

### **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. In a Cash Book, Discount Columns may show either debit balance or credit balance.
2. There are two ways of preparing an account current.
3. Present liability of uncertain amount, which can be measured reliably by using a substantial degree of estimation is termed as contingent liability.
4. Contingent assets usually arises from unplanned or unexpected events that give rise to the possibility of an outflow of economic benefits to the business entity.
5. Prudence is a concept to recognize unrealized profits and not losses.
6. Securities premium received by a company is added to share capital while preparing the balance sheet of a company.
7. In the calculation of average due date, only the due date of first transaction must be taken as the base date.
8. While drafting the balance sheet of a company bills receivables are shown under the head Other Current Assets.
9. If payment is made on average due date, it results in loss of interest to creditors.

**(9 Statements X 2 Marks = 18 Marks)**

(b) Write a note on “Issue of debentures as Collateral Security”

(2 Marks)

Q.2 (a) Following Trial Balance is extracted from the books of a merchant as at 31st March, 2020:

**TRIAL BALANCE as at 31st March, 2020**

Particulars	Dr. (₹)	Cr. (₹)
Furniture and Fittings	6,400	
Motor Vehicles	62,500	
Building	75,000	
Capital A/c		1,25,000
Bad Debts	1,250	
Provision for Doubtful Debts		2,000
Sundry Debtors	38,000	
Sundry Creditors		25,000
Closing Stock	34,600	
Purchases (Adjusted)	54,750	
Sales		1,54,500
Bank Loan		30,500
Wages	2,850	
Rent	5,000	
Advertising	4,500	
Interest	1,180	
Commission Received		3,750
Cash	6,500	
Insurance	12,500	
General Expenses	7,820	
Salaries	33,000	
Prepaid Rent	4,150	
Trade Expenses accrued not yet paid		9,250
<b>Total</b>	<b>3,50,000</b>	<b>3,50,000</b>

**The following adjustments are to be made:**

1. Depreciate Building @ 5%, Furniture and Fittings @ 10% and Motor Vehicles @ 20%.
2. ₹ 850 is due for interest on Bank Loan.
3. Salaries ₹ 3,000 and Municipal Taxes 1,200 are outstanding.
4. Insurance amounted to ₹ 1,000 is prepaid.
5. One – third of the commission received is in respect of work to be done next year.
6. Write off further 1,000 as Bad Debts and Provision for Doubtful Debts is to be made equal to 5% on Sundry Debtors.

Prepare Trading and Profit and Loss Account for the year ended 31st March, 2020 and Balance Sheet as at that date.

**(15 Marks)**

- (b) Rectify the following errors (after preparation of trial balance, ignore narration):

Credit purchases from Raghu ₹ 20,000

- (i) Were not recorded
- (ii) Were recorded as ₹ 10,000
- (iii) Were recorded as ₹ 25,000
- (iv) Were not posted to his account
- (v) Were posted to his account as ₹ 2,000
- (vi) Were posted to Raghav's account.
- (vii) Were posted to the debit of Raghu's account.
- (viii) Were posted to the debit of Raghav's account
- (ix) Were posted to the debit of Raghav's account as ₹ 2,000
- (x) Were recorded through sales book

**(5 Marks)**

**Q.3 (a)** From the following Receipts and Payments Account of Modern Tennis Club and additional information supplied, prepare Income and Expenditure Account for the year ended 31st March, 2020 and the Balance Sheet as at that date.

**RECEIPTS AND PAYMENTS ACCOUNT**

Dr.	For the year ended 31st March, 2020		Cr.
Receipts	₹	Payments	₹
To Balance b/d (Cash at Bank)	13,950	By New Nets	25,000
To Entrance Fees	3,000	By Lighting and Heating	7,830
To Subscriptions	58,000	By Stationery	3,340
To Competition Fees	2,550	By Loan Payment	20,000
To Donation	5,000	By Refreshments	18,070
To Net Receipts from Raffles	23,290	By Wages of Groundmen	24,000
		By New Crockery	3,550
		By Balance c/d (cash at bank)	4,000
	<b>1,05,790</b>		<b>1,05,790</b>

**Additional Information:**

- (i) The Club was established four years ago when a loan of ₹3,00,000 was taken from a local bank. A Club house was constructed at a cost of ₹2,75,000 and paid out of the Loan Account. ₹80,000 have been repaid on account of the Loan.
- (ii) On 1st April, 2019, the Games Equipment Account showed a balance of ₹36,000 and Crockery Account stood at ₹2,250.
- (iii) On 31st March, 2020, an electricity bill for ₹1,400 was outstanding and ₹1,800 were owing to the part – time groundsmen.
- (iv) Write off 25% from the old balance on Games Equipment Account and revalue the crockery at ₹2,000 (Including additions).
- (v) Donation is a general donation.

**(14 Marks)**

(b) On January 1, 2010 Jain & Sons purchased a second hand plant costing ₹ 2,00,000 and spent ₹ 10,000 on its overhauling. It also spent ₹ 5,000 on transportation and installation of the plant. It was decided to provide for depreciation @ of 20% on written down value. The plant was destroyed by fire on July 31, 2010 and an insurance claim of ₹ 50,000 was admitted by the insurance company. Prepare plant account, accumulated depreciation account and plant disposal account assuming that the company closes its books on December 31, every year.

(6 Marks)

**Q.4. (a)** D of Delhi appointed A of Agra as its selling agent on the following terms:

- (a) Goods to be sold at invoice price or above invoice price.
- (b) A to be entitled to a commission of 7.5% on the invoice price and 20% of any surplus price realised.
- (c) The principal to draw on the agent a 30 days bill for 80% of the invoice price.

On 1<sup>st</sup> February, 2006, one thousand cycles were consigned to A, each cycle costing ₹ 640 including freight and invoices at ₹ 800.

Before 31<sup>st</sup> March, 2006 (When the principal's books are closed) A met his acceptance on the due date; sold of 820 cycles at an average price of ₹ 930 per cycle, the sale expenses being ₹ 12,500; and remitted the amount due by means of Bank Draft.

Twenty of the unsold cycles were shop-sold and were to be valued at a depreciation of 50%.

Show by means of ledger accounts how these transactions would be recorded in the books of D, and find out the value of closing stock with A at which value D will account for the balance stock.

(10 Marks)

- (b) From the following particulars for the years 2004 and 2005 determine the value of the closing stock at the end of 2005.

	2004	2005
	₹	₹
Opening Stock	20,000	30,000
Purchases	1,20,000	1,90,000
Sales	2,00,000	2,40,000

Uniform rate of gross profit may be assumed.

At the end of 2005, goods purchased were received, but no entry was made for this credit purchase since invoice was not received. These goods cost ₹ 20,000.

(5 Marks)

- (c) As on 30th March, 2020 business of Pratham has the following balances in his Ledger Accounts.

	₹		₹
Vehicles	2,02,000	Sales	14,60,000
Capital	13,00,000	Cash	11,70,000
Bank Loan	12,00,000	Insurance and Taxes	1,88,000
Purchases	12,40,000	Bank Loan Interest	1,40,000
Trade Creditors	12,82,000	Other Expenses	6,02,000
Sundry Debtors	12,00,000	Plant and Machinery	5,00,000

Additional Informations:

- Bought materials for ₹1,00,000 half for cash and half for credit.
- Made sales for ₹1,60,000 ; ₹80,000 of which was on credit.
- Paid wages ₹15,000 to shop assistant.

Pass adjustment entries for the above transactions (narration not required) and draw up a Trial Balance of Pratham showing the balances as on 31st March, 2020.

(5 Marks)

**Q.5 (a)** Rohan and Rohit were both in need of temporary accommodation. On November 01, 2015. Rohan accepted Rohit's draft for ₹ 5,000 for 3 months and Rohit accepted Rohan's draft for ₹ 4,000 for 3 months. The both bills were discounted at the respected banks for ₹ 4,800 and ₹ 3,850. Before maturity of the bill Rohit sent ₹ 1,000 to Rohan for difference in accommodation bill. Rohan and Rohit met his acceptance on the due date. Records the transaction in the journal of Rohan and Rohit.

**(10 Marks)**

**(b)** A, B & C were partners in a firm. Their partnership deed provides following:-

- (a) Interest on capital will be allowed @ 10% P.a.
- (b) Interest on drawing will be charged @ 10% P.a.
- (c) A is entitled for ₹ 2000 per month as salary
- (d) 10% of the net profit is to be transferred to reserve
- (e) A is entitled for 10% of Net profit as his commission
- (f) B is entitled for 10% of Net profit as his commission after charging his commission
- (g) C is entitled for 10% of Net Profit as his commission after charging A's commission, B's commission & his own commission
- (h) Profits were to be shared in the following manner:
  - (i) Upto ₹ 30,000 in equal ratio
  - (ii) Above ₹ 30,000 in 5:3:2

On 1st January 2015, their capital were ₹ 60,000, ₹ 80,000 & ₹ 50,000 respectively. During the year they withdrew ₹ 8,000, ₹ 12,000 & ₹ 6,000 respectively as their drawings. During the year 2015, the firm earned Net profit of ₹1,62,000, it was later discovered that while calculating profit for the year, depreciation of ₹18,000 on Plant was overlooked.

Prepare Profit & Loss Appropriation Account for year 2015.

**(8 Marks)**

**(c)** Define Red ink interest

**(2 Marks)**

**Q.6 (a)** Trial balance of Anant Ram did not agree. It showed an excess credit of ₹ 16,000. He put the difference to suspense account. Subsequently the following errors were located:

- (i) Cash received from Mohit ₹ 4,000 was posted to Mahesh as ₹ 1,000.
- (ii) Cheque for ₹ 5,800 received from Arnav in full settlement of his account of ₹ 6,000 was dishonoured. No entry was passed in the books on dishonor of the cheque.
- (iii) ₹ 800 received from Khanna, whose account had previously been written off as bad, was credited to his account.
- (iv) Credit sales to Manav for ₹ 5,000 was recorded through the purchases book as ₹ 2,000.
- (v) Purchases book undercast by ₹ 1,000.
- (vi) Repairs on machinery ₹ 1,600 wrongly debited to Machinery account as ₹ 1,000.
- (vii) Goods returned by Nathu ₹ 3,000 were taken into stock. No entry was recorded in the books.

Also prepare suspense account.

**(8 Marks)**

**(b)** Gaurav maintains a Current Account with HDFC Bank. On 31st March, 2020, the bank column of Cash Book showed an overdraft of ₹42,000 in his Current Account from the following particulars, prepare Bank Reconciliation Statement as on 31st March, 2020.

- (i) A Bill Receivable of ₹1,040 earlier discounted with the bank was dishonoured and bank charges debited in the Pass Book were ₹110. It was not recorded in the Cash Book.
- (ii) Out of the total cheques of ₹1,00,000 issued, cheques aggregating ₹30,000 were debited in March, cheques aggregating ₹40,000 were debited in April, and the rest have not yet been debited.
- (iii) Payments side of the Cash Book is undercast by ₹3,000.
- (iv) A cheque for ₹15,000 issued from his Savings Account is recorded in his Current Account in the Cash Book.
- (v) A cheque of ₹4,000 received from Om on 20th March, 2020 was recorded in the discount column of the Cash Book and was not banked.



- (vi) A bill of ₹20,000 was retired by the bank under rebate of ₹300 but the full amount was credited in the bank column of Cash Book.
- (vii) ₹80 for bank charges were recorded two times in the Cash Book whereas bank levied annual charges of ₹70, which were not recorded in the Cash Book.

(8 Marks)

- (c) Subscriptions received during the year ended 31st March, 2020 are:

	₹	₹
For 2018 - 19	400	
For 2019 - 20	21,100	
For 2020 - 21	800	22,300

There are 450 members each paying an annual subscription of ₹50. ₹450 were in arrears for 2018-19 in the beginning of 2019-20. Calculate the subscriptions to be shown in the Income and Expenditure Account for the year ended 31st March, 2020 and also show the treatment of subscriptions in the Income and Expenditure Account and Balance Sheet.

(4 Marks)