

TOPICS: Theoretical Framework, Books of Accounts and Trial balance, Inventories

QUESTION NO.1

(5 MARKS X 2 = 10 MARKS)

- A. Classify the following expenditures as capital or revenue expenditure:
- Amount spent on making a few more exists in a Cinema Hall to comply with Government orders.
 - Travelling expenses of the directors for trips abroad for purchase of capital assets.
 - Amount spent to reduce working expenses.
 - Amount paid for removal of stock to a new site.
 - Cost of repairs on second – hand car purchased to bring it into working condition.
- B. Discuss the limitations which must be kept in mind while evaluating the Financial Statements.

QUESTION NO.2

(5 MARKS X 2 = 10 MARKS)

- A. A Trader prepared his accounts on 31st March, each year. Due to some unavoidable reasons, no stock taking could be possible till 15th April, 2018 on which date the total cost of goods in his godown came to Rs. 50,000. The following facts were established between 31st March and 15th April, 2018.
- Sales Rs. 41,000 (including cash sales Rs. 10,000)
 - Purchases Rs. 5,034 (including cash purchases Rs. 1,990)
 - Sales Return Rs. 1,000.
 - On 15th March, goods of the sale value of Rs. 10,000 were sent on sale or return basis to a customer, the period of approval being four weeks. He returned 40% of the goods on 10th April, approving the rest; the customer was billed on 16th April.
 - The trader had also received goods costing Rs. 8,000 in March, for sale on consignment basis; 20% of the goods had been sold by 31st March, and another 50% by the 15th April. These sales are not included in above sales.

Goods are sold by the trader at a profit of 20% on sales.

You are required to **ascertain the value of Inventory** as on 31st March, 2018.

- B. **Prepare Journal Entries** for the following transactions in the books of Gamma Bros.
- Employees had taken stock worth Rs. 10,000 (Cost price Rs. 7,500) on the event of Deepawali and the same was deducted from their salaries in the subsequent month.
 - Wages paid for erection of Machinery Rs. 8,000.
 - Income tax liability of proprietor Rs. 1,700 was paid out of petty cash.

- (iv) Purchase of goods from Naveen of the list price of Rs. 2,000. He allowed 10% trade discount, Rs. 50 cash discount was also allowed for quick payment.

QUESTION NO.3

(5 MARKS X 2 = 10 MARKS)

- A. Which subsidiary books are normally used in a business?
 B. Prepare a Petty Cash Book on the Imprest System from the following:

2019			Rs.
April	1	Received Rs. 20,000 for petty cash	
"	2	Paid auto fare	500
"	3	Paid cartage	2,500
"	4	Paid for Postage & Telegrams	500
"	5	Paid wages	600
"	5	Paid for stationery	400
"	6	Paid for the repairs to machinery	1,500
"	6	Bus fare	100
"	7	Cartage	400
"	7	Postage and Telegrams	700
"	8	Cartage	3,000
"	9	Stationery	2,000
"	10	Sundry expenses	5,000

QUESTION NO.4

(5 MARKS X 2 = 10 MARKS)

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

2017			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

B. An inexperienced bookkeeper has drawn up a Trial Balance for the year ended 30th June, 2017

	Debit (₹)	Credit (₹)
Provision For Doubtful Debts	200	–
Bank Overdraft	1,654	–
Capital	–	4,591
Trade payables	–	1,637
Trade receivables	2,983	–
Discount Received	252	–
Discount Allowed	–	733
Drawings	1,200	–
Office Furniture	2,155	–
General Expenses	–	829
Purchases	10,923	–
Returns Inward	–	330
Rent & Rates	314	–
Salaries	2,520	–
Sales	–	16,882
Inventory	2,418	–
Provision for Depreciation on Furniture	364	–
Total	24,983	25,002

QUESTION NO.5**(5 MARKS X 2 = 10 MARKS)**

- A. Distinguish between Money measurement concept and matching concept.
- B. The Profit and loss account of Hanuman showed a net profit of Rs. 6,00,000, after considering the closing stock of Rs. 3,75,000 on 31st March, 2016. Subsequently the following information was obtained from scrutiny of the books:
- (i) Purchases for the year included Rs. 15,000 paid for new electric fittings for the shop.
 - (ii) Hanuman gave away goods valued at Rs. 40,000 as free samples for which no entry was made in the books of accounts.
 - (iii) Invoices for goods amounting to Rs. 2,50,000 have been entered on 27th March, 2016, but the goods were not included in stock.
 - (iv) In March, 2016 goods of Rs. 2,00,000 sold and delivered were taken in the sales for April, 2016.
 - (v) Goods costing Rs. 75,000 were sent on sale or return in March, 2016 at a margin of profit of $33\frac{1}{3}\%$ on cost. Though approval was given in April, 2016 these were taken as sales for March, 2016.