

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. In case of consignment sale, ownership of goods will be transferred to consignee at the time of receiving the goods.
- ii. $\text{Capital} + \text{Long Term Liabilities} = \text{Fixed Assets} + \text{Current Assets} + \text{Cash} - \text{Current Liabilities}$.
- iii. Expenses in connection with obtaining a license for running the Cinema Hall is Revenue Expenditure.
- iv. The Sales book is kept to record both cash and credit sales.
- v. 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.
- vi. Consignment account is of the nature of real account.

B. A Plant & Machinery costing Rs. 10,00,000 is depreciated on straight line assuming 10 year working life and zero residual value, for four years. At the end of the fourth year, the machinery was revalued upwards by Rs. 40,000. The remaining useful life was reassessed at 8 year. **Calculate Depreciation for the fifth year.**

(4 marks)

C. Discuss the limitations which must be kept in mind while evaluating the Financial Statements.

(4 marks)

QUESTION NO.2

A. On 30th September, 2017, the bank account of Neel, according to the bank column of the Cash- Book, was overdrawn to the extent of Rs. 8,124. On the same date the bank statement showed a balance of Rs. 41,516 in favour of Neel. An examination of the Cash Book and Bank Statement reveals the following:

- (i) A cheque for Rs. 26,28,000 deposited on 29th September, 2017 was credited by the bank only on 3rd October, 2017
- (ii) A payment by cheque for Rs. 32,000 has been entered twice in the Cash Book.

- (iii) On 29th September, 2017, the bank credited an amount of Rs. 2,34,800 received from a customer of Neel, but the advice was not received by Neel until 1st October, 2017.
- (iv) Bank charges amounting to Rs. 1,160 had not been entered in the Cash Book.
- (v) On 6th September, 2017, the bank credited Rs. 40,000 to Neel in error.
- (vi) A bill of exchange for Rs. 2,80,000 was discounted by Neel with his bank. This bill was dishonoured on 28th September, 2017 but no entry had been made in the books of Neel.
- (vii) Cheques issued upto 30th September, 2017 but not presented for payment upto that date totalled Rs. 26,52,000.

You are required :

- (a) to show the appropriate rectifications required in the Cash Book of Neel, to arrive at the correct balance on 30th September, 2017 and
- (b) to prepare a bank reconciliation statement as on that date.

(10 marks)

B. The following mistakes were located in the books of a concern after its books were closed and a Suspense Account was opened in order to get the Trial Balance agreed:

- (i) Sales Day Book was overcast by Rs.1,000.
- (ii) A sale of Rs. 5,000 to X was wrongly debited to the Account of Y.
- (iii) General expenses Rs. 180 was posted in the General Ledger as Rs.810.
- (iv) A Bill Receivable for Rs. 1,550 was passed through Bills Payable Book. The Bill was given by P.
- (v) Legal Expenses Rs. 1,190 paid to Mrs. Neetu was debited to her personal account.
- (vi) Cash received from Ram was debited to Shyam Rs. 1,500.
- (vii) While carrying forward the total of one page of the Purchases Book to the next, the amount of Rs. 1,235 was written as Rs.1,325.

Find out the **amount of the Suspense Account and Pass entries** (including narration) for the rectification of the above errors in the subsequent year's books.

(10 marks)

QUESTION NO.3

- A. Pankaj consigned 100 radio sets to Arun at an Invoice Price of Rs. 1,250 per radio (Cost plus 25%, mark – up on Cost). The following further details are available –
- Arun paid on advance of Rs. 75,000 by way of Bill of Exchange. Pankaj discounted this B/E for Rs. 73,000.
 - Pankaj incurred Rs. 5,000 towards Transportation and Insurance Charges.
 - Arun incurred Rs. 2,500 towards taking delivery of goods, Rs. 12,500 towards advertising and selling expenses.

- Arun is entitled to a Commission of 8% + 2% Del Credere Commission.
- As per the Account Sales, Arun had sold 85 sets at Rs. 1,500 per set. A customer for 2 sets had defaulted on payment, and no amount is recoverable from him.

Give the Journal Entries and ledger accounts in the books of consignor.

(10 MARKS)

B. **Prepare Journal entries** for the following transactions in K. Katrak's books.

- Katrak's acceptance to Basu for Rs. 2,500 discharged by a cash payment of Rs. 1,000 and a new bill for the balance plus Rs. 50 for interest.
- G. Gupta's acceptance for Rs. 4,000 which was endorsed by Katrak to M. Mehta was dishonoured. Mehta paid Rs. 20 noting charges. Bill withdrawn against cheque.
- D. Dalal retires a bill for Rs. 2,000 drawn on him by Katrak for Rs. 10 discount.
- Katrak's acceptance to Patel for Rs. 5,000 discharged by Mody's acceptance to Katrak for a similar amount.

(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 Rs. 75,000 which included Rs. 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 Rs. 3,900 and Mr. Bakkiram Rs.2,600.

Mr. Adhitya sent intimation of acceptance on 25th April, 2018 and Mr. Bakkiram returned the goods on 15th April, 2018.

Make the adjustment entries and show how these items will appear in the Balance Sheet as on 31st March, 2018. Show also the entries to be made during April, 2018. Value of Closing Inventories as on 31st March, 2018 was Rs. 50,000.

(5 marks)

QUESTION NO.4

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		Cash in hand	2,800
Ramesh 15,000		Cash at Bank	2,200
Naresh <u>10,000</u>	<u>40,000</u>		
	<u>72,500</u>		<u>72,500</u>

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) Provision 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.

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.

(20 marks)

QUESTION NO.5

- A. 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 Building	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:

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

(16 marks)

B. Classify the following expenditures as capital or revenue expenditure:

- (i) Money spent to reduce working expenses.
- (ii) Amount spent as lawyer's fee to defend a suit claiming that the firm's factory site belonged to the plaintiff's land.
- (iii) Rings and Pistons of an engine were changed at a cost of Rs. 5,000 to get fuel efficiency.
- (iv) Compensation of Rs. 2.5 crores paid to workers, who opted for voluntary retirement.

(4 marks)

QUESTION NO.6

- A. On 1st April, 2017, A Ltd. issued 43,000 shares of Rs. 100 each payable as follows: Rs. 20 on application;
Rs. 30 on allotment;
Rs. 25 on 1st October, 2017; and
Rs. 25 on 1st February, 2018.

By 20th May, 40,000 shares were applied for and all applications were accepted. Allotment was made on 1st June. All sums due on allotment were received on 15th July those on 1st call were received on 20th October. **Journalise the transactions when accounts were closed on 31st March, 2018.**

(8 marks)

- B. Aruna 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.

(5 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.

(3 marks)

- D. Write note : Utilization of security premium

(4 marks)