs. 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 Rs. 5,600 and the value of the goodwill be fixed at Rs. 18,000.
- (v) The new profit sharing ratio shall be divided equally among the partners.
- (vi) 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.

- 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.
- a. Purchase account was undercast by Rs. 8,000.
 - b. Sale of goods to Mr. Rahim for Rs. 2,500 was omitted to be recorded.
 - c. Receipt of cash from Mr. Asok was posted to the account of Mr. Anbu Rs. 1,200.
 - d. Amount of Rs. 4,167 of sales was wrongly posted as Rs. 4,617.
 - e. Repairs to Machinery was debited to Machinery Account Rs. 1,800.
 - f. A credit purchase of goods from Mr. Paul for Rs. 3,000 entered as sale.

Suggest the necessary rectification entries.

QUESTION NO.6

- A. Susmita Ltd. has an asset purchased 3 years ago for Rs. 9,70,000. The residual value of the asset was estimated to be Rs. 10,000 after an estimated useful life of 8 years. The Company charges Straight Line Method of depreciation. Due to change in technology, the Company estimates that the asset will become obsolete in another 3 years time from now. **How should depreciation be treated in view of revision in useful life ?** (6 MARKS)
- B. Arjun and Balram are Partners in a Firm and share Profits and Losses equally. Arjun has withdrawn the following sums during the half year ending 30th June –

Date	15 th January	10 th February	5 th April	20 th May	18 th June
Rs.	5,000	4,000	8,000	10,000	9,000

Interest on Drawings is charged at 10% per annum. **Find out the Average Due Date and compute the Interest on Drawings** to be charged on 30th June.

(6 MARKS)

- C. 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.

(2 MARKS)

- D. Mr. B accepted a bill for Rs. 10,000 drawn on him by Mr. A on 1st August, 2017 for 3 months. This was for the amount which B owed to A. On the same date Mr. A got the bill discounted at his bank for Rs. 9,800.

On the due date, B approached A for renewal of the bill. Mr. A agreed on condition that Rs. 2,000 be paid immediately along with interest on the remaining amount at 12% p.a. for 3 months and that for the remaining balance B should accept a new bill for 3 months. These arrangements were carried through. On 31st December, 2017, B became insolvent and his estate paid 40%.

Prepare Journal Entries in the books of Mr. A.

(6 MARKS)