

Question No. 1 is compulsory.

Answer 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:

(2\*6 = 12 marks)

- i. Re-issue of forfeited shares is allotment of shares but not a sale.
- ii. If the effect of errors committed cancel out, the errors will be called compensating errors and the trial balance will disagree.
- iii. There are two ways of preparing an account current.
- iv. Limited Liability Partnership (LLP) is governed by Indian Partnership Act, 1932.
- v. If a partner retires, then other partners have a gain in their profit sharing ratio.
- vi. Net income in case of persons practicing vocation is determined by preparing profit and loss account.

B. Classify the following errors under the three categories – Errors of Omission, Errors of Commission and Errors of Principle.

- a. Sale of furniture credited to Sales Account.
- b. Purchase worth Rs. 500 from M not recorded in subsidiary books.
- c. Credit sale wrongly passed through the Purchase Book.
- d. Machinery sold on credit to Mohan recored in Journal Proper but omitted to be posted.

(2 marks)

C. State the advantages and limitations of setting Accounting Standards.

(6 marks)

QUESTION NO.2

A. Prepare a Triple Column Cash Book from the following transactions and bring down the balance for the start of next month:

2019			Rs.
Nov.	1	Cash in hand	3,000
	1	Cash at bank	12,000
	2	Paid into bank	1,000

5	Bought furniture and issued cheque	1,500
8	Purchased goods for cash	500
12	Received cash from Mohan	980
	Discount allowed to him	20
14	Cash sales	5,000
16	Paid to Amar by cheque	1,450
	Discount received	50
19	Paid into Bank	500
23	Withdrawn from Bank for Private expenses	600
24	Received cheque from Parul	1,430
	Allowed him discount	20
26	Deposited Parul's cheque into Bank	
28	Withdrew cash from Bank for Office use	2,000
30	Paid rent by cheque	800

(10 marks)

- B. **Prepare a bank reconciliation statement** from the following particulars as on 31<sup>st</sup> March, 2018.

Particulars	(Rs.)
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 credited 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 dishonoured, 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

(7 marks)

- C. Write note on BRS and also state any 5 causes of difference between bank balance as per Cash Book and Pass Book.

(3 marks)

### QUESTION NO.3

- A. Ganpath of Nagpur consigns 500 cases of goods costing Rs. 1,500 each to Rawat of Jaipur. Ganpath pays the following expenses in connection with the consignment:

Particulars	Rs.
Carriage	15,000
Freight	45,000
Loading Charges	15,000

Rawat sells 350 cases at Rs. 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 (which is an abnormal loss) and another 50 cases were in transit. Rawat is entitled to a commission of 10% on gross sales.

**Draw up the Consignment Account and Rawat's Account in the books of Ganpath.**

(10 marks)

- B. From the following details **calculate the average due date:**

Date of Bill	Amount (Rs.)	Usance of Bill
28 <sup>th</sup> January, 2018	5,000	1 month
20 <sup>th</sup> March, 2018	4,000	2 months
12 <sup>th</sup> July, 2018	7,000	1 month
10 <sup>th</sup> August, 2018	6,000	2 months

(5 marks)

- C. From the following transactions in the books of Mr. Perfect, **prepare an Account Current, by means of product** to be sent by him to Mr. Smart for the quarter ending 31<sup>st</sup> March, 2019. Interest is to be charged and/or allowed @ 12% p.a. (Take 365 days in year)

2019		Rs.
January 1	Balance in Smart's Account (Credit)	3,500
January 12	Sold goods to Smart (due 1st February)	30,000
January 31	Sold goods to Smart (due 15th February)	27,500
February 15	Cash received	40,000
February 20	Cash received	7,500
March 10	Goods returned by Smart	7,000
March 25	Cash received	6,500

(5 marks)

#### QUESTION NO.4

- A. The following is the Balance Sheet of Krishna and Balram, who are sharing profits in the ratio 3 : 2

Liabilities	Rs.	Assets	Rs.
Capital Accounts :		Land and Buildings	18,000
Krishna                   15,000		Plant and Machinery	12,000
Balram                     10,000	25,000	Stock	11,000
General reserve	30,000	Debtors                   22,000	
Workmen's Compensation reserve	15,000	Less : Provision for doubtful Debts           1,000	21,000
Creditors	10,000	Bank	21,000
Employees' Provident Fund	8,000	Advertisement Expenditure	5,000
	88,000		88,000

On admission of Subhadra for  $\frac{1}{6}$ <sup>th</sup> share in the profits, it was decided that –

1. Value of Land and Buildings be increased by Rs. 3,000.
2. Value of stock be increased by Rs. 2,500.
3. Provision of Doubtful Debts be increased by Rs. 1,500.
4. Liability of Workmen's Compensation Reserve was determined to be Rs. 12,000.
5. Subhadra was to bring in further cash of Rs. 15,000 as her capital.
6. Subhadra brought in her share of Goodwill Rs. 10,000 in cash.

**Prepare the Revaluation Account, the Capital Accounts and the Balance Sheet of the new Firm.**

**(10 marks)**

- B. From the following receipts and payments account of Mumbai Club, **prepare income and expenditure account** for the year ended 31.12.2018 and its balance sheet as on that date:

Receipts	Rs.	Payments	Rs.
Cash in hand	4,000	Salary	2,000
Cash at bank	10,000	Repair expenses	500
Donations	5,000	Purchase of furniture	6,000
Subscriptions	12,000	Misc. expenses	500
Entrance fees	1,000	Purchase of investments	6,000
Interest on investments	100	Insurance premium	200
Interest received from bank	400	Billiard table	8,000
Sale of old newspaper	150	Paper, ink etc.	150
Sale of drama tickets	1,050	Drama expenses	500
		Cash in hand (closing)	2,650
		Cash at bank (closing)	7,200
	33,700		33,700

**Information:**

1. Subscriptions in arrear for 2018 Rs. 900 and subscriptions in advance for 2019 Rs. 350.
2. Insurance premium outstanding Rs. 40.
3. Misc. expenses prepaid Rs. 90.
4. 50% of donation is to be capitalized.
5. Entrance fees are to be treated as revenue income.
6. 8% interest has accrued on investment for five months.
7. Billiard table costing Rs. 30,000 was purchased during the last year and Rs. 22,000 were paid for it.

**(10 marks)**

**QUESTION NO.5**

- A. A, B and C entered into partnership on 1.1.2019 to share profits and losses in the ratio of 5 : 3 : 2. A personally guaranteed that C's share of profit after charging interest on capitals at 5% p.a. would not be less than Rs. 30,000 in any year. Capitals of A, B and C were Rs. 3,20,000, Rs. 2,00,000 and Rs.1,60,000 respectively.

Profits for the year ending 31.12.2019 before providing for interest on partners capital was Rs.1,59,000.

**You required to prepare the Profit and Loss Appropriation Account.**

**(5 marks)**

- B. Sky Ltd. keeps no stock records but a physical inventory of stock is made at the end of each quarter and the valuation is taken at cost. The company's year ends on 31<sup>st</sup> March, 2018 and their accounts have been prepared to that date. The stock valuation taken on 31<sup>st</sup> March, 2018 was however, misleading and you have been advised to value the closing stocks as on 31<sup>st</sup> March, 2018 with the stock figure as on 31<sup>st</sup> December, 2017 and some other information is available to you:
- (i) The cost of stock on 31<sup>st</sup> December, 2017 as shown by the inventory sheet was Rs. 80,000.
  - (ii) On 31<sup>st</sup> December, stock sheet showed the following discrepancies:
    - (a) A page total of Rs. 5,000 had been carried to summary sheet as Rs.6,000.
    - (b) The total of a page had been undercast by Rs.200.
  - (iii) Invoice of purchases entered in the Purchase Book during the quarter from January to March, 2018 totalled Rs. 70,000. Out of this Rs. 3,000 related to goods received prior to 31<sup>st</sup> December, 2017. Invoices entered in April 2018 relating to goods received in March, 2018 totalled Rs. 4,000.
  - (iv) Sales invoiced to customers totalled Rs. 90,000 from January to March, 2018. Of this

Rs. 5,000 related to goods dispatched before 31<sup>st</sup> December, 2017. Goods dispatched to customers before 31<sup>st</sup> March, 2018 but invoiced in April, 2018 totalled Rs. 4,000.

- (v) During the final quarter, credit notes at invoiced value of Rs. 1,000 had been issued to customers in respect of goods returned during that period. The gross margin earned by the company is 25% of cost.

You are required to **prepare a statement showing the amount of stock at cost as on 31<sup>st</sup> March, 2018.** Transfer of ownership takes place at the time of delivery of goods.

(5 marks)

- C. A doctor, after retiring for Govt. Service, started private practice on 1<sup>st</sup> April, with Rs. 20,000 of his own and Rs.30,000 borrowed at an interest of 15% per annum 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 :

Receipts	Rs.	Payments	Rs.
Own Capital	20,000	Medicines purchased	24,500
Loan	30,000	Surgical Equipment's	25,000
Prescription Fees	52,000	Motor car	32,000
Gift from Patients	13,500	Motor Car Expenses	12,000
Visiting fees	25,000	Wages and Salaries	10,500
Fee from Lectures	2,400	Rent of Clinic	6,000
Pension Received	30,000	General Charges	4,900
		Household Expenses	18,000
		Household Furniture	2,500
		Expenses on Daughter's Marriage	21,500
		Interest on Loan	4,500
		Balance at Bank	11,000
		Cash in Hand	1,000
	1,73,400		1,73,400

**Prepare his Capital A/c and Income and Expenditure A/c. for the year ended 31<sup>st</sup> March and Balance Sheet on that date.**

One – third of the Motor – Car Expenses may be treated as applicable to the private use of car and Rs. 3,000 of the Wages and Salaries are in respect of Domestic Servants.

The Stock of Medicines in hand on 31<sup>st</sup> March was valued at Rs. 9,500.

(10 marks)

### QUESTION NO.6

A. Bhagwati Ltd. invited applications for issuing 2,00,000 equity shares of Rs. 10 each. The amounts were payable as follows:

On application - Rs. 3 per share

On allotment - Rs. 5 per share

On first and final call - Rs. 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 @ Rs. 6 per share.

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

**(10 marks)**

B. X Company Limited issued 10,000 14% Debentures of the nominal value of Rs.50,00,000 as follows:

To sundry persons for cash at 90% of nominal value of Rs.25,00,000.

To a vendor for purchase of fixed assets worth Rs.10,00,000 – Rs.12,50,000 nominal value.

To the banker as collateral security for a loan of Rs.10,00,000 – Rs.12,50,000 nominal value. **Pass necessary Journal Entries.**

**(5 marks)**

C. Write short note on : Trade bill vs. Accommodation bill.

**(5 marks)**