

INSTRUCTIONS TO CANDIDATES

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.

Q.1 (a) State with reasons whether the following are true or false

- (1) If the effect of errors committed cancel out, the errors will be called compensating errors and the trial balance will disagree.
- (2) 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.
- (3) Amount spent for the construction of temporary huts, which were necessary for construction of the Cinema House and were demolished when the Cinema House was ready, is capital expenditure.
- (4) If del-creders commission is paid to consignee, the loss of bad debts is to be borne by the consignor.
- (5) A Partnership firm cannot own any Assets.
- (6) Trade Discount is a reduction granted by a supplier from the list price of goods or services on business considerations for prompt payment.

(6 Statements X 2 Marks = 12 Marks)

(b) Write short note about the concept of “Conservatism”.

(3 Marks)

(c) Pass necessary journal entries to rectify the following errors.

- (1) ₹ 1500 withdrawn from bank for personal use is left to be recorded.
- (2) Installation charges paid ₹ 400 on purchase of machinery is debited to sundry expenses account.
- (3) ₹ 500 paid to Kajal is debited to Rajal's account by mistake.
- (4) Our bill receivable of ₹ 1550 accepted by Komal is recorded in the books by ₹500.
- (5) Goods of ₹700 sold to Switoo is recorded in purchase book by mistake.

(5 Entries X 1 Mark = 5 Marks)

Q.2 (a) Passbook of Kailash showed a credit balance of 30,000 on 31-3-2015, which does not agree with the bank balance as per his cashbook. The following information is obtained by comparing the cashbook and passbook. Prepare a bank reconciliation statement of Kailash from this information:

- (1) Cheque of 10,000 was drawn and recorded in cashbook but by mistake it was not handed over to a creditor. This cheque is found out from a drawer of a table.
- (2) A cheque of 30,000 is banked on 28-3-2015, for which credit is given by the bank on 1-4-2015.
- (3) Bank has paid 20,000 for insurance premium for which Kailash received information on 2-4-2015.
- (4) 30,000 are deposited by a customer directly in bank, which is unrecorded in cashbook.
- (5) Interest of 1000 is credited in passbook by bank, which remains unrecorded in cashbook.
- (6) A cheque of 60,000 which was deposited in bank is dishonoured and this information is received on 2-4-2015.
- (7) Cheque of 10,000 were issued but out of these, cheques of 8000 only are presented for payments till 31-3-2015.
- (8) Cheques of 50,000 were deposited in the bank but out of these, bank has given credit for only 30,000 up to 31-3-2015.
- (9) A cheque of 8000 was deposited in the bank but was left unrecorded in the cashbook.
- (10) Bank charges and commission of 2000 are debited by the bank in the passbook of Kailash, for which no entry is passed in cashbook.

(10 Entries X 1 Mark = 10 Marks)

(b) Calculate average due date from the following information:

Date of bill	Term	Amount
01-03-19	2 months	4,000
10-03-19	3 months	3,000
05-04-19	2 months	2,000
20-04-19	1 months	3,750
10-05-19	2 months	5,000

(5 Marks)

(c) Mr. Ganesh sends out goods on approval to few customers and includes the same in the Sales Account. On 31.03.2018, the Trade Receivables balance stood at 75,000 which included 6,500 goods sent on approval against which no intimation was received during the year. These goods were sent out at 30% over and above cost price and were sent to- Mr. Adhitya 3,900 and Mr. Bakkiram 2,600

(5 Marks)

Q.3 (a) Gopi, Krishna and Ram are the partners of a firm sharing profit-loss in the ratio of 3:2:1. The balance sheet of the firm as on 31-3-2020 is as under

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Accounts :		Goodwill	1,500
Gopi	30,000	Trademark	18,000
Krishna	20,000	Machinery	60,000
Ram	30,000	Investments (Market value ₹ 15,000)	40,000
Current Accounts :		Stock	12,000
Gopi	8,000	Debtors	26,000
Ram	10,000	Cash in bank	3,000
Contingency reserve	12,000	Current account of Krishna	4,500
Workmen compensation fund	9,000		
Investment fluctuation fund	15,000		
Creditors	23,000		
Bad debt reserve	8,000		
	1,65,000		1,65,000

Ram retires on 1-4-2020 on the following terms :

- (1) The value of machinery is to be increased by 10 %.
- (2) The value of trademark is to be reduced upto 40 %.
- (3) Bad debt reserve on debtors is to be kept at 15 %.
- (4) Discounted bills receivable of ₹ 1300 which is dishonoured on due date, 31-3-2020.No amount is received from the debtors.
- (5) Goodwill of the firm is valued at ₹ 60,000.
- (6) The new profit-loss sharing ratio of Gopi and Krishna is 2:1.

Prepare revaluation account, partners' current account, capital account and balance sheet after the retirement of Ram.

(15 Marks)

- (b) On 1-7-16, Krishita drew a three months bill of ₹ 75,000 on Saleem, which Saleem accepted and returned on the same day. Before the maturity date, on 20-9-2016 Saleem requested Krishita to cancel the old bill and draw a new bill of ₹ 60,000 for three months. Krishita accept this request. On 25-9-2016, Krishita collected cash ₹ 15,000 towards the old bill and ₹1800 towards interest and drew a new three months bill of ₹ 60,000, which Saleem accepted and returned on the same day. Before the date of maturity, Saleem was declared insolvent as on 20-11-2016 and the receiver paid the money at 75 paise per rupee on 6-12-2016. Pass necessary journal entries in the books Krishita.

(5 Marks)

- Q.4 (a)** Prepare final account from the Trial Balance and adjustments of Rajesh as on 31-3-2015.

Trial Balance of Rajesh as on 31-03-2015

Debit Balance	Amount	Credit Balance	Amount
Drawings	12,000	Capital	4,00,000
Purchase	6,00,000	Sales	9,98,000
Stock (Dt. 1-04-2014)	60,000	Purchase return	20,000
Carriage Inward	10,000	Interest on debenture received	10,000
Sales return	40,000	Discount received	4000
Salaries	1,20,000	Commission received	2000
Wages	40,000	10 % Bank Loan	2,00,000
Office expenses	80,000	Bills payable	15,000
Debtors	90,000	Creditors	70,000

Bills receivables	30,000	Outstanding rent	1000
Advertisement expenses	50,000		
Stationery-Printing	6000		
Machinery	90,000		
Buildings	3,00,000		
Furniture	60,000		
Rent	12,000		
Investment in 10 %	1,00,000		
Debenture			
Interest on Bank loan	20,000		
	17,20,000		17,20,000

Adjustments:

- (1) Closing Stock of ₹1,10,000 out of which market value of 50 % stock is 10 % more.
- (2) Unrecorded credit purchase ₹ 40,000.
- (3) Unrecorded credit purchase return ₹ 5000.
- (4) Unrecorded credit sales ₹ 50,000.
- (5) Unrecorded credit sales return ₹ 15,000.
- (6) Outstanding wages ₹ 10,000.
- (7) Goods destroyed by fire of ₹10,000 and insurance company accepted a claim of the whole amount.
- (8) Goods of ₹ 5000 withdrawn for personal use.
- (9) Labour charges for installation of machinery ₹ 5000 wrongly debited to labour charges.

(10 Marks)

- (b) Chiman of Mulund sent to his agent, Magan of Malad, 500 articles costing ₹15/- per article at an invoice price of ₹20 per article. The following payments were made by Chiman in this connection:

Freight and carriage	₹ 450
Miscellaneous expenditure	₹ 50

Magan sent a bank draft for ₹ 3,000 as an advance against the Consignment. Magan sold 300 articles at a flat rate of ₹ 28 per article and sent an Account Sales showing deduction for storage charges ₹ 50, insurance ₹ 100 and his Commission of 3% plus 2% Del Credere on gross sale proceeds, and remitted the amount due on consignment. Magan also informed Chiman that 50 articles were damaged in transit and thus they were valued at ₹ 550. Record the above transactions in the books of the consignor and consignee using invoice price basis.

(10 Marks)

Q.5 (a) From the following information, prepare Income - Expenditure Account for the year ending 31-3-2020 and Balance sheet as on that date of Baloo Racing Club.

Balance Sheet of Baloo Racing Club as on 31-3-2019

Liabilities	Amount	Assets	Amount
Capital fund	25500	Furniture	2500
Excess of income over expenditure	3000	Sports equipments	15000
Subscription received in advance	500	10 % Investments	10000
Salary outstanding	1000	Subscription outstanding	1500
		Prepaid rent	250
		Cash balance	750
	30000		30000

Receipt and Payment Account of Baloo Racing Club as on 31-3-2020

Receipt	Amount	Payment	Amount
To Balance b/d	750	By Salary	4000
To Entrance fee	1000	By Rent	2250
To Subscription	12500	By Sports equipments	
To Interest on Investments	750	(1-10-2019)	5000
To Donation (capital nature)	1250	By Subscription of periodicals	500
To Sale of old news papers	200	By Sundry expense	750
To Sundry income	50	By Balance c/d	4000
	16500		16500

Additional information

- At the end of the year, subscription of current year is outstanding ₹ 3000.
- At the end of the year, salary of current year is outstanding ₹ 500.
- Subscription includes ₹ 1000 for the year 2020-21.
- Provide 10% and 20% depreciation per annum on furniture and sports equipments respectively.
- Half amount of the entrance fee is to be capitalised.

(10 Marks)

- (b) (i) Hanuman Ltd., issued 2,000, 10% debentures of ₹100 each on April 01, 2016 at a discount of 10% redeemable at a premium of 10%. Give journal entries relating to the issue of debentures and debenture interest for the period ending March 31, 2017 assuming that interest was paid half yearly on September 30 and March 31 and tax deducted at source is 10%.

(5 Marks)

- (ii) Mr. Shahrukh runs a factory, Which produces detergents. Following details were available in respect of his manufacturing activities for the year ended 31-03-2019:

Opening work-in-progress (9000 units)	26000
Closing work-in-progress (14000 units)	48000
Opening inventory of Raw Materials	260000
Closing inventory of Raw Materials	320000
Purchases	820000
Hire charges of the Machinery@ ₹0.70 per unit manufactured	
Hire charges of factory	260000
Direct wages-contracted@ ₹ 0.80 per unit manufactured and @ 0.40 per unit of closing W.I.P	
Repairs and maintenance	180000
Units produced – 500000 units	

Required a Manufacturing Account of Mr. Shahrukh for the year ended 31-03-2019.

(5 Marks)

- Q.6 (a) CID Ltd. issued for public subscription 40,000 equity shares of ₹10 each at premium of ₹ 2 per share payable as under:

On application	₹ 4 per share
On Allotment	₹ 5 per share (including premium)
On Call	₹ 3 per share

Applications were received for 60,000 shares. Allotment was made pro-rata to the applicants for 48,000 shares, the remaining applications being rejected. Money overpaid on application was applied towards sums due on allotment. Shri Daya, to whom 1,600 shares were allotted, failed to pay the allotment money and Shri Abhijit, to whom 2,000 shares were allotted, failed to pay the call money. These shares were subsequently forfeited. Record journal entries in the books of the company to record the above transactions.

(10 Marks)

- (b) An inexperienced book keeper has drawn up a Trial balance for the year ended 31st March, 2019.

Particulars	Debit	Credit
Provision for Doubtful Debts	500	
Cash Credit Account	3308	
Capital		9182
Trade payables		3274
Due from customers	5966	
Discount Received	504	
Discount Allowed		1466
Drawings	2400	
Office Furniture	4310	
Carriage Inward		1658
Purchases	21846	
Returns Inward		660
Rent & Rates	628	
Salaries	5040	
Sales		33764
Inventory	4836	
Provision for Depreciation on Furniture	728	
Total	50066	50004

Draw up a corrected Trial Balance by debiting or crediting any residual errors to a Suspense account.

(5 Marks)

- (c) Distinguish between Periodic Inventory System and Perpetual Inventory System.

(5 Marks)