Study Time

{ CA Foundation }

⚜ Join For Notes and Test Series ⚜

⚜ Join for daily quizzes and test ⚜

Roll No. ....

Foundation (New Syllabus)
Paper - 1
Principles and Practice of Accounting

JAN 2021

Total No. of Questions – **6**

Total No. of Printed Pages – **11**

Time Allowed – **3** Hours

Maximum Marks – **100**

YPS

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.

Marks

1. (a) State **with reasons**, whether the following statements are **True or False** : **6×2 =12**

   (i) Re-issue of forfeited shares is allotment of shares but not a sale.

   (ii) Subsidy received from the government for working capital by a manufacturing concern is a revenue receipt.

   (iii) The Sale Book is kept to record both the cash and credit sales.

   (iv) There are two ways of preparing an account current.

   (v) Consignee will not pass any journal entry in his books at time of receiving of goods from Consignor.

   (vi) Accounting Standards for non-corporate entities in India are issued by the Central Government.

Marks

(b) Define the following terms : 4

(i) Capital Commitment

(ii) Expired Cost

(iii) Floating Charge

(iv) Obsolescence

(c) Prepare a Bank Reconciliation Statement from the following particulars as on 31st December, 2020 : 4

Particulars	₹
Bank Balance as per Cash Book (Debit)	1,98,000
Bank Charges debited by the bank not recorded in Cash Book	34,000
Received from debtors vide RTGS on 31st December, 2020 not recorded in Cash Book	1,00,000
Cheque issued but not presented for payment	45,000
Cheque deposited but not cleared	25,000
Cheque received and deposited but dishonoured. Entry for dishonour not made in the Cash Book	5,000
Instruction for payment given to the bank on 31st December, 2020 but the same effected by the Bank on 01st January, 2021	4,000

Marks

2. (a) Mr. Joshi's trial balance as on 31st March, 2020 did not agree. The difference was put to a Suspense Account. During the next trading period, the following errors were discovered : **10**

(i) The total of the Purchases Book of one page, ₹ 5,615 was carried forward to the next page as ₹ 6,551.

(ii) A sale of ₹ 281 was entered in the Sales Book as ₹ 821 and posted to the credit of the customer.

(iii) A return to creditor, ₹ 295 was entered in the Returns Inward Book; however, the creditor's account was correctly posted.

(iv) Cash received from Senu, ₹ 895 was posted to debit of Sethu.

(v) Goods worth ₹ 1,400 were dispatched to a customer before the close of the year but no invoice was made out.

(vi) Goods worth ₹ 1,600 were sent on sale or return basis to a customer and entered in the Sales Book at the close of the year, the customer still had the option to return the goods. The gross profit margin was 20% on Sale.

(vii) ₹ 600 due from Mr. Q was omitted to be taken to the trial balance.

(viii) Sale of goods to Mr. R for ₹ 3,000 was omitted to be recorded.

You are required to give journal entries to rectify the errors in a way so as to show the current year's profit or loss correctly.

(b) M/s. Dayal Transport Company purchased 10 trucks @ ₹ 50,00,000 each on 1st July 2017. On 1st October, 2019, one of the trucks is involved in an accident and is completely destroyed and ₹ 35,00,000 is received from the insurance in full settlement. On the same date, another truck is purchased by the company for the sum of ₹ 60,00,000. The company writes off 20% of the original cost per annum. The company observes the calendar year as its financial year. **10**

Give the motor truck account for two years ending 31st December, 2020.

Marks

3\. (a) A Products Limited of Kolkata has given the following particulars regarding tea sent on consignment to C Stores of Mumbai : 10

	Cost price	Selling price	Qty consigned
5 Kg. Tin	₹ 100 each	₹ 150 each	1,000 Tins
10 Kg. Tin	₹ 180 each	₹ 250 each	1,000 Tins

(i) The consignment was booked on freight "To Pay" basis. The freight was charged @ 5% of selling value.

(ii) C Stores sold 500, 5 kg Tins and 800, 10 kg Tins. It paid insurance of ₹ 10,000 and storage charges of ₹ 20,000.

(iii) C Stores is entitled to a fixed commission @ 10% on Sales.

(iv) During transit 50 quantity of 5 kg Tin and 20 quantity of 10 kg Tin got damaged and the transporter paid ₹ 5,000 as damage charge.

Prepare the Consignment Account in the books of A Products Limited.

(b) From the following particulars prepare an account current, as sent by Mr. Amit to Mr. Piyush as on 31st December, 2020 by means of product method charging interest @ 8% p.a. 5

Date	Particulars	₹
01-09-2020	Balance due from Piyush	900
15-10-2020	Sold goods to Piyush	1,450
20-10-2020	Goods returned by Piyush	250
22-11-2020	Piyush paid by Cheque	1,200
15-12-2020	Received cash from Piyush	600

Marks

(c) Attempt any **ONE** of the following two sub-parts i.e. either **(i)** or **(ii)** 5

(i) From the following information show the journal entries in the books of ABC Limited for the year ended 31st March, 2020:

(1) 100 units of goods costing ₹ 500 each sent to XYZ Limited on Sales or Return Basis @ ₹ 750 per unit. This transaction was however treated as actual sales in the books of accounts.

(2) Out of the above 100 units, only 60 units were accepted by XYZ Limited during the year @ ₹ 700 per unit. No information was received about acceptability of balance units by the year end.

OR

(ii) Mahesh had the following bill receivables and bills payables against Rajesh. Calculate the average due date, when the payment can be received or made without any loss of interest. 5

Date	Bills Receivable	Tenure	Date	Bills Payable	Tenure
12-06-20	5,000	3 months	27-05-20	3,700	3 months
10-07-20	6,200	1 month	07-06-20	4,000	3 months
15-07-20	3,500	3 months	10-07-20	5,000	1 month
12-06-20	1,500	2 months			
28-06-20	2,500	2 months			

15th August, 2020 was Public holiday. However, 10th September, 2020 was also suddenly declared as holiday.

Marks

4\. (a) The partnership deed of a firm consisting of 3 partners - P, Q and R (profit sharing ratio being 2:1:1) and whose fixed capitals are ₹ 30,000, ₹ 12,000 and ₹ 8,000 respectively provides as follows: **10**

(i) The partners be allowed interest @ 8% p.a. on their fixed capitals, but no interest to be allowed on undrawn profits or charged on drawings.

(ii) That upon the death of a partner, the goodwill of the firm be valued at 2 years purchase of the average net profit (after charging interest on capital) for the 3 years to 31st December preceding the death of a partner.

(iii) That an insurance policy of ₹ 25,000 each was taken in individual names of each partner. The premium was charged against the profits of the firm. The surrender value of the policy was 20% of the sum assured.

(iv) Upon the death of a partner, he is to be credited with his share of the profits, interest on capitals, etc. calculated upto 31st December following his death.

(v) That the share of the partnership policy and goodwill be credited to a deceased partner as on 31st December following his death.

(vi) That the partnership books to be closed annually on 31st December.

P died on 30th September, 2020. The amount standing to the credit of his current account as on 31st December, 2019 was ₹ 5,000 and from that date to the date of death he had withdrawn ₹ 30,000 from the business.

An unrecorded liability of ₹ 6,000 was discovered on 30th September, 2020 and it was decided to record it and immediately pay it off.

The trading results of the firm (before charging interest on capital) had been as follows :

2017	:	Profit ₹ 29,340
2018	:	Profit ₹ 26,470
2019	:	Loss ₹ 8,320
2020	:	Profit ₹ 13,470

You are required to prepare an account showing amount due to P's legal heir as on 31st December, 2020.

Note : Impact for unrecorded liability not to be given in earlier years.

Marks

(b) Dr. Deku started private practice on 1st April, 2019 with ₹ 2,00,000 of his own fund and ₹ 3,00,000 borrowed at an interest of 12% p.a. 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: 10

Receipts	₹	Payments	₹
Own Capital	2,00,000	Medicines Purchased	2,45,000
Loan	3,00,000	Surgical Equipment	2,50,000
Prescription Fees	6,60,000	Motor Car	3,20,000
Visiting Fees	2,50,000	Motor Car Expenses	1,20,000
Lecture Fees	24,000	Wages and Salaries	1,05,000
Pension Received	3,00,000	Rent of Clinic	60,000
		General Charges	49,000
		Household Expenses	1,80,000
		Household Furniture	25,000
		Expenses on Daughter's Marriage	2,15,000
		Interest on Loan	36,000
		Balance at Bank	1,10,000
		Cash in Hand	19,000
	17,34,000		**17,34,000**

1/3rd of the motor car expenses may be treated as applicable to the private use of car and ₹ 30,000 of salaries are in respect of domestic servants.

The stock of medicines in hand on 31st March, 2020 was valued at ₹ 95,000.

You are required to prepare his private practice income and expenditure account and capital account for the year ended 31st March, 2020. Ignore depreciation on fixed assets.

Marks

5. (a) From the following particulars ascertain the value of inventories as on 31st March, 2020 : **5**

Inventory as on 1st April, 2019	–	₹ 3,50,000
Purchase made during the year	–	₹ 12,00,000
Sales	–	₹ 18,50,000
Manufacturing Expenses	–	₹ 1,00,000
Selling and Distribution Expenses	–	₹ 50,000
Administration Expenses	–	₹ 80,000

At the time of valuing inventory as on 31st March, 2019, a sum of ₹ 20,000 was written off on a particular item which was originally purchased for ₹ 55,000 and was sold during the year for ₹ 50,000.

Except the above mentioned transaction, gross profit earned during the year was 20% on sales.

(b) Mr. K is engaged in business of selling magazines. Several of his customers pay money in advance for subscribing his magazines. Information related to year ended 31st March, 2020 has been given below : **5**

On 1st April, 2019 he had a balance of ₹ 3,00,000 advance from customers of which ₹ 2,25,000 is related to year 2019-20 while remaining pertains to year 2020-21. During the year 2019-20 he made cash sales of ₹ 7,50,000.

You are required to compute :

(i) Total income for the year 2019-20.

(ii) Total money received during the year, if the closing balance as on 31st March, 2020 in Advance from Customers Account is ₹ 2,55,000.

Marks

(c) From the following Income and Expenditure Account and additional information of ATK Club, prepare Receipts and Payments Accounts and Balance Sheet of the club as on 31st March, 2020. 10

ATK Club

Income and Expenditure Account for the year ending 31st March, 2020

Expenditure	₹	Income	₹
To Salaries	4,80,000	By Subscription	6,80,000
To Printing and Stationery	24,000	By Entrance Fees	16,000
To Postage	2,000	By Misc. Income	1,44,000
To Telephone	6,000		
To Office expenses	48,000		
To Bank Interest	22,000		
To Audit Fees	10,000		
To Annual General Meeting Exp.	1,00,000		
To Depreciation (Sports Equipment)	28,000		
To Surplus	1,20,000		
	8,40,000		**8,40,000**

Marks

Additional Information :

Particulars	As on 31st March, 2019	As on 31st March, 2020
Subscription Outstanding	64,000	72,000
Subscription Received in advance	52,000	33,600
Salaries Outstanding	24,000	32,000
Audit Fees Payable	8,000	10,000
Bank Loan	1,20,000	1,20,000
Value of Sports Equipment	2,08,000	2,52,000
Value of Club Premises	7,60,000	7,60,000
Cash in Hand	?	1,14,000

6. (a) A Limited is a company with an authorised share capital of ₹ 1,00,00,000 in equity shares of ₹ 10 each, of which 6,00,000 shares had been issued and fully paid up on 31st March, 2020. The company proposes to make a further issue of 1,35,000 of these ₹ 10 shares at a price of ₹ 14 each, the arrangement of payment being : **15**

(i) ₹ 2 per share payable on application, to be received by 31st May, 2020;

(ii) Allotment to be made on 10th June, 2020 and a further ₹ 5 per share (including the premium to be payable);

(iii) The final call for the balance to be made, and the money received by 31st December, 2020.

Marks

Applications were received for 5,60,000 shares and dealt with as follows:

(1) Applicants for 10,000 shares received allotment in full;

(2) Applicants for 50,000 shares received allotment of 1 share for every 2 applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;

(3) Applicants for 5,00,000 shares received an allotment of 1 share for every 5 shares applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and

(4) The money due on final call was received on the due date.

You are required to record these transactions (including bank transactions) in the Journal Book of A Limited.

(b) Discuss the rules if there is no Partnership Agreement. 5

PAPER – 1: PRINCIPLES AND PRACTICE OF ACCOUNTING

Question No. **1** is compulsory.

*Attempt 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 1

(a) State with reasons, whether the following statements are True or False :

(i) Re-issue of forfeited shares is allotment of shares but not a sale.

(ii) Subsidy received from the government for working capital by a manufacturing concern is a revenue receipt.

(iii) The Sale Book is kept to record both the cash and credit sales.

(iv) There are two ways of preparing an account current.

(v) Consignee will not pass any journal entry in his books at time of receiving of goods from Consignor.

(vi) Accounting Standards for non-corporate entities in India are issued by the Central Government. ***(6 x 2 = 12 Marks)***

(b) Define the following terms:

(i) Capital Commitment

(ii) Expired Cost

(iii) Floating Charge

(iv) Obsolescence ***(4 Marks)***

(c) Prepare a Bank Reconciliation Statement from the following particulars as on 31st December, 2020 :

Particulars	*₹*
Bank Balance as per Cash Book (Debit)	*1,98,000*
Bank Charges debited by the bank not recorded in Cash Book	*34,000*
Received from debtors vide RTGS on 31st December, 2020 not recorded in Cash Book	*1,00,000*
Cheque issued but not presented for payment	*45,000*
Cheque deposited but not cleared	*25,000*

Cheque received and deposited but dishonoured. Entry for dishonour not made in the Cash Book	*5,000*
Instruction for payment given to the bank on 31st December, 2020 but the same effected by the Bank on 01st January, 2021	*4,000*

(4 Marks)

Answer

(a) (i) **False**; Reissue of forfeited shares is not allotment of shares but only a sale because such shares already has been allotted earlier.

(ii) **True;** Subsidy received from the government for working capital by a manufacturing concern is a revenue receipt because it has no effect on improvement of future capability of business in revenue generation.

(iii) **False**; Sales Book is a register specially kept for recording credit sales of goods dealt in by the firm, cash sales are entered in the Cash Book and not in the Sales Book.

(iv) **False;** There are three ways of preparing an Account Current: with help of interest table; by means of products and by means of products of balances.

(v) **True;** Consignee is not concerned when goods are consigned to him or when the consignor incurs expenses. He is concerned only when he sends an advance to the consignor, makes a sale, incurs expenses on the consignment and earns his commission. He does not pass any entry in his books at the time of receiving goods from consignor.

(vi) **False;** Accounting Standards for non-corporate entities in India are issued by the Institute of Chartered Accountants of India (ICAI).

(b) (i) **Capital commitment**: **Future liability** for capital expenditure in respect of which contracts have been made.

(ii) **Expired cost**: The portion of the expenditure from which no further benefit is expected. Also termed as expense.

(iii) **Floating charge**: A general charge on some or all assets of an enterprise which are not attached to the specific assets and are given as security against a debt.

(iv) **Obsolescence**: **Diminution in the value of an asset** by reason of its becoming out-of-date or less useful due to technological changes, improvement in production methods, change in market demand for the product or service output of the asset, legal or other restrictions.

(c) Adjusted Cash Book as on 31st December, 2020

Particulars	₹	Particulars	₹
To Balance b/d	1,98,000	By Bank charges	34,000
To Debtors	1,00,000	By Debtor (cheque dishonour)	5,000
		By Balance c/d	2,59,000
	2,98,000		2,98,000

Bank Reconciliation Statement as on 31st December, 2020

Particulars	₹	₹
Balance as per adjusted cash book		2,59,000
ADD: Cheque issued but not presented	45,000	
Payment not effected by bank	4,000	
		49,000
		3,08,000
LESS: Cheque deposited but not cleared	25,000	25,000
Balance as per Bank pass book		2,83,000

Question 2

(a) Mr. Joshi's trial balance as on 31st March, 2020 did not agree. The difference was put to a Suspense Account. During the next trading period, the following errors were discovered:

(i) The total of the Purchases Book of one page, ₹ 5,615 was carried forward to the next page as ₹ 6,551.

(ii) A sale of ₹ 281 was entered in the Sales Book as ₹ 821 and posted to the credit of the customer.

(iii) A return to creditor, ₹ 295 was entered in the Returns Inward Book; however, the creditor's account was correctly posted.

(iv) Cash received from Senu, ₹ 895 was posted to debit of Sethu.

(v) Goods worth ₹ 1,400 were dispatched to a customer before the close of the year but no invoice was made out.

(vi) Goods worth ₹ 1,600 were sent on sale or return basis to a customer and entered in the Sales Book at the close of the year, the customer still had the option to return the goods. The gross profit margin was 20% on Sale.

(vii) ₹ 600 due from Mr. Q was omitted to be taken ·to the trial balance.

(viii) Sale of goods to Mr. R for ₹ 3,000 was omitted to be recorded.

You are required to give journal entries to rectify the errors in a way so as to show the current year's profit or loss correctly. ***(10 Marks)***

(b) M/s. Dayal Transport Company purchased 10 trucks @ ₹ 50,00,000 each on 1st July 2017. On 1st October, 2019, one of the trucks is involved in an accident and is completely destroyed and ₹ 35,00,000 is received from the insurance in full settlement. On the same date, another truck is purchased by the company for the sum of ₹ 60,00,000. The company writes off 20% of the original cost per annum. The company observes the calendar year as its financial year.

Give the motor truck account for two years ending 31st December, 2020. ***(10 Marks)***

Answer

(a) Journal Entries

	Particulars		***L.F.***	***Dr.*** ₹	***Cr.*** ₹
(i)	Suspense Account	Dr.		936	
	To Profit and Loss Adjustment A/c				936
	(Correction of error by which Purchase Account was over debited last year- ₹5,615 carried forward instead of ₹6,551)				
(ii)	Profit & Loss Adjustment A/c	Dr.		540	
	Customer's Account	Dr.		1,102	
	To Suspense Account				1,642
	(Correction of the entry by which (a) Sales A/c was over credited by ₹ 540 (b) customer was credited by ₹821 instead of being debited by ₹281)				
(iii)	Suspense Account	Dr.		590	
	To Profit & Loss Adjustment A/c				590
	(Correction of error by which Returns Inward Account was debited by ₹295 instead of Returns Outwards Account being credited by ₹295)				
(iv)	Suspense Account	Dr.		1,790	
	To Senu				895

	To Sethu (Removal or wrong debit to Sethu and giving credit to Senu from whom cash was received)				895
(v)	Customer's Account To Profit & Loss Adjustment A/c (Rectification of the error arising from non-preparation of invoice for goods delivered)	Dr.		1,400	1,400
(vi)	Profit & Loss Adjustment A/c To Customer's Account (The Customer's A/c credited with goods not yet purchased by him)	Dr.		1600	1,600
(vii)	Inventory A/c To Profit & Loss Adjustment A/c (Cost of goods debited to inventory and credited to Profit & Loss Adjustment A/c)	Dr.		1280	1280
(viii)	Trade receivable/ Q's Account To Suspense Account (₹600 due by Q not taken into trial balance, now rectified)	Dr.		600	600
(ix)	R's account/Trade receivable To Profit & Loss Adjustment A/c (Sales to R omitted, now rectified)	Dr.		3,000	3,000
(x)	Profit & Loss Adjustment A/c To Joshi's Capital Account (Transfer of the Profit & Loss Adjustment A/c balance to the Capital Account)	Dr.		5,066	5,066

(b) **Truck A/c**

Date	Particulars	Amount	Date	Particulars	Amount
2019			2019		
Jan-01	To balance b/d	35,000,000	Oct-01	By bank A/c	35,00,000
Oct-01	To Profit & Loss A/c Profit on settlement of Truck (W.Note 1)	7,50,000	Oct-01	By Depreciation on lost assets	7,50,000

Date	Particulars	Amount	Date	Particulars	Amount
Oct-01	To Bank A/c	60,00,000	Dec-31	By Depreciation A/c (W Note 3)	93,00,000
			Dec-31	By balance c/d	2,82,00,000
		4,17,50,000			4,17,50,000
2020			2020		
Jan-01	To balance b/d	2,82,00,000	Dec-31	By Depreciation A/c (W Note 3)	1,02,00,000
			Dec-31	By balance c/d	1,80,00,000
		2,82,00,000			2,82,00,000

Working Note:

1. Profit on settlement of truck

Original cost as on 1.7.2017	50,00,000
Less: Depreciation for 2017 (6 months)	5,00,000
	45,00,000
Less: Depreciation for 2017	10,00,000
	35,00,000
Less: Depreciation for 2019 (9 months)	7,50,000
	27,50,000
Less: Amount received from Insurance company	35,00,000
Profit on settlement of truck	7,50,000

2. Calculation of WDV of 10 trucks as on 01.01.2018

	Amount
WDV of 1 truck as on 31.12.2017 (Refer W.N 1)	35,00,000
WDV of 10 trucks as on 01.01.2018	3,50,00,000

3. Calculation for Depreciation for 2018 and 2019

	Amount
Depreciation for 2018	
On 9 trucks (₹ 50,00,000 x 9 x 20%)	90,00,000
On new truck (₹ 60,00,000 x 1 x 20% x 3/12)	3,00,000
	93,00,000
Depreciation for 2019	

On 9 tucks (₹ 50,00,000 x 9 x 20%) On new truck (Rs 60,00,000 x 1 x 20%)	90,00,000 12,00,000 1,02,00,000

Question 3

(a) A Products Limited of Kolkata has given the following particulars regarding tea sent on consignment to C Stores of Mumbai:

	Cost price	*Selling price*	*Qty consigned*
5 Kg. Tin	*₹ 100 each*	*₹ 150 each*	*1,000 Tins*
10 Kg. Tin	*₹ 180 each*	*₹ 250 each*	*1,000 Tins*

(i) The consignment was booked on freight "To Pay" basis. The freight was charged @ 5% of selling value.

(ii) C Stores sold 500, 5 kg Tins and 800, 10 kg Tins. It paid insurance of ₹ 10,000 and storage charges of ₹ 20,000.

(iii) C Stores is entitled to a fixed commission @ 10% on Sales.

(iv) During transit 50 quantity of 5 kg Tin and 20 quantity of 10 kg Tin got damaged and the transporter paid ₹ 5,000 as damage charge.

Prepare the Consignment Account in the books of A Products Limited. ***(10 Marks)***

(b) From the following particulars prepare an account current, as sent by Mr. Amit to Mr. Piyush as on 31st December, 2020 by means of product method charging interest @ 8% p.a.

Date	*Particulars*	*₹*
01-09-2020	*Balance due from Piyush*	*900*
15-10-2020	*Sold goods to Piyush*	*1,450*
20-10-2020	*Goods returned by Piyush*	*250*
22-11-2020	*Piyush paid by Cheque*	*1,200*
15-12-2020	*Received cash from Piyush*	*600*

(5 Marks)

(c) Attempt any ONE of the following two sub-parts i.e. either (i) or (ii)

(i) From the following information show the journal entries in the books of ABC Limited for the year ended 31st March, 2020:

(1) 100 units of goods costing ₹ 500 each sent to XYZ Limited on Sales or Return Basis @ ₹ 750 per unit. This transaction was however treated as actual sales in the books of accounts.

(2) Out of the above 100 units, only 60 units were accepted by XYZ Limited during the year @ ₹ 700 per unit. No information was received about acceptability of balance units by the year end.

OR

(ii) Mahesh had the following bill receivables and bills payables against Rajesh. Calculate the average due date, when the payment can be received or made without any loss of interest.

Date	*Bills Receivable*	*Tenure*	*Date*	*Bills Payable*	*Tenure*
12-06-20	*5,000*	*3 months*	*27-05-20*	*3,700*	*3 months*
10-07-20	*6,200*	*1 month*	*07-06-20*	*4,000*	*3 months*
15-07-20	*3,500*	*3 months*	*10-07-20*	*5,000*	*1 month*
12-06-20	*1,500*	*2 months*			
28-06-20	*2,500*	*2 months*			

15th August, 2020 was Public holiday. However, 10th September, 2020 was also suddenly declared as holiday. ***(5 Marks)***

Answer

(a) **A Products Ltd.**

Dr. **Consignment to Mumbai Account** **Cr.**

Particulars		₹	Particulars		₹
To Goods sent on Consignment A/c			By C Stores		
1,000 5 kg. tins @ Rs 100	1,00,000		500, 5 kg. tins @ ₹ 150	75,000	
1,000 10 kg. tins. @ ₹ 180	1,80,000	2,80,000	800,10 kg. tins. @ ₹ 250	2,00,000	2,75,000
To C Stores:			By Bank A/c (Damage charges)		5,000
Freight	20,000		By Profit & Loss A/c -		

Insurance	10,000		abnormal loss (Net)		4,225
Storage charge	20,000				
Commission	27,500	77,500	By Inventory on consignment A/c		83,025
To Profit & Loss A/c – Profit		9,750			
		3,67,250			3,67,250

Working Notes:

(i) Calculation of Freight

Sale value of total consignment:

1,000 5 kg. tins @ ₹ 150	1,50,000
1,000 10 kg. tins @ ₹ 250	2,50,000
	4,00,000
Freight @ 5% of above	20,000

(ii) Inventories at the end:

450, 5 kg. tins @ ₹ 100 (Selling Price ₹ 67,500)	45,000
180,10 kg. tins. @ ₹ 180 (Selling Price ₹ 45,000)	32,400
	77,400
Add: Freight 5% of (Selling Price ₹ 1,12,500)	5,625
	83,025

(iii) Loss in transit:

Cost of 50,5 kg. tins @ ₹ 100 & 20, 10 kg tins @ 180	8,600
Freight @ 5% of Selling Price ₹ 12,500	625
Gross abnormal Loss	9,225
Less : Damage charges received	(5,000)
Net abnormal Loss	4,225

(b) Piyush in Account Current with Amit

for the period ending on 31st December, 2020

Date	*Particulars*	*Amount*	*Days*	*Products*	*Date*	*Particulars*	*Amount*	*Days*	*Products*
2020		₹			2020		₹		
Sept. 1	To Balance	900	122	1,09,800	Oct.	By Sales	250	72	18,000

	b/d				20	Returns			
Oct. 15	To Sales A/c	1,450	77	1,11,650	Nov. 22	By Bank A/c	1,200	39	46,800
Dec. 31	To Interest A/c	32			Dec. 15	By Cash A/c	600	16	9,600
					Dec. 31	By Balance of products			1,47,050
						By Balance c/d	332		
		2,382		2,21,450			2,382		2,21,450

Calculation of interest:

Interest = 1,47,050/ 366 days X 8% = ₹ 32 (Rounded off)

Note: 366 days taken for interest calculation since 2020 is a leap year. Alternatively,365 days can also be taken. In that case amount of interest will be ₹ 32.23 (Rounded off ₹ 32) and amount of balance c/d will be ₹ 332.23 (Rounded off ₹ 332).

(c) (i) In the books of ABC. Ltd.

Journal Entries

Date	*Particulars*		*L.F.*	*Dr.* ₹	*Cr.* ₹
March. 31	Sales A/c (₹ 50 X 60)	Dr.		3,000	
	To XYZ Limited A/c				3,000
	(Being the60 units of goods accepted by XYZ limited at 700 per unit.)				
	Sales A/c (40 X ₹ 750)	Dr		30,000	
	To XYZ Limited A/c				30,000
	(Being the cancellation of original entry for sale in respect of 40 units of goods not yet returned or approved by customers)				
March. 31	Inventories with Customers on Sale or Return A/c	Dr.		20,000	
	To Trading A/c				20,000
	(Being the cost of goods sent to customers on approval or return basis not yet approved, adjusted)				

Note: Quantity of goods lying with XYZ as on 31.3.2020 = 100-60 = 40

(ii) Let us take 13.08.2020 as Base date.

Bills receivable

Bill Date	Tenure	*Due date*	*No. Of days from 13.08.2020*	*Amount*	*Product*
12/06/19	3 months	15/09/2020	33	5,000	1,65,000
10/07/19	1 month	13/8/2020	0	6,200	0
15/07/19	3 months	18/10/2020	66	3,500	2,31,000
12/06/19	2 months	14/08/2020	1	1,500	1,500
28/06/19	2 months	31/8/2020	18	2,500	45,000
				18,700	4,42,500

Bills payable

Bill Date	Tenure	*Due date*	*No. Of days from 13.08.2020*	*Amount*	*Product*
27/05/19	3 months	30/08/2020	17	3,700	62,900
07/06/19	3 months	11/09/2020	29	4,000	1,16,000
10/07/19	1 month	13/08/2020	0	5,000	0
				12,700	1,78,900

Excess of products of bills receivable over bills payable = 4,42,500 - 1,78,900= 2,63,600

Excess of bills receivable over bills payable = 18,700 – 12,700 = 6,000

Number of days from the base date to the date of settlement is 2,63,600 /6,000 = 43.94 (approx.)

Hence date of settlement of the balance amount is 44 days after 13.08.2020 i.e. **26th September, 2020.**

On **26th September, 2020**, Rajesh has to pay Mahesh ₹ 6,000 to settle the account.

Question 4

(a) The partnership deed of a firm consisting of 3 partners - P, Q and R (profit sharing ratio being 2:1:1) and whose fixed capitals are ₹ 30,000, ₹ 12,000 and ₹ 8,000 respectively provides as follows:

(i) The partners be allowed interest @ 8% p.a. on their fixed capitals, but no interest to be allowed on undrawn profits or charged on drawings.

(ii) That upon the death of a partner, the goodwill of the firm be valued at 2 years purchase of the average net profit (after charging interest on capital) for the 3 years to 31st December preceding the death of a partner.

(iii) That an insurance policy of ₹ 25,000 each was taken in individual names of each partner. The premium was charged against the profits of the firm. The surrender value of the policy was 20% of the sum assured.

(iv) Upon the death of a partner, he is to be credited with his share of the profits, interest on capitals, etc. calculated upto 31st December following his death.

(v) That the share of the partnership policy and goodwill be credited to a deceased partner as on 31st December following his death.

(vi) That the partnership books to be closed annually on 31st December.

P died on 30th September, 2020. The amount standing to the credit of his current account as on 31st December, 2019 was ₹ 5,000 and from that date to the date of death he had withdrawn ₹ 30,000 from the business.

An unrecorded liability of ₹ 6,000 was discovered on 30th September, 2020 and it was decided to record it and immediately pay it off.

The trading results of the firm (before charging interest on capital) had been as follows:

2017 Profit ₹ 29,340

2018 Profit ₹ 26,470

2019 Loss ₹ 8,320

2020 Profit ₹ 13,470

You are required to prepare an account showing amount due to P's legal heir as on 31st December, 2020.

Note: Impact for unrecorded liability not to be given in earlier years. ***(10 Marks)***

(b) Dr. Deku started private practice on 1st April, 2019 with ₹ 2,00,000 of his own fund and ₹ 3,00,000 borrowed at an interest of 12 p.a. 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	₹	Payments	₹
Own Capital	2,00,000	Medicines Purchased	2,45,000
Loan	3,00,000	Surgical Equipment	2,50,000
Prescription Fees	6,60,000	Motor Car	3,20,000
Visiting Fees	2,50,000	Motor Car Expenses	1,20,000
Lecture Fees	24,000	Wages and Salaries	1,05,000

Pension Received	*3,00,000*	*Rent of Clinic*	*60,000*
		General Charges	*49,000*
		Household Expenses	*1,80,000*
		Household Furniture	*25,000*
		Expenses on Daughter's Marriage	*2,15,000*
		Interest on Loan	*36,000*
		Balance at Bank	*1,10,000*
		Cash in Hand	*19,000*
	17,34,000		*17,34,000*

1/3rd of the motor car expenses may be treated as applicable to the private use of car and ₹ 30,000 of salaries are in respect of domestic servants. The stock of medicines in hand on 31st March, 2020 was valued at ₹ 95,000.

You are required to prepare his private practice income and expenditure account and capital account for the year ended 31st March, 2020. Ignore depreciation on fixed assets.

(10 Marks)

Answer

(a) **P's Capital Account**

2020		₹	2020		₹
Sep. 30	To Current A/c	25,000	Jan. 1	By Balance b/d	30,000
	(30,000 - 5000)		Dec. 31	By Profit and Loss A/c :	
Dec. 31	To Profit and Loss Adjt.	3,000		Interest on Capital	2,400
	(Unrecorded Liability)		Dec. 31	Share of Profit	4,735
Dec. 31	To Balance Transferred to P's Executor's A/c	38,465		Q&R (Goodwill)	11,830
			Dec. 31	Insurance Policies A/c	17,500
		66,465			66,465

Working Notes:

(i) Valuation of Goodwill

Year	Profit before Interest on fixed capital ₹	Interest ₹	Profit after interest ₹
2017	29,340	4,000	25,340
2018	26,470	4,000	22,470
2019	(-) 8,320	4,000	(-) 12,320
	47,490	12,000	35,490

	₹
Average	11,830
Goodwill at two years purchase of average net profits	23,660
Share of P in the goodwill	11,830

(ii) Profit on Separate Life Policy:

P's policy	25,000
Q and R's policy @ 20% of ₹ 50,000	10,000
	35,000
Share of P (1/2)	17,500

(iii) Share in profit for 2020:

Profit for the year	13,470
Less : Interest on capitals	(4,000)
	9,470
P's share in profit (1/2)	4,735

(b) Income and Expenditure Account for the year ended 31st March, 2020

		₹		₹
To Medicines consumed			By Prescription fees	6,60,000
Purchases	2,45,000			
Less: Stock on 31.3.20	(95,000)	1,50,000	By Visiting fees	2,50,000
To Motor car expense		80,000	By Fees from lectures	24,000

To Wages and salaries (1,05,000 – 30,000)	75,000		
To Rent for clinic	60,000		
To General charges	49,000		
To Interest on loan	36,000		
To Net Income	4,84,000		
	9,34,000		9,34,000

Capital Account

for the year ended 31st March, 2020

	₹		₹
To Drawings:		By Cash/bank	2,00,000
Motor car expenses	40,000	By Cash/ bank (pension)	3,00,000
(one-third of ₹ 1,20,000)		By Net income from practice (derived from income and expenditure A/c)	4,84,000
Household expenses	1,80,000		
Daughter's marriage exp.	2,15,000		
Wages of domestic servants	30,000		
Household furniture	25,000		
To Balance c/d	4,94,000		
	9,84,000		9,84,000

Question 5

(a) *From the following particulars ascertain the value of inventories as on 31st March, 2020 :*

Inventory as on 1st April, 2019	*₹ 3,50,000*
Purchase made during the year	*₹ 12,00,000*
Sales	*₹ 18,50,000*
Manufacturing Expenses	*₹ 1,00,000*
Selling and Distribution Expenses	*₹ 50,000*
Administration Expenses	*₹ 80,000*

At the time of valuing inventory as on 31st March, 2019, a sum of ₹ 20,000 was written off on a particular item which was originally purchased for ₹ 55,000 and was sold during the year for ₹ 50,000.

Except the above mentioned transaction, gross profit earned during the year was 20 on sales. ***(5 Marks)***

(b) *Mr. K is engaged in business of selling magazines. Several of his customers pay money in advance for subscribing his magazines. Information related to year ended 31st March, 2020 has been given below:*

On 1st April, 2019 he had a balance of ₹ 3,00,000 advance from customers of which ₹ 2,25,000 is related to year 2019-20 while remaining pertains to year 2020-21- During the year 2019-20 he made cash sales of ₹ 7,50,000.

You are required to compute :

(i) *Total income for the year 2019-20.*

(ii) *Total money received during the year, if the closing balance as on 31st March, 2020 in Advance from Customers Account is ₹ 2,55,000.* ***(5 Marks)***

(c) *From the following Income and Expenditure Account and additional information of A TK Club, prepare Receipts and Payments Accounts and Balance Sheet of the club as on 31st March, 2020.*

Income and Expenditure Account for the year ending 31st March, 2020

Expenditure	₹	Income	₹
To Salaries	4,80,000	By Subscription	6,80,000
To Printing and Stationery	24,000	By Entrance Fees	16,000
To Postage	2,000	By Misc. Income	1,44,000
To Telephone	6,000		
To Office expenses	48,000		
To Bank Interest	22,000		
To Audit Fees	10,000		
To Annual General Meeting Exp.	1,00,000		
To Depreciation (Sports Equipment)	28,000		
To Surplus	1,20,000		
	8,40,000		8,40,000

Additional Information:

Particulars	As on 31st March, 2019	As on 31st March, 2020
Subscription Outstanding	64,000	72,000
Subscription Received in advance	52,000	33,600

Salaries Outstanding	*24,000*	*32,000*
Audit Fees Payable	*8,000*	*10,000*
Bank Loan	*1,20,000*	*1,20,000*
Value of Sports Equipment	*2,08,000*	*2,52,000*
Value of Club Premises	*7,60,000*	*7,60,000*
Cash in Hand	*?*	*1,14,000*

(10 Marks)

Answer

(a) Statement of Inventory in trade as on 31st March, 2020

	₹	₹
Inventory as on 31st March, 2019	3,50,000	
Less: Book value of abnormal inventory		
(₹ 55,000 - ₹ 20,000)	35,000	3,15,000
Add: Purchases		12,00,000
Manufacturing Expenses		1,00,000
		16,15,000
Less: Cost of goods sold:		
Sales as per books	18,50,000	
Less: Sales of abnormal item	50,000	
	18,00,000	
Less: Gross Profit @ 20%	3,60,000	14,40,000
Inventory in trade as on 31st March, 2020		1,75,000

(b) (i) Computation of Income for the year 2019-20:

	₹
Money received during the year related to 2019-20	7,50,000
Add: Money received in advance during previous years	2,25,000
Total income of the year 2019-20	9,75,000

(ii) Advance from Customers A/c

Date	Particulars	₹	Date	Particulars	₹
	To Sales A/c (Advance related to current year transferred to sales)	2,25,000	1.4.2019	By Balance b/d	3,00,000
				By Bank A/c (Balancing Figure)	1,80,000
31.3.20	To Balance c/d	2,55,000			
		4,80,000			4,80,000

So, total money received during the year is:

	₹
Cash Sales during the year	7,50,000
Add: Advance received during the year	1,80,000
Total money received during the year	9,30,000

(c) ATK Club

Receipts and Payments Account
for the year ended 31st March, 2020

RECEIPTS	₹	₹	PAYMENTS	₹	₹
To Balance b/d (balancing figure)		54,400	By Salaries Paid (W.N. 2)		4,72,000
To Subscriptions Received (W.N.1)		6,53,600	By Audit fee (W.N. 3)		8,000
To Entrance Fees		16,000			
To Misc. Income		1,44,000	By Telephone		6,000
			By Stationery & Printing		24,000
			By Postage		2000
			By Office expense		48,000
			By Bank Interest		22,000
			By Annual general meeting expenses		1,00,000

			By Sports Equipment's (W.N.4)		72,000
			By Balance c/d		1,14,000
		8,68,000			8,68,000

Balance Sheet of ATK Club as at March31, 2020

Liabilities	₹	₹	Assets	₹	₹
Capital Fund :			Club Premises		7,60,000
Balance as per previous			Sport Equipment		2,52,000
			Subscription		
Balance Sheet	8,82,400		Outstanding		72,000
Add: Surplus for 2020	1,20,000	10,02,400	Cash in hand		1,14,000
Bank Loan		1,20,000			
Subscription received		33,600			
in advance					
Audit Fee Outstanding		10,000			
Salaries Outstanding		32,000			
		11,98,000			11,98,000

Balance Sheet of ATK Club as at 31st March, 2019

Liabilities	₹	Assets	₹
Subscriptions received in advance	52,000	Club Premises	7,60,000
Salaries Outstanding	24,000	Sports Equipment	2,08,000
Audit fees payable	8,000	Subscriptions Outstanding	64,000
Bank Loan	1,20,000	Cash in hand	54,400
Capital Fund (balancing figure)	8,82,400		
	10,86,400		10,86,400

Working Notes:

1. Subscription received in 2019-20

   Add: Subscription for 2019-20 on accrual basis 6,80,000

	Add: Amount received in advance on 31.03.2020	33,600
	Outstanding as on 01.04.2019 received in 2019-20	64,000
		7,77,600
	Less: Outstanding to be received on 31.03.2020	72,000
	Amount of 2019-20 received in 2018-19	52,000
		Rs 6,53,600
2.	Salary paid in 2019-20	
	Salary for 2019-20 on accrual basis	4,80,000
	Add: Outstanding as on 01.04.2019 paid in 2019-20	24,000
	Less: Outstanding to be paid on 31.03.2020	32,000
		Rs .4,72,000
3.	Audit Fees paid in 2019-20	
	Audit Fees for 2019-20 on accrual basis	10,000
	Add: Outstanding as on 01.04.2019 paid in 2019-20	8,000
	Less: Outstanding to be paid on 31.03.2020	10,000
		₹ 8,000
4.	Sports Equipment purchased during 2019-20	
	WDV as on 31.03.2020	2,52,000
	Add: Depreciation	28,000
	Less: WDV as on 31.03.2019	2,08,000
		Rs 72,000

Question 6

(a) *A Limited is a company with' an authorised share capital of ₹ 1,00,00,000 in equity shares of ₹ 10 each, of which 6,00,000 shares had been issued and fully paid up on 31st March, 2020. The company proposes to make a further issue of 1,35,000 of these ₹ 10 shares at a price of ₹ 14 each, the arrangement of payment being :*

(i) ₹ 2 per share payable on application, to be received by 31st May, 2020;

(ii) Allotment to be made on 10th June, 2020 and a further ₹ 5 per share (including the premium to be payable);

(iii) The final call for the balance to be made, and the money received by 31st December, 2020.

Applications were received for 5,60,000 shares and dealt with as follows:

(1) Applicants for 10,000 shares received allotment in full;

(2) Applicants for 50,000 shares received allotment of 1 share for every 2 applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;

(3) Applicants for 5,00,000 shares 'received an allotment of 1 share for every 5 shares applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and

(4) The money due on final call was received on the due date.

You are required to record these transactions (including bank transactions) in the Journal Book of A Limited. ***(15 Marks)***

(b) Discuss the rules if there is no Partnership Agreement. ***(5 Marks)***

Answer

(a) Journal of A Limited

Date 2020	Particulars		Dr. ₹	Cr. ₹
May 31	Bank A/c (Note 1 – Column 3)	Dr.	11,20,000	
	To Equity Share Application A/c			11,20,000
	(Being application money received on 5,60,000 shares @ ₹ 2 per share)			
June 10	Equity Share Application A/c	Dr.	11,20,000	
	To Equity Share Capital A/c			2,70,000
	To Equity Share Allotment A/c (Note 1 - Column 5)			5,50,000
	To Bank A/c (Note 1–Column 6)			3,00,000
	(Being application money on 1,35,000 shares transferred to Equity Share Capital Account; on 2,75,000 shares adjusted with allotment and on 1,50,000 shares refunded as per Board's Resolution No…..dated…)			
	Equity Share Allotment A/c	Dr.	6,75,000	
	To Equity Share Capital A/c			1,35,000
	To Securities Premium a/c			5,40,000
	(Being allotment money due on 1,35,000 shares @ ₹ 5 each including premium at ₹4 each as per Board's Resolution No….dated….)			

	Bank A/c (Note 1 – Column 8) To Equity Share Allotment A/c (Being balance allotment money received)	Dr.	1,25,000	 1,25,000
Dec. 31	Equity Share Final Call A/c To Equity Share Capital A/c (Being final call money due on 1,35,000 shares @₹ 7 per share as per Board's Resolution No…..dated….)	Dr.	9,45,000	 9,45,000
	Bank A/c To Equity Share Final Call A/c (Being final call money on 1,35,000 shares @ ₹ 7 each received)	Dr.	9,45,000	 9,45,000

Working Note:

Calculation for Adjustment and Refund

Category	No. of Shares Applied for	No. of Shares Allotted	Amount Received on Application	Amount Required on Application	Amount adjusted on Allotment	Refund [3 – (4 + 5)]	Amount due on Allotment	Amount received on Allotment
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(i)	10,000	10,000	20,000	20,000	Nil	Nil	50,000	50,000
(ii)	50,000	25,000	1,00,000	50,000	50,000	Nil	1,25,000	75,000
(iii)	5,00,000	1,00,000	10,00,000	2,00,000	5,00,000	3,00,000	5,00,000	Nil
TOTAL	5,60,000	1,35,000	11,20,000	2,70,000	5,50,000	3,00,000	6,75,000	1,25,000

Also,

(i) Amount Received on Application (3) = No. of shares applied for (1) X ₹2

(ii) Amount Required on Application (4) = No. of shares allotted (2) X ₹ 2

(b) As per the Indian Partnership Act, 1932, in the absence of any agreement among the partners,

1. No partner has the right to a salary,
2. No interest is to be allowed on capital,
3. No interest is to be charged on the drawings,
4. Interest at the rate of 6%.p.a is to be allowed on a partner's loan to the firm, and
5. Profits and losses are to be shared equally.

NOV 2020

Roll No. ....

Foundation (New Syllabus)
Paper - 1
Principles and Practice of Accounting

Total No. of Questions – **6**

Total No. of Printed Pages – **15**

Time Allowed – **3** Hours

Maximum Marks – **100**

FYZ

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.

Marks

1. (a) State **with reasons**, whether the following statements are **True** or **False**. **6×2 =12**

(i) In case of admission of a new partner in a partnership firm, the profit/loss on revaluation account is transferred to all partners in their new profit sharing ratio.

(ii) In the balance sheet of X Limited, preliminary expenses amounting to ₹ 5 lakhs and securities premium account of ₹ 35 lakhs are appearing. The accountant can use the balance in securities premium account to write off preliminary expenses.

Marks

(iii) Insurance claim received on account of plant and machinery completely damaged by fire is a capital receipt.

(iv) Purchase of office furniture & fixtures of ₹ 2,500 has been debited to General Expense Account. It is an error of omission.

(v) A Limited is sending goods costing ₹ 50,000 to B Limited on consignment basis. The accountant of A Limited is of the opinion that these goods should be sent under a sale invoice.

(vi) A concern proposes to discontinue its business from December 2020 and decides to dispose off all its plants within a period of 3 months. The Balance Sheet as on 31st December, 2020 should continue to indicate the plants at its historical costs as the assets will be disposed off after the Balance Sheet date.

(b) What services can a Chartered Accountant provide to the society ? 4

(c) The following are some of the transactions of M/s. Kamal & Sons for the year ended 31st March, 2020. You are required to make out their Sales Book. 4

(i) Sold to M/s. Ashok & Mukesh on Credit :

40 Shirts @ ₹ 900 per shirt

30 trousers @ ₹ 1,000 per trouser

Less : Trade discount @ 10%

(ii) Sold furniture to M/s. XYZ & Co. on credit ₹ 8,000

(iii) Sold 15 shirts to Aman @ ₹ 750 each for cash.

Marks

2. (a) On 31-3-2020, Mahesh's Cash Book Showed a Bank overdraft of ₹ 98,700. On comparison he finds the following : 10

(1) Out of the total cheques of ₹ 8,900 issued on 27th March, one cheque of ₹ 7,400 was presented for payment on 4th April and the other cheque of ₹ 1,500 handed over to the customer, was returned by him and in lieu of that a new cheque of the same amount was issued to him on 1st April. No entry for the return was made.

(2) Out of total cash and cheques of ₹ 6,800 deposited in the Bank on 24th March, one cheque of ₹ 2,600 was cleared on 3rd April and the other cheque of ₹ 500 was returned dishonoured by the bank on 4th April.

(3) Bank charges ₹ 35 and Bank interest ₹ 2,860 charged by the bank appearing in the passbook are not yet recorded in the cash book.

(4) A cheque deposited in his another account of ₹ 1,550 wrongly credited to this account by the bank.

(5) A cheque of ₹ 800, drawn on this account, was wrongly debited in another account by the bank.

(6) A debit of ₹ 3,500 appearing in the bank statement for an unpaid cheque returned for being 'out of date' had been re-dated and deposited in the bank account again on 5th April 2020.

Marks

(7) The bank allowed interest on deposit ₹ 1,000.

(8) A customer who received a cash discount of 4% on his account of ₹ 1,00,000 paid a cheque on 20th March, 2020. The cashier erroneously entered the gross amount in the bank column of the Cash Book.

Prepare Bank Reconciliation Statement as on 31-3-2020.

(b) Physical verification of stock in a business was done on 23rd February, 2020. The value of the stock was ₹ 28,00,000. The following transactions took place from 23rd February to 29th February, 2020 : **10**

(1) Out of the goods sent on consignment, goods at cost worth ₹ 2,30,000 were unsold.

(2) Purchases of ₹ 3,00,000 were made out of which goods worth ₹ 1,20,000 were delivered on 5th March, 2020.

(3) Sales were ₹ 13,60,000 which include goods worth ₹ 3,20,000 sent on approval. Half of these goods were returned before 29th February, 2020, but no information is available regarding the remaining goods.

(4) Goods are sold at cost plus 25%. However goods costing ₹ 2,40,000 had been sold for ₹ 1,50,000.

Determine the value of stock on 29th February, 2020.

Marks

3. (a) Maya consigned 400 boxes of shaving brushes, each box containing 100 shaving brushes. Cost price of each box was ₹ 3,000. Maya spent ₹ 500 per box as cartage, freight, insurance and forwarding charges. One box was lost on the way and Maya lodged claim with insurance company and could get ₹ 2,700 as claim on average basis. Consignee took delivery of the rest of the boxes and spent ₹ 1,99,500 as non-recurring expenses and ₹ 1,12,500 as recurring expenses. He sold 370 boxes at the rate of ₹ 65 per shaving brush. He was entitled to 2% commission on sales plus 1% del-credere commission. **5**

You are required to prepare Consignment Account.

(b) Attempt any **ONE** of the following two sub-parts i.e. **either (i) or (ii).** **5**

(i) From the following particulars prepare a account current, as sent by Mr. Raju to Mr. Sunil as on 31st October 2020 by means of product method charging interest @ 12% p.a.

2020	**Particulars**	**Amount (₹)**
1st July	Balance due from Sunil	840
15th August	Sold goods to Sunil	1,310
20th August	Goods returned by Sunil	240
22nd September	Sunil paid by cheque	830
15th October	Received cash from Sunil	560

FYZ

Marks

OR

(ii) Rakesh had the following bills receivable and bills payable against Mukesh.

Date	Bills Receivable	Tenure	Date	Bills Payable	Tenure
1st June	3,400	3 month	29th May	2,500	2 month
5th June	2,900	3 month	3rd June	3,400	3 month
9th June	5,800	1 month	9th June	5,700	1 month
12th June	1,700	2 month			
20th June	1,900	3 month			

15th August was a public holiday. However, 6th September, was also declared a sudden holiday.

Calculate the average due date, when the payment can be received or made without any loss of interest to either party.

(c) Suresh draws a bill for ₹ 15,000 on Anup on 15th April, 2020 for 3 months, which Anup returns to Suresh after accepting the same. Suresh gets it discounted with the bank for ₹ 14,700 on 18th April, 2020 and remits one-third amount to Anup. On the due date Suresh fails to remit the amount due to Anup, but he accepts a bill of ₹ 17,500 for 3 months, which Anup discounts for ₹ 17,100 and remits ₹ 2,825 to Suresh. Before the maturity of the renewed bill Suresh becomes insolvent and only 50% was realized from his estate on 31st October, 2020. **10**

Pass necessary Journal entries for the above transactions in the books of Suresh.

FYZ

Marks

4. (a) M/s. TB is a partnership firm with the partners A, B and C sharing profits and losses in the ratio of 3 : 2 : 5. The balance sheet of the firm as on 30th June, 2020 was as under : 10

Balance Sheet of M/s. TB as on 30-6-2020

Liabilities	Amount (₹)	Assets	Amount (₹)
A's Capital A/c	1,24,000	Land	1,20,000
B's Capital A/c	96,000	Building	2,20,000
C's Capital A/c	1,60,000	Plant & Machinery	4,00,000
Long Term Loan	4,20,000	Investments	42,000
Bank Overdraft	64,000	Inventories	1,36,000
Trade Payables	2,13,000	Trade Receivables	1,59,000
	10,77,000		**10,77,000**

 Marks

It was mutually agreed that B will retire from partnership and in his place D will be admitted as a partner with effect from 1st July, 2020. For this purpose, following adjustments are to be made :

(a) Goodwill of the firm is to be valued at ₹ 3 lakhs due to the firm's location advantage but the same will not appear as an asset in the books of the reconstituted firm.

(b) Building and Plant & Machinery are to be valued at 95% and 80% of the respective balance sheet values. Investments are to be taken over by the retiring partner at ₹ 46,000. Trade receivables are considered good only upto 85% of the balance sheet figure. Balance to be considered bad.

(c) In the reconstituted firm, the total capital will be ₹ 4 lakhs, which will be contributed by A, C and D in their new profit sharing ratio, which is 3 : 4 : 3.

(d) The amount due to retiring partner shall be transferred to his loan account.

You are required to prepare Revaluation Account and Partners' Capital Accounts after reconstitution, along with working notes.

Marks

(b) From the following balances and particulars of AS College, prepare Income & Expenditure Account for the year ended March, 2020 and a Balance Sheet as on the date : **10**

Particulars	Amount (₹)	Amount (₹)
Security Deposit – Students	–	1,55,000
Capital Fund	–	13,08,000
Building Fund	–	19,10,000
Tuition Fee Received	–	8,10,000
Government Grants	–	5,01,000
Interest & Dividends on Investments	–	1,75,000
Hostel Room Rent	–	1,65,000
Mess Receipts (Net)	–	2,05,000
College Stores – Sales	–	7,60,000
Outstanding expenses	–	2,35,000
Stock of Stores and Supplies (opening)	3,10,000	–
Purchases – Stores & Supplies	8,20,000	–
Salaries – Teaching	8,75,000	–
Salaries – Research	1,25,000	–
Scholarships	85,000	–
Students Welfare expenses	37,000	–
Games & Sports expenses	52,000	–
Other investments	12,75,000	–
Land	1,50,000	–
Building	15,50,000	–
Plant and Machinery	8,50,000	–
Furniture and Fittings	5,40,000	–
Motor Vehicle	2,40,000	–
Provision for Depreciation :		–
Building	–	4,90,000
Plant & Equipment	–	5,05,000
Furniture & Fittings	–	3,26,000
Cash at Bank	3,16,000	
Library	3,20,000	
	75,45,000	**75,45,000**

Marks

Adjustments :

(a) Materials & Supplies consumed : (From college stores)

Teaching	–	₹ 52,000
Research	–	₹ 1,45,000
Students Welfare	–	₹ 78,000
Games or Sports	–	₹ 24,000

(b) Tuition fee receivable from Government for backward class Scholars – ₹ 82,000.

(c) Stores selling prices are fixed to give a net profit of 15% on selling price.

(d) Depreciation is provided on straight line basis at the following rates :

Building	5%
Plant & Equipment	10%
Furniture & Fixtures	10%
Motor Vehicle	20%

Marks

5. (a) M/s. Applied Laboratories were unable to agree the Trial Balance as on 31st March, 2020 and have raised a suspense account for the difference. Next year the following errors were discovered : **5**

(i) Repairs made during the year were wrongly debited to the building A/c – ₹ 12,500.

(ii) The addition of the 'Freight' column in the purchase journal was short by ₹ 1,500.

(iii) Goods to the value of ₹ 1,050 returned by a customer, Rani & Co., had been posted to the debit of Rani & Co. and also to sales returns.

(iv) Sundry items of furniture sold for ₹ 30,000 had been entered in the sales book, the total of which had been posted to sales account.

(v) A bill of exchange (received from Raja & Co.) for ₹ 20,000 had been returned by the bank as dishonoured and had been credited to the bank and debited to bills receivable account.

You are required to pass journal entries to rectify the above mistakes.

Marks

(b) Max & Co. employs a team of 9 worker who were paid ₹ 40,000 per month each in the year ending 31st December, 2018. At the start of 2019, the company raised salaries by 10% to ₹ 44,000 per month each. 5

On 1st July, 2019 the company hired 2 trainees at salary of ₹ 21,000 per month each. The work force are paid salary on the first working day of every month, one month in arrears, so that the employees receive their salary for January on the first working day of February, etc.

You are required to calculate :

(i) Amount of salaries which would be charged to the profit and loss for the year ended 31st December, 2019.

(ii) Amount actually paid as salaries during 2019.

(iii) Outstanding salaries as on 31st December, 2019.

(c) Following are the Manufacturing A/c, Creditors A/c and Trading A/c provided by M/s. Shivam related to financial year 2019-20. There are certain figures missing from these accounts. 10

Raw Material A/c.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening Stock A/c	1,27,000	By Raw Materials Consumed	–
To Creditors A/c	–	By Closing Stock	–

Marks

Creditors A/c.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank A/c	23,50,000	By Balance b/d	15,70,000
To Balance c/d	6,60,000		

Manufacturing A/c.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Raw Material A/c.	–	By Trading A/c.	17,44,000
To Wages	3,65,000		
To Depreciation	2,15,000		
To Direct Expenses	2,49,000		

Additional Information :

(i) Purchase of machinery worth ₹ 12,00,000 on 1st April, 2019 has been omitted. Machinery are chargeable at a depreciation rate of 15%.

(ii) Wages include the following :

Paid to factory workers – ₹ 3,15,000

Paid to labour at office – ₹ 50,000

Marks

(iii) Direct expenses including following :

Electricity charges	–	₹ 80,000 of which 25% pertained to office
Fuel charges	–	₹ 25,000
Freight inwards	–	₹ 32,000
Delivery charges to customers	–	₹ 22,000

You are required to prepare revised Manufacturing A/c and Raw Material A/c.

6. (a) ABC Limited issued 20,000 equity shares of ₹ 10 each payable as : 10

– ₹ 2 per share on application

– ₹ 3 per share on allotment

– ₹ 4 per share on first call

– ₹ 1 per share on final call

All the shares were subscribed. Money due on all shares was fully received except for Mr. Bird, holding 300 shares, who failed to pay first call and final call money. All those 300 shares were forfeited. The forfeited shares of Mr. Bird were subsequently re-issued to Mr. John as fully paid up at a discount of ₹ 2 per share.

Pass the necessary Journal Entries to record the above transactions in the books of ABC Limited.

Marks

(b) Y Company Limited issue 10,000 12% Debentures of the nominal value of ₹ 60,00,000 as follows : 5

(i) To a vendor for purchase of fixed assets worth ₹ 13,00,000 – ₹ 15,00,000 nominal value.

(ii) To sundry persons for cash at 90% of nominal value of ₹ 30,00,000.

(iii) To the banker as collateral security for a loan of ₹ 14,00,000 – ₹ 15,00,000 nominal value.

You are required to pass necessary Journal Entries.

(c) Discuss the factors taken into consideration for calculation of depreciation. 5

PAPER – 1: PRINCIPLES AND PRACTICE OF ACCOUNTING

Question No. **1** is compulsory.

*Attempt 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 1

(a) State with reasons, whether the following statements are True or False.

(i) In case of admission of a new partner in a partnership firm, the profit/loss on revaluation account is transferred to all partners in their new profit sharing ratio.

(ii) In the balance sheet of X Limited, preliminary expenses amounting to ₹ 5 lakhs and securities premium account of ₹ 35 lakhs are appearing; The accountant can use the balance in securities premium account to write off preliminary expenses.

(iii) Insurance claim received on account of plant and machinery completely damaged by fire is a capital receipt.

(iv) Purchase of office furniture & fixtures of ₹ 2,500 has been debited to General Expense Account. It is an error of omission.

(v) A Limited is sending goods costing ₹ 50,000 to B Limited on consignment basis. The accountant of A Limited is of the opinion that these goods should be sent under a sale invoice.

(vi) A concern proposes to discontinue its business from December 2020 and decides to dispose off all its plants within a period of 3 months. The Balance Sheet as on 31st December, 2020 should continue to indicate the plants at its historical costs as the assets will be disposed off after the Balance Sheet date. ***(6 x 2 =12 Marks)***

(b) What services can a Chartered Accountant provide to the society ? ***(4 Marks)***

(c) The following are some of the transactions of M/s. Kamal & Sons for the year ended 31st March, 2020. You are required to make out their Sales Book.

(i) Sold to M/s. Ashok & Mukesh on Credit :

40 Shirts @ ₹ 900 per shirt

30 trousers @ ₹ 1,000 per trouser

Less: Trade discount @ 10%

(ii) Sold furniture to M/s. XYZ & Co. on credit ₹ 8,000

(iii) Sold 15 shirts to Aman @ ₹ 750 each for cash. ***(4 Marks)***

Answer

(a) (i) False; In case of admission of new partner in a partnership firm, profit/loss on revaluation account is transferred to old partners in their old profit-sharing ratio.

(ii) True; According to Section 52 of the Companies Act, 2013, Securities Premium Account may be used by the company to write off preliminary expenses of the company. Thus, the accountant can use the balance in securities premium account to write off the preliminary expenses amounting ₹ 5 lakhs.

(iii) True; Insurance claim received on account of plant and machinery completely damaged by fire is a capital receipt as it is not obtained in course of normal business activities.

(iv) False; When a transaction is recorded in contravention of accounting principles, like treating the purchase of an asset as an expense, it is an error of principle. Purchase of office furniture and fixtures is a capital expenditure, if debited to General Expenses account, is an error of principle and not an error of omission.

(v) False; Goods sent on consignment basis should be sent under a proforma invoice not a sale invoice.

(vi) False; If the fundamental accounting assumption of going concern is not followed, then the assets and liabilities should be stated at realizable value not historical cost.

(b) The practice of accountancy has crossed its usual domain of preparation of financial statements, interpretation of such statements and audit thereof. Chartered Accountants are presently taking active role in company laws and other corporate legislation matters, in taxation laws matters (both direct and indirect) and in general management problems.

Some of the services rendered by chartered accountants to the society are briefly mentioned hereunder:

(i) Maintenance of books of accounts;

(ii) Statutory audit;

(iii) Internal Audit;

(iv) Taxation;

(v) Management accounting and consultancy services;

(vi) Financial advice and financial investigations etc.

(vii) Other services like secretarial work, share registration work, company formation receiverships, arbitrations etc.

(c) **SALES BOOK**

Date	Particulars	Details ₹	L.F.	Amount ₹
31.03.2020	M/s. Ashok & Mukesh			
	40 shirts @ ₹ 900 per shirt	36,000		
	30 Trousers @ ₹1,000 per trouser	30,000		
		66,000		
	Less : 10% Trade Discount	(6,600)		
	(Sales as per invoice no. dated .....)			59,400

Note:

1. Cash sale entered in cash book and sale of furniture are entered in journal not in Sales Book.
2. It has been assumed that M/s Kamal & Sons is in business of selling shirts and trousers.

Question 2

(a) On 31-3-2020, Mahesh's Cash Book Showed a Bank overdraft of ₹ 98,700. On comparison he finds the following :

(1) Out of the total cheques of ₹ 8,900 issued on 27th March, one cheque of ₹ 7,400 was presented for payment on 4th April and the other cheque of ₹ 1,500 handed over to the customer, was returned by him and in lieu of that a new cheque of the same amount was issued to him on 1st April. No entry for the return was made.

(2) Out of total cash and cheques of ₹ 6,800 deposited in the Bank on 24th March, one cheque of ₹ 2,600 was cleared on 3rd April and the other cheque of ₹ 500 was returned dishonoured by the bank on 4th April.

(3) Bank charges ₹ 35 and Bank interest ₹ 2,860 charged by the bank appearing in the passbook are not yet recorded in the cash book.

(4) A cheque deposited in his another account of ₹ 1,550 wrongly credited to this account by the bank.

(5) A cheque of ₹ 800, drawn on this account, was wrongly debited in another account by the bank.

(6) A debit of ₹ 3,500 appearing in the bank statement for an unpaid cheque returned for being 'out of date' had been re-dated and deposited in the bank account again on 5th April 2020.

(7) The bank allowed interest on deposit ₹ 1,000.

(8) *A customer who received a cash discount of 4% on his account of ₹ 1,00,000 paid a cheque on 20th March, 2020. The cashier erroneously entered the gross amount in the bank column of the Cash Book.*

Prepare Bank Reconciliation Statement as on 31-3-2020. ***(10 Marks)***

(b) *Physical verification of stock in a business was done on 23rd February, 2020. The value of the stock was ₹ 28,00,000. The following transactions took place from 23rd February to 29th February, 2020 :*

(1) *Out of the goods sent on consignment, goods at cost worth ₹ 2,30,000 were unsold.*

(2) *Purchases of ₹ 3,00,000 were made out of which goods worth ₹ 1,20,000 were delivered on 5th March, 2020.*

(3) *Sales were ₹ 13,60,000 which include goods worth ₹ 3,20,000 sent on approval. Half of these goods were returned before 29th February, 2020, but no information is available regarding the remaining goods.*

(4) *Goods are sold at cost plus 25%. However goods costing ₹ 2,40,000 had been sold for ₹ 1,50,000.*

Determine the value of stock on 29th February, 2020. ***(10 Marks)***

Answer

(a) (i) Adjusted Cash Book as on 31-03-2020

Particulars	₹	*Particulars*	₹
To Interest on deposit	1,000	By balance b/d	98,700
To Customer a/c- Cheque returned	1,500	By bank charges & interest (35 + 2,860)	2,895
To Balance c/d	1,03,595	By customer a/c - cheque dishonoured	500
		By Discount allowed (1,00,000 -96,000)	4,000
	1,06,095		1,06,095

(ii) Bank Reconciliation Statement as on 31st March, 2020

Particulars	₹	₹
Overdraft as per Adjusted Cash book		1,03,595
Add :		
Cheque deposited but not credited in the bank	2,600	
Cheque returned 'out of date' by the bank	3,500	6,100
		1,09,695
Less:		

Cheques issued but not presented in the bank		
Cheque deposited in another account wrongly credited to this account by the bank	(7,400)	
Cheque drawn in this a/c wrongly debited to another A/c	(1,550)	(9,750)
	(800)	
Overdraft balance as per Bank Statement		
		99,945

(b) **Statement of Valuation of Stock on 29th February, 2020**

		₹
Value of stock as on 23rd February, 2020		28,00,000
Add: Unsold stock out of the goods sent on consignment	2,30,000	
Purchases during the period from 23rd February, 2020 to 29th February, 2020	1,80,000	
Goods in transit on 29th February, 2020	1,20,000	
Cost of goods sent on approval basis (80% of ₹ 1,60,000)	1,28,000	6,58,000
		34,58,000
Cost of sales during the period from 23rd February, 2020 to 29th February, 2020		
Sales (₹ 13,60,000-₹ 1,60,000)	12,00,000	
Less: Gross profit	1,20,000	
		10,80,000
Value of stock as on 29th February, 2020		23,78,000

Working Notes:

1.	Calculation of normal sales:		
	Actual sales		13,60,000
	Less: Abnormal sales	1,50,000	
	Return of goods sent on approval	1,60,000	3,10,000
			10,50,000
2.	Calculation of gross profit:		
	Gross profit on normal sales 20/100 x		2,10,000

	₹ 10,50,000		
	Less: Loss on sale of particular (abnormal) goods		90,000
	(₹ 2,40,000-₹ 1,50,000)		
	Gross profit		1,20,000

Question 3

(a) *Maya consigned 400 boxes of shaving brushes, each box containing 100 shaving brushes. Cost price of each box was ₹ 3,000. Maya spent ₹ 500 per box as cartage, freight, insurance and forwarding charges. One box was lost on the way and Maya lodged claim with insurance company and could get 2,700 as claim on average basis. Consignee took delivery of the rest of the boxes and spent ₹ 1,99,500 as non recurring expenses and ₹ 1,12,500 as recurring expenses. He sold 370 boxes at the rate of ₹ 65 per shaving brush. He was entitled to 2% commission on sales plus 1% del-credere commission.*

You are required to prepare Consignment Account. ***(5 Marks)***

(b) *Attempt any ONE of the following two sub-parts i.e.* ***either (i) or (ii).*** ***(5 Marks)***

(i) *From the following particulars prepare an account current, as sent by Mr. Raju to Mr. Sunil as on 31st October 2020 by means of product method charging interest @ 12% p.a.*

2020	***Particulars***	***Amount (₹)***
1st July	*Balance due from Sunil*	*840*
15th August	*Sold goods to Sunil*	*1,310*
20th August	*Goods returned by Sunil*	*240*
22nd September	*Sunil paid by cheque*	*830*
15th October	*Received cash from Sunil*	*560*

OR

(ii) *Rakesh had the following bills receivable and bills payable against Mukesh.*

Date	*Bills Receivable*	*Tenure*	*Date*	*Bills Payable*	*Tenure*
1st June	*3,400*	*3 month*	*29th May*	*2,500*	*2 month*
5th June	*2,900*	*3 month*	*3rd June*	*3,400*	*3 month*
9th June	*5,800*	*1 month*	*9th June*	*5,700*	*1 month*
12th June	*1,700*	*2 month*			
20th June	*1,900*	*3 month*			

15th August was a public holiday. However, 6th September, was also declared as sudden holiday.

Calculate the average due date, when the payment can be received or made without any loss of interest to either party.

(c) *Suresh draws a bill for ₹15,000 on Anup on 15th April, 2020 for 3 months, which is returned by* Anup *to Suresh after accepting the same. Suresh gets it discounted with the bank for ₹ 14,700 on 18th April, 2020 and remits one-third amount to Anup. On the due date Suresh fails to remit the amount due to Anup, but he accepts bill of ₹ 17,500 for 3 months, which Anup discounts for ₹ 17,100 and remits ₹ 2,825 to Suresh. Before the maturity of the renewed bill Suresh becomes insolvent and only 50% was realized from his estate on 31st October,2020.*

Pass necessary Journal entries for the above transactions in the books of Suresh.

(10 Marks)

Answer

(a) Consignment Account

Particulars	₹	*Particulars*	₹
To Goods sent on consignment A/c (400x ₹3,000)	12,00,000	By Consignee's A/c-Sales (370 x100x₹ 65)	24,05,000
To Cash A/c (expenses 400x₹500)	2,00,000	By Insurance Co./ Cash A/c (insurance claim)	2,700
To Consignee's A/c: Recurring expenses	1,12,500	By Profit and loss account (abnormal loss)	800
Non-recurring expenses	1,99,500	By Consignment stock A/c	1,16,000
Commission @ 2% on ₹24,05,000	48,100		
Del-credere commission @ 1% on ₹ 24,05,000	24,050		
To Profit and loss A/c (profit on consignment)	7,40,350		
	25,24,500		25,24,500

Working note:

	₹
Abnormal loss:	
Cost of boxes lost during transit	3,000
Add: Expenses incurred by Maya	500
Gross Abnormal loss	3,500
Less: Insurance claim received	(2,700)
Net Abnormal loss	800
Closing inventories	**No. of Boxes**
Boxes consigned	400
Less: Boxes lost in transit	(1)
	399
Less: Boxes sold	370
Closing inventories	29

Cost of inventories at the end:	₹
29 boxes @ ₹3,000	87,000
Add: Expenses incurred by Maya (29x₹500)	14,500
Add: Proportionate (non-recurring) expenses incurred by the consignee (29/399x ₹1,99,500)	14,500
	1,16,000

(b) (i) **Mr. Sunil in Account Current with Mr. Raju**

for the period ending on 31st October, 2020

Date	*Particulars*	*Amount*	*Days*	*Products*	*Date*	*Particulars*	*Amount*	*Days*	*Products*
2020		₹			2020		₹		
July1	To Balance b/d	840	123	1,03,320	Aug. 20	By Sales Returns	240	72	17,280
Aug 15	To Sales A/c	1,310	77	1,00,870	Sept. 22	By Bank A/c	830	39	32,370
Oct. 31	To Interest A/c	47.73							
					Oct. 15	By Cash A/c	560	16	8,960
					Oct .31	By Balance of products			1,45,580
					Oct.31	By Balance c/d	567.73		
		2,197.73		2,04,190			2,197.73		2,04,190

Calculation of interest:

Interest = 1,45,580/366 X 12 % = ₹47.73

Note: Year 2020 is a leap year; hence 366 days are taken for interest calculation.

On the assumption of 365 days interest will be as below:-

Interest = 1,45,580/355 x 12% = ₹47.86 (or) ₹48.

Note: The alternative answer based on backward method i.e. Epoque method is also possible.

(ii) Let us take 12.07.2020 as Base date**.**

Bills receivable

Due date	*No. of days from 12.07.2020*	*Amount*	*Product*
04/09/2020	54	3,400	1,83,600
08/09/2020	58	2,900	1,68,200
12/07/2020	0	5,800	0
14/08/2020	33	1,700	56,100
23/09/2020	73	1,900	1,38,700
		15,700	5,46,600

Bills payable

Due date	*No. of days from 12.07.2020*	*Amount*	*Product*
01/08/2020	20	2,500	50,000
07/09/2020	57	3,400	1,93,800
12/07/2020	0	5,700	0
		11,600	2,43,800

Excess of products of bills receivable over bills payable = 5,46,600 -2,43,800= 3,02,800

Excess of bills receivable over bills payable = 15,700 – 11,600 = 4,100

Number of days from the base date to the date of settlement is $\frac{3,02,800}{4,100}$

= 73.85 (appox.)

Hence date of settlement of the balance amount is 74 days after 12th July i.e. 24th September.

On 24thSeptember, 2020 Mukesh has to pay Rakesh ₹4,100 to settle the account.

(c) In the books of Suresh

Journal Entries

Date	Particulars		Debit Amount	Credit Amount
2020			₹	₹
April 15	Bills receivable account	Dr.	15,000	
	To Anup's account			15,000
	(Being acceptance received from Anup for mutual accommodation)			
April 18	Bank account	Dr.	14,700	
	Discount account	Dr.	300	
	To Bills receivable account			15,000
	(Being bill discounted with bank)			
April 18	Anup's account	Dr.	5,000	
	To Bank account			4,900
	To Discount account			100
	(Being one-third proceeds of the bill sent to Anup)			
July 18	Anup's account	Dr.	17,500	
	To Bills payable account			17,500
	(Being Acceptance given)			
July 18	Bank account	Dr.	2,825	
	Discount account (400x/3/4)	Dr.	300	
	To Anup's account			3,125
	(Being proceeds of second bill received from Anup)			
Oct.21	Bills payable account	Dr.	17,500	
	To Anup's account			17,500
	(Being bill dishonoured due to insolvency)			
Oct.31	Anup's account (10,000+3,125)	Dr.	13,125	
	To Bank account			6,562.50

	To Deficiency account (Being insolvent, only 50% amount paid to Anup)			6,562.50

Question 4

(a) *M/s. TB is a partnership firm with the partners A, B and C sharing profits and losses in the ratio of 3:2:5. The balance sheet of the firm as on 30th June, 2020 was as under:*

Balance Sheet of M/s. TB as on 30-6-2020

Liabilities	*Amount (')*	*Assets*	*Amount (')*
A's Capital A/c	*1,24,000*	*Land*	*1,20,000*
B's Capital A/c	*96,000*	*Building*	*2,20,000*
C's Capital A/c	*1,60,000*	*Plant & Machinery*	*4,00,000*
Long Term Loan	*4,20,000*	*Investments*	*42,000*
Bank Overdraft	*64,000*	*Inventories*	*1,36,000*
Trade Payables	*2,13,000*	*Trade Receivables*	*1,59,000*
	10,77,000		*10,77,000*

It was mutually agreed that B will retire from partnership and in his place D will be admitted as a partner with effect from 1st July, 2020. For this purpose, following adjustments are to be made:

(a) *Goodwill of the firm is to be valued at ₹ 3 lakhs due to the firm's location advantage but the same will not appear as an asset in the books of the reconstituted firm.*

(b) *Building and Plant & Machinery are to be valued at 95% and 80% of the respective balance sheet values. Investments are to be taken over by the retiring partner at ₹ 46,000. Trade receivables are considered good only upto 85% of the balance sheet figure. Balance to be considered bad.*

(c) *In the reconstituted firm, the total capital will be 4 lakhs, which will be contributed by A, C and D in their new profit sharing ratio, which is 3:4:3.*

(d) *The amount due to retiring partner shall be transferred to his loan account.*

You are required to prepare Revaluation Account and Partners' Capital Accounts after reconstitution, along with working notes. ***(10 Marks)***

(b) *From the following balances and particulars of AS College, prepare Income & Expenditure Account for the year ended March, 2020 and a Balance Sheet as on the date :*

Particulars	*Amount (₹)*	*Amount (₹)*
Security Deposit - Students	*-*	*1,55,000*
Capital Fund	*-*	*13,08,000*
Building Fund		*19,10,000*
Tuition Fee Received		*8,10,000*
Government Grants		*5,01,000*
Interest & Dividends on Investments	*-*	*1,75,000*
Hostel Room Rent	*-*	*1,65,000*
Mess Receipts (Net)		*2,05,000*
College Stores - Sales	*-*	*7,60,000*
Outstanding expenses	*-*	*2,35,000*
Stock of Stores and Supplies (opening)	*3,10,000*	*-*
Purchases - Stores & Supplies	*8,20,000*	*-*
Salaries - Teaching	*8,75,000*	*-*
Salaries - Research	*1,25,000*	*-*
Scholarships	*85,000*	*-*
Students Welfare expenses	*37,000*	*-*
Games & Sports expenses	*52,000*	*-*
Other investments	*12,75,000*	*-*
Land	*1,50,000*	*-*
Building	*15,50,000*	*-*
Plant and Machinery	*8,50,000*	*-*
Furniture and Fittings	*5,40,000*	*-*
Motor Vehicle	*2,40,000*	*-*
Provision for Depreciation :		*-*
Building	*-*	*4,90,000*
Plant & Equipment	*-*	*5,05,000*
Furniture & Fittings	*-*	*3,26,000*
Cash at Bank	*3,16,000*	*-*
Library	*3,20,000*	
	75,45,000	***75,45,000***

Adjustments :

(a) Materials & Supplies consumed (From college stores):

Teaching	*₹ 52,000.*
Research -	*₹ 1,45,000*
Students Welfare -	*₹ 78,000*
Games or Sports -	*₹ 24,000*

(b) Tuition fee receivable from Government for backward class Scholars ₹ 82,000.

(c) Stores selling prices are fixed to give a net profit of 15% on selling price:

(d) Depreciation is provided on straight line basis at the following rates:

Building	*5%*
Plant & Equipment	*10%*
Furniture & Fixtures	*10%*
Motor Vehicle	*20%*

(10 Marks)

Answer

(a) Revaluation Account

2020		₹	2020		₹
July 1	To Building	11,000	July 1	By Investments (46,000 - 42,000)	4,000
	To Plant and Machinery	80,000		By Partners' Capital A/cs (loss on revaluation)	
	To Trade receivable (Bad Debts)	23,850		A (3/10) 33,255	
				B (2/10) 22,170	
				C (5/10) 55,425	1,10,850
		1,14,850			1,14,850

Dr. **Partners' Capital Accounts** *Cr.*

	A ₹	B ₹	C ₹	D ₹		A ₹	B ₹	C ₹	D ₹
To Revaluation A/c	33,255	22,170	55,425	-	By Balance b/d	1,24,000	96,000	1,60,000	-

To B's and C's capital A/cs	–	–	–	90,000	By D's Capital A/c (W.N.1)	–	60,000	30,000	–
To Investments A/c	–	46,000	–	–	By Bank A/c	29,255	–	25,425	2,10,000
To B's loan A/c	–	87,830	–	–					
To Balance c/d (W.N. 2)	1,20,000	-	1,60,000	1,20,000					
	1,53,255	1,56,000	2,15,425	2,10,000		1,53,255	1,56,000	2,15,425	2,10,000

Working Notes:

1. Adjustment of goodwill

   Goodwill of the firm is valued at ₹ 3 lakhs

   Sacrificing ratio:

   A 3/10 - 3/10 = 0

   B 2/10 - 0 = 2/10

   C 5/10 - 4/10 = 1/10

   Hence, sacrificing ratio of B and C is 2:1. A has not sacrificed any share in profits after retirement of B and admission of D in his place.

   Adjustment of D's share of goodwill through existing partners' capital accounts in the profit sacrificing ratio:

		₹
B:	90,000 x 2/3 = 60,000	
C:	90,000 x 1/3 = 30,000	90,000

2. Capital of partners in the reconstituted firm:

	₹
Total capital of the reconstituted firm (given)	4,00,000
A (3/10)	1,20,000
C (4/10)	1,60,000
D (3/10)	1,20,000

(b)

AS College

Income and Expenditure Account

for the year ending 31st March, 2020

	Expenditure	₹	₹		Income	₹	₹
To	Salaries: Teaching		8,75,000	By	Tutions & other fee		8,92,000
	Research		1,25,000	By	Govt. Grants		5,01,000
To	Material & Supplies Consumed			By	Income from Investments		1,75,000
	Teaching		52,000	By	Hostel room Rent		1,65,000
	Research		1,45,000	By	Mess Receipts		2,05,000
				By	Profit-stores sales		1,14,000
To	Sports & Games Expenses						
	Cash	52,000					
	Materials	24,000	76,000				
To	Students Welfare Expenses						
	Cash	37,000					
	Materials	78,000	1,15,000				
To	Scholarships		85,000				
To	Depreciation:						
	Building		77,500				
	Plant & Equipment		85,000				
	Furniture		54,000				
	Motor Vehicle		48,000				
To	Excess of Income over Expenditure		3,14,500				
			20,52,000				20,52,000

AS College

Balance Sheet as on 31st March, 2020

Liabilities	₹	₹	Assets	₹	₹
			Fixed Assets:		
Capital Fund			Land		1,50,000
Opening balance	13,08,000		Building Cost	15,50,000	

Add: Excess of Income over Expenditure	3,14,500	16,22,500	Less: Dep.	(5,67,500)	9,82,500
Building Fund		19,10,000	Plant & Machinery Cost	8,50,000	
Current Liabilities:			Less: Dep.	(5,90,000)	2,60,000
Outstanding Expenses		2,35,000			
			Furniture &		
Security Deposit		1,55,000	Fittings:		
			Cost	5,40,000	
			Less: Dep.	(3,80,000)	1,60,000
			Motor Vehicles		
			Cost:	2,40,000	
			Less: Dep.	(48,000)	1,92,000
			Library		3,20,000
			Investments		12,75,000
			Stock (stores)-		
			Material & Supplies		1,85,000
			Tuition fees receivable		82,000
			Cash in hand & at Bank		3,16,000
		39,22,500			39,22,500

Working Notes:

(1)	Material & Supplies-Closing Stock		₹	₹
	Opening Stock			3,10,000
	Purchases			8,20,000
				11,30,000
	Less: Cost of Goods Sold		6,46,000	
	Material Consumed		2,99,000	(9,45,000)
	Balance			1,85,000
(2)	Provisions for Depreciation			

		Building	Plant & Equipment	Furniture & Fitting
		₹	₹	₹
	Opening Balance	4,90,000	5,05,000	3,26,000
	Addition	77,500	85,000	54,000
	Closing Balance	5,67,500	5,90,000	3,80,000

Question 5

(a) *M/s. Applied Laboratories were unable to agree the Trial Balance as on 31st March, 2020 and have raised a suspense account for the difference. Next year the following errors were discovered:*

- (i) *Repairs made during the year were wrongly debited to the building A/c - ₹ 12,500.*
- (ii) *The addition of the 'Freight' column in the purchase journal was short by ₹ 1,500.*
- (iii) *Goods to the value of ₹ 1,050 returned by a customer, Rani & Co., had been posted to the debit of Rani & Co. and also to sales returns.*
- (iv) *Sundry items of furniture sold for ₹ 30,000 had been entered in the sales book, the total of which had been posted to sales account.*
- (v) *A bill of exchange (received from Raja & Co.) for ₹ 20,000 had been returned by the bank as. dishonoured and had been credited to the bank and debited to bills receivable account.*

You are required to pass journal entries to rectify the above mistakes. ***(5 Marks)***

(b) *Max & Co. employs a team of 9 workers who were paid ₹ 40,000 per month each in the year ending 31st December, 2018. At the start of 2019, the company raised salaries by 10% to ₹ 44,000 per month each.*

On 1 July, 2019 the company hired 2 trainees at salary of ₹ 21,000 per month each. The work force are paid salary on the first working day of every month, one month in arrears, so that the employees receive their salary for January on the first working day of February, etc.

You are required to calculate :

- (i) *Amount of salaries which would be charged to the profit and loss account for the year ended 31st December, 2019.*
- (ii) *Amount actually paid as salaries during 2019.*
- (iii) *Outstanding salaries as on 31st December, 2019.* ***(5 Marks)***

(c) *Following are the Manufacturing A/c, Creditors A/c and Raw Material A/c provided by M/s. Shivam related to financial year 2019-20. There are certain figures missing in these accounts.*

Raw Material A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening Stock A/c	1,27,000	By Raw Materials Consumed	
To Creditors A/c	-	By Closing Stock	-

Creditors A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank A/c	23,50,000	By Balance b/d	15,70,000
To Balance c/d	6,60,000		-

Manufacturing A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Raw Material A/c	-	By Trading A/c	17,44,000
To Wages	3,65,000		
To Depreciation	2,15,000		
to Direct Expenses	2,49,000		

Additional Information:

(i) *Purchase of machinery worth ₹ 12,00,000 on 1st April; 2019 has been omitted, Machinery is chargeable at a depreciation rate of 15%.*

(ii) *Wages include the following:*

Paid to factory workers - ₹ 3,15,000

Paid to labour at office - ₹ 50,000

(iii) *Direct expenses included the following :*

Electricity charges - ₹ 80,000 of which 25% pertained to office

Fuel charges - ₹ 25,000

Freight inwards - ₹ 32,000

Delivery charges to customers - ₹ 22,000

You are required to prepare revised Manufacturing A/c and Raw Material A/c. ***(10 Marks)***

Answer

(a) Rectification entries in the books of M/s Applied Laboratories

	Particulars	L.F.	Dr. ₹	Cr. ₹
1.	Profit and Loss Adjustment Account Dr.		12,500	
	To Building Account			12,500
	(Repairs amounting ₹ 12,500 wrongly debited to building account, now rectified)			
2.	Profit and Loss Adjustment Account Dr.		1,500	
	To Suspense Account			1,500
	(Addition of freight column in purchase journal was under casted, now rectification entry made)			
3.	Suspense Account Dr.		2,100	
	To Rani & Co.			2,100
	(Goods returned by Rani & Co. had been posted wrongly to the debit of her account, now rectified)			
4.	Profit and Loss Adjustment Account Dr.		30,000	
	To Furniture account			30,000
	(Being sale of furniture wrongly entered in sales book, now rectified)			
5.	Raja & Co. Dr.		20,000	
	To Bills receivable account			20,000
	(Bill receivable dishonoured debited to Bills receivable account instead of customer account, now rectified)			

(b) (i) Amount of salaries to be charged to P & L A/c for the year ended 31st December, 2019

Employees	= 9 x ₹ 44,000 x 12 =	₹47,52,000
Trainees	= 2 x ₹ 21,000 x 6 =	₹ 2,52,000
Salaries charged to P & L A/c		₹50,04,000

(ii) Amount actually paid as salaries during 2019

Employees = 9 x ₹ 44,000 x 11 + 9 x ₹ 40,000 = ₹ 47,16,000

Trainees	= 2 x ₹21,000 x 5	= ₹ 2,10,000
Amount paid as salaries		₹ 49,26,000

(iii) Outstanding salaries as on 31.12.2019

Employees	= 9 x ₹ 44,000	= ₹ 3,96,000
Trainees	= 2 x ₹ 21,000	= ₹ 42,000
Outstanding salaries		₹ 4,38,000

(c) **Manufacturing A/c**

Particulars	₹	Particulars	₹
To Raw Material Consumed (Balancing Figure)	9,15,000	By Trading A/c (W.N. 4)	18,32,000
To Wages (W.N. 2)	3,15,000		
To Depreciation (W.N. 1)	3,95,000		
To Direct Expenses (W.N. 3)	2,07,000		
	18,32,000		**18,32,000**

Raw Material A/c

Particulars	₹	Particulars	₹
To Opening Stock A/c	1,27,000	By Raw Material Consumed (from Manufacturing A/c above)	9,15,000
To Creditors A/c (W.N. 5)	14,40,000	By Closing Stock A/c (Balancing Figure)	6,52,000
	15,67,000		15,67,000

Working Notes:

(1) Since purchase of Machinery worth ₹ 12,00,000 has been omitted.

So, depreciation omitted from being charged = 12,00,000 X 15%

= ₹ 1,80,000

Correct total depreciation expense = ₹ (2,15,000 + 1,80,000)

= 3,95,000

(2) Wages worth ₹ 50,000 will be excluded from manufacturing account as they pertain to office and hence will be charged P&L A/c. So the revised wages amounting ₹ 3,15,000 will be shown in manufacturing account.

(3) Expenses to be excluded from direct expenses:

Office Electricity Charges (80,000 X 25%)	20,000
Delivery Charges to Customers	22,000
Total expenses not part of Direct Expenses	42,000

=> Revised Direct Expenses = ₹ (2,49,000 - 42,000)

= ₹ 2,07,000

Fuel charges are related to factory expenses and also freight inwards are incurred for bringing goods to factory/ godown so they are part of direct expenses.

(4) Revised Balance to be transferred to Trading A/c:

Particulars	₹
Current Balance transferred	17,44,000
Add: Depreciation charges not recorded earlier	1,80,000
Less: Wages related to Office	(50,000)
Less: Office Expenses	(42,000)
Revised balance to be transferred	**18,32,000**

(5) **Creditors A/c**

Particulars	₹	Particulars	₹
To Bank A/c	23,50,000	By Balance b/d	15,70,000
To Balance c/d	6,60,000	By Raw Materials A/c (Bal. figure)	14,40,000
	30,10,000		30,10,000

Question 6

(a) ABC Limited issued 20,000 equity shares of ₹ 10 each payable as:

₹ 2 per share on application

₹ 3 per share on allotment

₹ 4 per share on first call

₹ 1 per share on final call

All the shares were subscribed. Money due on all shares was fully received except for Mr. Bird, holding 300 shares, who failed to pay first call and final call money. All these 300 shares were forfeited. The forfeited shares of Mr. Bird were subsequently re-issued to Mr. John.as fully paid up at a discount of ₹ 2 per share.

Pass the necessary Journal Entries to record the above transactions in the books of ABC Limited. ***(10 Marks)***

(b) *Y Company Limited issue 10,000 12% Debentures of the nominal value of ₹ 60,00,000 as follows :*

(i) *To a vendor for purchase of fixed assets worth ₹ 13,00,000 - ₹ 15,00,000 nominal value.*

(ii) *To sundry persons for cash at 90% of nominal value of ₹ 30,00,000.*

(iii) *To the banker as collateral security for a loan of ₹ 14,00,000 - ₹ 15,00,000 nominal value,*

You are required to pass necessary Journal Entries. ***(5 Marks)***

(c) *Discuss the factors taken into consideration for calculation of depreciation.* ***(5 Marks)***

Answer

(a)

1. Bank A/c	Dr.	40,000	
To Equity Share Application A/c			40,000
(Being the application money received for 20,000 shares at ₹ 2 per share)			
2. Equity Share Application A/c	Dr.	40,000	
To Equity Share Capital A/c			40,000
(Being share allotment made for 20,000 shares at ₹ 2 per share)			
3. Equity Share Allotment A/c	Dr.	60,000	
To Equity Share Capital A/c			60,000
(Being allotment amount due on 20,000 equity shares at ₹ 3 per share as per Directors' resolution no... dated...)			
4. Bank A/c	Dr.	60,000	
To Equity Share Allotment A/c			60,000
(Being allotment money received for 20,000 equity shares at ₹ 3 per share)			
5. Equity Share First Call Account	Dr.	80,000	
To Equity Share Capital A/c			80,000
(Being first call money due on 20,000 equity shares @ Rs. 4 per share)			

6. Bank Account	Dr.	78,800	
To Equity Share First Call Account			78,800
(Being full amount of first call money received except on 300 shares)			
OR			
Bank Account	Dr.	78,800	
Calls in Arrear A/c	Dr.	1,200	
To Equity Share First Call Account			80,000
(Being full amount of first call money received except on 300 shares)			
7. Equity Share Final Call Account	Dr.	20,000	
To Equity Share Capital A/c			20,000
(Being first call and final call money due)			
8. Bank Account	Dr.	19,700	
To Equity Share Final Call Account			19,700
(Being full amount of final call money received except on 300 shares)			
OR			
Bank Account	Dr.	19,700	
Calls in Arrear A/c	Dr.	300	
To Equity Share Final Call Account			20,000
(Being full amount of final call money received except on 300 shares)			
9. Equity Share Capital A/c (300 x ₹ 10)	Dr.	3,000	
To Equity Share First Call Account			1,200
To Equity Share Final Call Account			300
To Forfeited Shares A/c			1,500
Being forfeiture of 300 equity shares for non- payment of call money as per Board's Resolution No.....dated ....)			
OR			
Equity Share Capital A/c	Dr.	3,000	
To Forfeited Shares A/c			1,500
To Calls in Arrears			1,500
(Being 300 shares forfeited on which first call and final			

call money was unpaid.)			
10. Bank A/c (300 x ₹ 8)	Dr.	2,400	
Forfeited Shares A/c	Dr.	600	
To Equity Share Capital A/c			3,000
Being re-issue of 300 shares @ ₹8 each as per Board's Resolution No…..dated….)			
11. Forfeited Shares A/c	Dr	900	
To Capital Reserve A/c			900
(Being profit on re-issue transferred to Capital Reserve)			

(b) In the books of Y Company Ltd.

Journal Entries

Date	***Particulars***		***Dr.*** **₹**	***Cr.*** **₹**
(i)	Fixed Assets A/c	Dr.	13,00,000	
	To Vendor A/c			13,00,000
	(Being the purchase of fixed assets from vendor)			
	Vendor A/c	Dr.	13,00,000	
	Discount on Issue of Debentures A/c	Dr.	2,00,000	
	To 12% Debentures A/c			15,00,000
	(Being the issue of debentures of ₹ 15,00,000 to vendor to satisfy his claim)			
(ii)	Bank A/c	Dr.	27,00,000	
	To Debentures Application A/c			27,00,000
	(Being the application money received on 5,000 debentures @ ₹ 540 each)			
	Debentures Application A/c	Dr.	27,00,000	
	Discount on issue of Debentures A/c	Dr.	3,00,000	
	To 12% Debentures A/c			30,00,000
	(Being the issue of 5,000 12% Debentures @ 90% as per Board's Resolution No….dated….)			
(iii)	Bank A/c	Dr.	14,00,000	

	To Bank Loan A/c (See Note) (Being a loan of ₹14,00,000 taken from bank by issuing debentures of ₹15,00,000 as collateral security)			14,00,000

Note: In the Balance Sheet the fact that the debentures being issued as collateral security and outstanding are shown under the respective liability.

(c) Following factors are taken into consideration for calculation of depreciation.

1. **Cost of asset** including expenses for installation, commissioning, trial run etc.- Cost of a depreciable asset represents its money outlay or its equivalent in connection with its acquisition, installation and commissioning as well as for additions to or improvement thereof for the purpose of increase in efficiency.

2. **Estimated useful life of the asset -** Useful Life' is either (i) the period over which a depreciable asset is expected to be used by the enterprise or (ii) the number of production or similar units expected to be obtained from the use of the asset by the enterprise. Determination of the useful life is a matter of estimation and is normally based on various factors including experience with similar type of assets. Several other factors like estimated working hours, production capacity, repairs and renewals, etc. are also taken into consideration on demanding situation.

3. **Estimated scrap value** (if any) is calculated at the end of useful life of the asset. If such value is considered as insignificant, it is normally regarded as nil. On the other hand, if the residual value is likely to be significant, it is estimated at the time of acquisition/installation, or at the time of subsequent revaluation of asset.

Foundation (New Syllabus)
Paper - 1
Principles and Practice of Accounting

NOV 2019

DRC

Roll No. ....

Total No. of Printed Pages : 12

Total No. of Questions : 6

Maximum Marks : 100

Time allowed : 3 Hours

SEAL

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.

1. (a) State **with reasons**, whether the following statements are **True or False**:

   (i) Trade Discount is a reduction granted by a supplier from the list price of goods or services on business considerations for prompt payment.

   (ii) M/s. XYZ & Co. runs a cafe. They renovated some of the old cabins. Because of this renovation some space was made free and number of cabins was increased from 15 to 18. The total expenditure incurred was ₹ 30,000 and was treated as a revenue expenditure.

   (iii) Valuation of inventory at cost or net realizable value is based on principle of Conservatism.

   (iv) In case of bill of exchange, the drawer and the payee may not be the same person but in case of a promissory note, the maker and the payee may be the same person.

   (v) A Partnership firm cannot own any Assets.

   (vi) Since company has existence independent of its members, it continues to be in existence despite the death, insolvency or change of members.

(6 × 2 = 12 Marks)

(b) Distinguish between Provision and Contingent Liability. (4 Marks)

(c) X purchased a machinery on 1st January 2017 for ₹. 4,80,000 and spent ₹ 20,000 on its installation. On July 1, 2017 another machinery costing ₹ 2,00,000 was purchased. On 1st July, 2018 the machinery purchased on 1st January, 2017 having become scrapped and was sold for ₹ 2,90,000 and on the same date fresh machinery was purchased for ₹ 5,00,000. Depreciation is provided annually on 31st December at the rate of 10% p.a. on written down value. Prepare Machinery account for the years 2017 and 2018. (4 Marks)

2. (a) On 30th September, 2018, the bank account of XYZ, according to the bank column of the cash book, was overdrawn to the extent of ₹8,062. An examination of the Cash book and Bank Statement reveals the following:

(i) A cheque for ₹ 11,14,000 deposited on 29th September, 2018 was credited by the bank only on 3rd October, 2018.

(ii) A payment by cheque for ₹ 18,000 has been entered twice in the Cash book.

(iii) On 29th September, 2018, the bank credited an amount of ₹ 1,15,400 received from a customer of XYZ, but the advice was not received by XYZ until 1st October, 2018.

(iv) Bank charges amounting to ₹280 had not been entered in the cash book.

(v) On 6th September 2018, the bank credited ₹ 30,000 to XYZ in error.

(vi) A bill of exchange for ₹ 1,60,000 was discounted by XYZ with his bank. The bill was dishonoured on 28th September, 2018 but no entry had been made in the books of XYZ.

(vii) Cheques issued upto 30th September,2018 but not presented for payment upto that date totalled ₹13,46,000.

(viii) A bill payable of Rs. 2,00,000 had been paid by the bank but was not entered in the cash book and bill receivable for Rs. 60,000 had been discounted with the bank at a cost of ₹. 1,000 which had also not been recorded in cash book.

You are required:

To show the appropriate rectifications required in the cash book of XYZ, to arrive at the correct balance on 30th September, 2018 and to prepare a Bank Reconciliation Statement as on that date. (10 Marks)

(b) Correct the following errors (i) without opening a Suspense Account and (ii) with opening a Suspense Account:

(1) The sales book has been totalled Rs. 2,100 short.

(2) Goods worth Rs. 1,800 returned by Gaurav & Co. have not been recorded anywhere.

(3) Goods purchased Rs. 2,250 have been posted to the debit of the supplier Sen Brothers.

(4) Furniture purchased from Mary Associates, Rs. 15,000 has been entered in the purchase Daybook.

(5) Discount received from Black and White Rs. 1,200 has not been entered in the books.

(6) Discount allowed to Radhe Mohan & Co. Rs. 180 has not been entered in the Discount Column of the Cashbook. The account of Radhe Mohan & Co. has, however, been correctly posted. (10 Marks)

3. (a) Anand of Bangalore consigned to Raj of pune, goods to be sold at invoice price which represents 125% of cost. Raj is entitled to a commission of 10% on sales at invoice price and 25% of any excess realised over invoice price. The expenses on freight and insurance incurred by Anand were ₹12,000. The account sales received by Anand shows that Raj has effected sales amounting to ₹1,20,000 in respect of 75% of the consignment. His selling expenses to be reimbursed were ₹9,600. 10% of consignment goods of the value of ₹15,000 were destroyed in fire at the Pune godown and the insurance company paid ₹12,000 net of salvage. Raj remitted the balance in favour of Anand.

You are required to prepare Consignment Account and the account of Raj in the books of Anand along with the necessary calculations. (10 Marks)

DRC

(b) A firm sends goods on "Sale or Return basis". Customers have the choice of returning the goods within a month. During May 2018, the following are the details of goods sent:

Date (May)	2	8	12	18	20	27
Customers	P	B	Q	D	E	R
Value (₹)	17,000	22,000	25,000	5,500	2,000	28,000

Within the stipulated time, P and Q returned the goods and B, D and E signified that they have accepted the goods.

Show in the books of the firm, the Sale or Return Account and Customer-Q for Sale or Return Account as on 15th June 2018. (5 Marks)

(c) Attempt any ONE of the following two sub-parts i.e. **either (i) or (ii)**

(i) The following amounts are due to X by Y. Y wants to pay on 10th July 2019. Interest rate of 9% p.a. is taken into consideration.

Due dates	₹
10th January	750
26th January (Republic Day)	1,200
23rd March	3,300
18th August (Sunday)	4,100

Determine average due date and the amount to be paid on 10th July 2019. Assume 10th January as base date. (5 Marks)

OR

DRC

(ii) Ramesh has a Current Account with Partnership firm. He had a debit balance of ₹85,000 as on 01-07-2018. He has further deposited the following amounts:

Date	Amount (₹)
14-07-2018	1,23,000
18-08-2018	21,000

He withdrew the following amounts:

Date	Amount (₹)
29-07-2018	92,000
09-09-2018	11,500

Show Ramesh's A/c in the books of the firm. Interest is to be calculated at 10% on debit balance and 8% on credit balance. You are required to prepare current account as on 30th September, 2018 by means of product of balances method.

(5 Marks)

4. (a) Arup and Swarup were partners. The partnership deed provides inter alia:

(i) That the annual accounts be balanced on 31st December each year;

(ii) That the profits be allocated as follows:

Arup: One-half; Swarup: One-third and Carried to reserve account: One Sixth;

(iii) That in the event of death of a partner, his executor will be entitled to the following:

(1) The capital to his credit at the date of death;

(2) His proportionate share of profit to date of death based on the average profits of the last three completed years; and

(3) His Share of goodwill based on three years' purchase of the average profits for the three preceding completed years

Trial Balance as on 31st December 2018

Particulars	Debit (₹)	Credit (₹)
Arup's Capital		90,000
Swarup's Capital		60,000
Reserve		45,000
Bills receivable	50,000	
Investment	55,000	
Cash	1,10,000	
Trade payables		20,000
Total	**2,15,000**	**2,15,000**

The profits for the three year were 2016: Rs. 51,000; 2017: Rs. 39,000 and 2018: Rs. 45,000. Swarup died on 1st May 2019.

Show the calculation of Swarup (A) Share of profits; (B) Share of Goodwill; (C) Draw up Swarup's Executors Account as would appear in the firms' ledger transferring the amount to the Loan account. (10 Marks)

(b) From the following Income and Expenditure account and the Balance sheet of a club, prepare its Receipts and Payments Account and subscription account for the year ended 31st March 2019:

Income & Expenditure Account for the year 2018-19

Particulars	₹	Particulars	₹
To Upkeep of ground	11,000	By Subscriptions	19,052
To Printing	1,100	By Sale of Newspapers (Old)	286
To Salaries	11,100	By Lectures (Fee)	1,650
To Depreciation on furniture	1,100	By Entrance Fee	2,145
To Rent	1,660	By Misc. Income	440
		By Deficit	2,387
	25,960		25,960

Balance sheet as at 31st March 2019

Liabilities		₹	Assets	₹
Subscription in advance (2019-20)		110	Furniture	9,900
Prize fund:				
Opening balance	27,500			
Add: Interest	1,100			
	28,600		Ground and Building	51,700
Less: Prizes given	2,200	26,400		
			Prize Fund Investment	22,000
General Fund:			Cash in Hand	2,530
Opening balance	62,062			
Less: Deficit	2,387			
	59,675		Subscription (outstanding)	770
Add: Entrance Fee	715	60,390	(2018-2019)	
		86,900		86,900

The following adjustments have been made in the above accounts:

(i) Upkeep of ground ₹660 and printing ₹264 relating to 2017-18 were paid in 2018-19

(ii) One fourth of entrance fee has been capitalized by transfer to General Fund

(iii) Subscription outstanding in 2017-18 was ₹880 and for 2018-19 ₹770

(iv) Subscription received in advance in 2017-18 was ₹220 and in 2018-19 for 2019-20 was ₹110

(v) Furniture was purchased during the year (10 Marks)

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

Particulars	Debit(₹)	Credit(₹)
Provision for Doubtful Debts	250	–
Cash Credit Account	1,654	–
Capital	–	4,591
Trade payables	–	1,637
Due from customers	2,983	–
Discount Received	252	–
Discount Allowed	–	733
Drawings	1,200	–
Office Furniture	2,155	–
Carriage Inward	–	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	25,033	25,002

Draw up a corrected Trial Balance by debiting or crediting any residual errors to a Suspense account. (5 Marks)

(b) Mr. Shyamal 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)	26,000
Closing work-in-progress (14,000 units)	48,000
Opening inventory of Raw Materials	2,60,000
Closing inventory of Raw Materials	3,20,000
Purchases	8,20,000
Hire charges of Machinery @ Rs. 0.70 per unit manufactured	
Hire charges of factory	2,60,000
Direct wages-contracted @ Rs. 0.80 per unit manufactured	
and @ ₹ 0.40 per unit of closing W.I.P	
Repairs and maintenance	1,80,000
Units produced-5,00,000 units	

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

(5 Marks)

(c) The balance sheet of Mittal on 1st January, 2018 was as follows:

Liabilities	Amount ₹	Assets	Amount ₹
Trade payables	16,00,000	Plant & Machinery	31,00,000
Expenses payable	2,50,000	Furniture & Fixture	4,00,000
Capital	51,00,000	Trade receivables	14,50,000
		Cash at bank	7,00,000
		Inventories	13,00,000
	69,50,000		69,50,000

During 2018, his profit and loss account revealed a net profit of ₹ 15,10,000. This was after allowing for the following:

(i) Interest on capital @ 6% p.a.

(ii) Depreciation on plant and machinery @ 10% and on Furniture and Fixtures @ 5%.

(iii) A provision for Doubtful debts @ 5% of the trade receivables as at 31st December 2018.

But while preparing the profit and loss account he had forgotten to provide for (1) outstanding expenses totalling ₹ 1,85,000 and (2) prepaid insurance to the extent of ₹ 25,000.

His current assets and liabilities on 31st December, 2018 were: Trade receivables ₹ 21,00,000; Cash at bank ₹ 5,20,000 and Trade payables ₹ 13,84,000. During the year he withdrew ₹6,20,000 for domestic use. Closing inventories is equal to net trade receivables at the year-end.

You are required Draw up revised Profit and Loss account and Balance Sheet at the end of the year. (10 Marks)

6. (a) B Limited issued 50,000 equity shares of ₹10 each payable as ₹3 per share on application, ₹ 5 per share (including ₹ 2 as premium) on allotment and ₹ 4 per share on call. All these shares were subscribed. Money due on all shares was fully received except from X, holding 1000 shares who failed to pay the allotment and call money and Y, holding 2000 shares, failed to pay the call money. All those 3,000 shares were forfeited. Out of forfeited shares, 2,500 shares (including whole of X's shares) were subsequently re-issued to Z as fully paid up at a discount of ₹2 per share.

Pass necessary journal entries in the books of B limited. Also prepare Balance Sheet and notes to accounts of the company. (15 Marks)

(b) Distinguish between Periodic Inventory System and Perpetual Inventory System. (5 Marks)

PAPER – 1: PRINCIPLES AND PRACTICE OF ACCOUNTING

*Question No. **1** is compulsory.*

*Attempt 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 1

(a) *State with reasons, whether the following statements are True or False:*

(i) *Trade Discount is a reduction granted by a supplier from the list price of goods or services on business considerations for prompt payment.*

(ii) *M/s. XYZ & Co. runs a cafe. They renovated some of the old cabins. Because of this renovation some space was made free and number of cabins was increased from 15 to 18. The total expenditure incurred was ₹ 30,000 and was treated as a revenue expenditure.*

(iii) *Valuation of inventory, at cost or net realizable value, whichever less, is based on principle of Conservatism.*

(iv) *In case of bill of exchange, the drawer and the payee may not be the same person but in case of a promissory note, the maker and the payee may be the same person.*

(v) *A Partnership firm cannot own any Assets.*

(vi) *Since company has existence independent of its members, it continues to be in existence despite the death, insolvency or change of members.* ***(6 x 2 = 12 Marks)***

(b) *Distinguish between Provision and Contingent Liability.* ***(4 Marks)***

(c) *X purchased a machinery on 1st January 2017 for ₹ 4,80,000 and spent ₹ 20,000 on its installation. On July 1, 2017 another machinery costing ₹ 2,00,000 was purchased. On 1st July, 2018 the machinery purchased on 1st January, 2017 having become scrapped and was sold for ₹ 2,90,000 and on the same date fresh machinery was purchased for ₹ 5,00,000. Depreciation is provided annually on 31st December at the rate of 10% p.a. on written down value. Prepare Machinery account for the years 2017 and 2018.*

(4 Marks)

Answer

(a) (i) False: Trade Discount is a reduction granted by a supplier from the list price of goods or services on business considerations other than for prompt payment.

(ii) **False:** Renovation of cabins increased the number of cabins. This has an effect on the future revenue generating capability of the business. Thus the renovation expense is capital expenditure in nature.

(iii) **True:** The conservatism concept states that one shall not account for anticipated profits but shall provide all prospective losses. Valuing inventory at cost or net releasable value whichever is less, therefore is based on principle of Conservatism.

(iv) **False:** The drawer and payee may be same person in case of bill of exchange whereas in promissory note maker and payee can't be same person

(v) **True:** A partnership firm is not a distinct legal entity and therefore can't own any assets. The partners own the assets of the firm.

(vi) **True:** As per Perpetual Existence company has existence independent of its members, it continues to be in existence despite the death, insolvency or change of members.

(b) Provision means "any amount written off or retained by way of providing for depreciation, renewal or diminution in the value of assets or retained by way of providing for any known liability of which the amount cannot be determined with substantial accuracy". It is important to know the difference between provisions and contingent liabilities. The distinction between both of them can be explained as follows:

	Provision	**Contingent liability**
(1)	Provision is a present liability of uncertain amount, which can be measured reliably by using a substantial degree of estimation.	A Contingent liability is a possible obligation that may or may not crystallize depending on the occurrence or non-occurrence of one or more uncertain future events.
(2)	A provision meets the recognition criteria.	A contingent liability fails to meet the same.
(3)	Provision is recognized when (a) an enterprise has a present obligation arising from past events; an outflow of resources embodying economic benefits is probable, and (b) a reliable estimate can be made of the amount of the obligation.	Contingent liability includes present obligations that do not meet the recognition criteria because either it is not probable that settlement of those obligations will require outflow of economic benefits, or the amount cannot be reliably estimated.
(4)	If the management estimates that it is probable that the settlement of an obligation will result in outflow of economic benefits, it recognizes a provision in the balance sheet.	If the management estimates, that it is less likely that any economic benefit will outflow from the firm to settle the obligation, it discloses the obligation as a contingent liability.

(c) **Machinery Account**

Dr. 2017		₹	2017		Cr. ₹
Jan. 1	To Bank A/c	4,80,000	Dec. 31	By Depreciation A/c	60,000
Jan. 1	To Bank A/c – erection charges	20,000		By Balance c/d	6,40,000
July 1	To Bank A/c	2,00,000			
		7,00,000			7,00,000
2018			2018		
Jan. 1	To Balance b/d	6,40,000	July 1	By Depreciation on sold machine	22,500
July 1	To Bank A/c	5,00,000		By Bank A/c	2,90,000
				By Profit and Loss A/c	1,37,500
			Dec. 31	By Depreciation A/c	44,000
				By Balance c/d	6,46,000
		11,40,000			11,40,000

Working Note:

Book Value of Machines

	Machine I ₹	Machine II ₹	Machine III ₹
Cost	5,00,000	2,00,000	5,00,000
Depreciation for 2017	50,000	10,000	
Written down value	4,50,000	1,90,000	
Depreciation for 2018	22,500	19,000	25,000
Written down value	4,27,500	1,71,000	4,75,000
Sale Proceeds	2,90,000		
Loss on Sale	1,37,500		

Question 2

(a) On 30th September, 2018, the bank account of XYZ, according to the bank column of the cash book, was overdrawn to the extent of ₹ 8,062. An examination of the Cash book and Bank Statement reveals the following:

(i) A cheque for ₹ 11,14,000 deposited on 29th September, 2018 was credited by the bank only on 3rd October, 2018.

(ii) A payment by cheque for ₹ 18,000 has been entered twice in the Cash book.

(iii) On 29th September, 2018, the bank credited an amount of ₹ 1,15,400 received from a customer of XYZ, but the advice was not received by XYZ until 1st October, 2018.

(iv) Bank charges amounting to ₹ 280 had not been entered in the cash book.

(v) On 6th September 2018, the bank credited ₹ 30,000 to XYZ in error.

(vi) A bill of exchange for ₹ 1,60,000 was discounted by XYZ with his bank. The bill was dishonoured on 28th September, 2018 but no entry had been made in the books of XYZ.

(vii) Cheques issued upto 30th September,2018 but not presented for payment upto that date totalled ₹ 13,46,000.

(viii) A bill payable of ₹ 2, 00,000 had been paid by the bank but was not entered in the cash book and bill receivable for ₹ 60,000 had been discounted with the bank at a cost of ₹ 1,000 which had also not been recorded in cash book.

You are required:

To show the appropriate rectifications required in the cash book of XYZ, to arrive at the correct balance on 30th September, 2018 and to prepare a Bank Reconciliation Statement as on that date. ***(10 Marks)***

(b) Correct the following errors (i) without opening a Suspense Account and (ii) with opening a Suspense Account:

(1) The sales book has been totalled ₹ 2,100 short.

(2) Goods worth ₹ 1,800 returned by Gaurav & Co. have not been recorded anywhere.

(3) Goods purchased ₹ 2,250 have been posted to the debit of the supplier Sen Brothers.

(4) Furniture purchased from Mary Associates, ₹ 15,000 has been entered in the purchase Daybook.

(5) Discount received from Black and White ₹ 1,200 has not been entered in the books.

(6) Discount allowed to Radhe Mohan & Co. ₹ 180 has not been entered in the Discount Column of the Cashbook. The account of Radhe Mohan & Co. has, however, been correctly posted. ***(10 Marks)***

Answer

(a) **Cash Book (Bank Column)**

Date	*Particulars*	*Amount*	*Date*	*Particulars*	*Amount*
2018		*₹*	*2018*		
Sept. 30	To Party A/c	18,000	Sept. 30	By Balance b/d	8,062
	To Customer A/c			By Bank charges	280
	(Direct deposit)	1,15,400		By Customer A/c	
	To B/R collected	59,000		(B/R dishonoured)	1,60,000
	To Balance c/d	1,75,942		By Bills payable	2,00,000
		3,68,342			3,68,342

Bank Reconciliation Statement as on 30th September, 2018

Particulars	*Amount*
	₹
Overdraft as per Cash Book	1,75,942
Add: Cheque deposited but not collected up to 30th Sept., 2018	11,14,000
	12,89,942
Less: Cheques issued but not presented for payment up to 30thSept., 2018	(13,46,000)
Credit by Bank erroneously on 6th Sept.	(30,000)
Balance as per bank statement	86,058

(b) (i) If a Suspense Account is not opened.

(a) Since sales book has been cast ₹ 2,100 short, the Sales Account has been similarly credited ₹2,100 short. The correcting entry is as follows:

Sales A/c

Dr. Date	Particulars	₹	Date	Particulars	₹ Cr.
				By Wrong Totaling of Sales Book	2,100

(b) To rectify the omission, the Returns Inwards Account has to be debited and the account of Gaurav & Co. credited. The entry is:

Returns Inward Account	Dr.	₹1,800	
To Gaurav & Co.			₹1,800
(Goods returned by the firm, previously omitted from the Returns Inward Book)			

(c) Sen Brothers have been debited ₹2,250 instead of being credited. This account should now be credited by ₹4,500 to remove the wrong debit and to give the correct credit. The entry will be done as follows:

Sen Brothers A/c

Date	Particulars	₹	Date	Particulars	₹
				By errors in posting	4,500

(d) By this error Purchases Account has to be debited by ₹15,000 whereas the debit should have been to the Furniture Account. The correcting entry will be:

Furniture Account	Dr.	₹15,000	
To Purchases Account			₹15,000
(Correction of the mistake by which purchases Account was debited instead of the Furniture Account)			

(e) The discount of ₹1,200 received from Black & White should have been entered on the credit side of the cash book. Had this been done, the Discount Account would have been credited (through the total of the discount column) and Black & White would have been debited. This entry should be made :

Black & White	Dr.	₹1,200	
To Discount Account			₹1,200
(Rectification of the error by which the discount allowed by the firm was not entered in Cash Book)			

(f) In this case the account of the customer has been correctly posted; the Discount Account has been debited ₹180 short since it has been omitted from the discount column on the debit side of the cash book. The discount account should now be rectified as follows:

Discount A/c

Date	Particulars	₹	Date	Particulars	₹
	To Omission of entry in the Cash Book	180			

(ii) **If a Suspense Account is opened:**

	Particulars		L.F.	Dr. ₹	Cr. ₹
(a)	Suspense Account	Dr.		2,100	
	To Sales Account				2,100
	(Being the correction arising from under-casting of Sales Day Book)				
(b)	Return Inward Account	Dr.		1,800	
	To Gaurav & Co	.			1,800
	(Being the recording of unrecorded returns)				
(c)	Suspense Account	Dr.		4,500	
	To Sen Brothers				4,500
	(Being the correction of the error by which Sen Brothers was debited instead of being credited by ₹2,250).				
(d)	Furniture Account	Dr.		15,000	
	To Purchases Account				15,000
	(Being the correction of recording purchase of furniture as ordinary purchases)				
(e)	Black & White	Dr.		1,200	
	To Discount Account				1,200
	(Being the recording of discount omitted to be recorded)				
(f)	Discount Account	Dr.		180	
	To Suspense Account				180
	(Being the correction of omission of the discount allowed from Cash Book customer's account already posted correctly).				

Question 3

(a) Anand of Bangalore consigned to Raj of Pune, goods to be sold at invoice price which represents 125% of cost. Raj is entitled to a commission of 10% on sales at invoice price and 25% of any excess realized over invoice price. The expenses on freight and insurance incurred by Anand were ₹ 12,000. The account sales received by Anand

shows that Raj has effected sales amounting to ₹ 1,20,000 in respect of 75% of the consignment. His selling expenses to be reimbursed were ₹ 9,600 10% of consignment goods of the value of ₹ 15,000 were destroyed in fire at the Pune godown and the insurance company paid ₹ 12,000 net of salvage. Raj remitted the balance in favour of Anand.

You are required to prepare Consignment Account and ·the account of Raj in the books of Anand along with the necessary calculations. ***(10 Marks)***

(b) *A firm sends good on "Sale or Return basis. Customers have the choice of returning the goods within a month. During May 2018, the following are the details of goods sent:*

Date (May)	2	8	12	18	20	27
Customers	P	B	Q	D	E	R
Value (₹)	17,000	22,000	25,000	5,500	2,000	28,000

Within the stipulated time, P and Q returned the goods and B, D and E signified that they have accepted the goods.

Show in the books of the firm, the Sale or Return Account and Customer Q for Sale or Return Account as on 15th June 2019. ***(5 Marks)***

(c) *Attempt any one of the following two sub-parts i.e. either (i) or (ii)*

(i) *The following amounts are due to X by Y. Y wants B to pay on 10th July,2019.*

Interest rate of 9% p.a. is taken into consideration.

Due dates	₹
10th January	750
26th January (Republic Day)	1,200
23rd March	3,300
18th August (Sunday)	4,100

Determine average due date and the amount to be paid on 10th July, 2019. Assume 10th January as base date. ***(5 Marks)***

OR

(ii) *Ramesh has a Current Account with Partnership firm. He had a debit balance of ₹ 85,000 as on 01-07-2018. He has further deposited the following amounts:*

Date	Amount (₹)
14-07-2018	1,23,000
18-08-2018	21,000

He withdrew the following amounts:

Date	*Amount (₹)*
29-07-2018	*92,000*
09-09-2018	*11,500*

Show Ramesh's A/c in the books of the firm. Interest is to be calculated at 10% on debit balance and 8% on credit balance. You are required to prepare current account as on 30th September, 2018 by means of product of balances method.

(5 Marks)

Answer

(a) **Books of Anand**

Consignment to Raj (Pune) Account

Dr. Particulars	₹	*Particulars*	*Cr.* ₹
To Goods sent on Consignment A/c	1,50,000	By Goods sent on Consignment A/c(loading)	30,000
To Cash A/c	12,000	By Abnormal Loss (out of which ₹ 12,000 received from insurance co.)	13,200
To Raj (Expenses)	9,600	By Raj (Sales)	1,20,000
To Raj (Commission)	13,125	By Inventories on Consignment A/c	24,300
To Inventories Reserve A/c	4,500	By General Profit & Loss A/c	1,725
	1,89,225		1,89,225

Raj's Account

Dr. *Particulars*	₹	*Particulars*	*Cr.* ₹
To Consignment A/c	1,20,000	By Consignment A/c	9,600
		By Consignment A/c	13,125
		By Bank A/c	97,275
	1,20,000		1,20,000

Working Notes:

1. Calculation of Loading of goods sent on consignment:

   Abnormal Loss at Invoice price = ₹15,000.

   Abnormal Loss as a percentage of total consignment = 10%.

   Hence the value of goods sent on consignment = ₹15,000 x 100/ 10 = ₹1,50,000.

   Loading of goods sent on consignment = ₹1,50,000 X 25/125 = ₹30,000.

2. Calculation of abnormal loss (10%):

Abnormal Loss at Invoice price	=	₹15,000
Abnormal Loss at cost = ₹15,000 x 100/125	=	₹12,000
Proportionate expenses of Anand (10 % of ₹12,000)	=	₹ 1,200
		₹13,200

3. Calculation of closing Inventories (15%):

Anand's Basic Invoice price of consignment	=	₹1,50,000
Anand's expenses on consignment	=	₹ 12,000
		₹1,62,000
Value of closing Inventories = 15% of ₹1,62,000	=	₹24,300

   Loading in closing Inventories = ₹4,500 (30,000 x 15%)

4. Calculation of commission:

   Invoice price of the goods sold = 75% of ₹1,50,000 = ₹1,12,500

   Excess of selling price over invoice price = (₹1,20,000- ₹1,12,500) = 7,500

   Total commission = 10% of ₹1,12,500 + 25% of ₹7,500

   = ₹11,250 + ₹1,875

   = ₹13,125

Note: Abnormal loss is calculated at cost and value of inventories is valued at invoice price as invoice price is given.

(b) **Sale or Return Account**

Date	*Particulars*	₹	*Date*	*Particulars*	₹
2018			2018		
May 31	To Sundries: Sales	29,500	May 31	By Sundries	
June 15	To Sundries: Returned	42,000		(Goods sent on sale or return basis)	99,500

June 15	To Balance c/d	28,000			
		99,500			99,500
			June 16	By Balance b/d	28,000

Q's Account

Date	*Particulars*	₹	*Date*	*Particulars*	₹
2018			2018		
May 31	To Sale or Return A/c	25,000	June 15	By Sale or Return A/c	25,000

(c) (i) Taking 10th January as the base date

Due Date (Normal)	*Due Date (Actual)*	*No. of days from 10th January. . .*	*Amount ₹*	*Product*
10th January	10th January	0	750	0
26th January	25th January	15	1,200	18,000
23rd March	23rd March	72	3,300	2,37,600
18th August	17th August	219	4,100	8,97,900
			9,350	11,53,500

Average Due Date = 10th Jan. + $\frac{11,53,500}{9,350}$

= 10th Jan + 124 days (rounded off upward) = 14th May

(b) If the payment is deferred to 10th July, interest is to be paid from 14th May to 10th July i.e., for 17 + 30 + 10 = 57 days.

Interest = 9,350 x $\frac{9}{100}$ x $\frac{57}{365}$ = 131.41

The amount to be paid on 10th July: ₹9,350+ 131.41 = ₹9481.41

(ii) Ramesh's Current Account with Partnership firm (as on 30.9.2018)

Date	*Particulars*	*Dr. (₹)*	*Cr. (₹)*	*Balance (₹)*	*Dr.or Cr.*	*Days*	*Dr. Product (₹)*	*Cr. Product (₹)*
01.07.18	To Bal b/d	85,000		85,000	Dr.	13	11,05,000	
14.07.18	By Cash A/c		1,23,000	38,000	Cr.	15		5,70,000
29.07.18	To Self	92,000		54,000	Dr.	20	10,80,000	
18.08.18	By Cash A/c		21,000	33,000	Dr.	22	7,26,000	
09.09.18	To Self	11,500		44,500	Dr.	22	9,79,000	
30.09.18	To Interest A/c	941						

30.09.18	By Bal. c/d		45,441	45,441	Dr.			
		1,89,441	1,89,441				38,90,000	5,70,000

Interest Calculation:

On₹ 38,90,000 x 10% x 1/365 = 1,066

On ₹ 5,70,000 x 8% x 1/365 = ₹ 125

Net interest to be debited = ₹ 941

Question 4

(a) Arup and Swarup were partners. The partnership deed provides inter alia:

(i) That the annual accounts be balanced on 31st December each year;

(ii) That the profits be allocated as follows:

Arup: One-half; Swarup: One-third and Carried to reserve account: One sixth;

(iii) That in the event of death of a partner, his executor will be entitled to the following:

(1) The capital to his credit at the date of death;

(2) His proportionate share. of profit to date of death based on the average profits of the last three completed years; and

(3) His Share of goodwill based on three years' purchase of the average profits for the three preceding completed years.

Trial Balance as on 31st December, 2018

Particulars	*Debit (₹)*	*Credit (₹)*
Arup's Capital		*90,000*
Swarup's Capital		*60,000*
Reserve		*45,000*
Bills receivable	*50,000*	
Investment	*55,000*	
Cash	*1,10,000*	
Trade payables		*20,000*
Total	*2,15,000*	*2,15,000*

The profits for the three year were 2016: ₹ 51,000; 2017: ₹ 39,000 and 2018: ₹ 45,000. Swarup died on 1st May 2019.

Show the calculation of Swarup (A) Share of profits; (B) Share of Goodwill; (C) Draw up Swarup's Executor Account as would appear in the firms' ledger transferring the amount to the Loan account. ***(10 Marks)***

(b) *From the following Income and Expenditure account and the Balance sheet of a club, prepare its Receipts and Payments Account and subscription account for the year ended 31st March, 2019:*

Income & Expenditure Account for the year 2018-19

Particulars	₹	Particulars	₹
To Upkeep of ground	11,000	By Subscriptions	19,052
To Printing	1,100	By Sale of Newspapers (Old)	286
To Salaries	11,100	By Lectures (Fee)	1,650
To Depreciation on furniture	1,100	By Entrance Fee	2,145
To Rent	1,660	By Misc. Income	440
		By Deficit	2,387
	25,960		25,960

Balance sheet as at 31st March 2019

Liabilities		₹	Assets	₹
Subscription in advance (2019-20)		110	Furniture	9,900
Prize fund:			Ground and Building	51,700
Opening balance	27,500		Prize Fund Investment	22,000
Add: Interest	1,100		Cash in Hand	2,530
	28,600		Subscription (outstanding)	770
Less: Prizes given	2,200	26,400	(2018-2019)	
General Fund:				
Opening balance	62,062			
Less: Deficit	2,387			
	59,675			
Add: Entrance Fee	715	60,390		
		86,900		86,900

The following adjustments have been made in the above accounts:

(i) *Upkeep of ground ₹ 660 and printing ₹ 264 relating to 2017-18 were paid in 2018-19.*

(ii) *One fourth of entrance fee has been capitalized by transfer to General Fund.*

(iii) *Subscription outstanding in 2017-18 was ₹ 880 and for 2018-19 ₹ 770.*

(iv) Subscription received in advance in 2017-18 was ₹ 220 and in 2018-19 for 2019-20 was ₹ 110.

(v) Furniture was purchased during the year. ***(10 Marks)***

Answer

(a)

(i)	**Ascertainment of Swarup's Share of Profit**		**(ii)**	**Ascertainment of Value of Goodwill**	
	2016	51,000		2016	51,000
	2017	39,000		2017	39,000
	2018	45,000		2018	45,000
	Total Profit	1,35,000		Total Profit for 3 years	1,35,000
	Average Profit	45,000		Average Profit	45,000
	4 months' Profit	15,000		Goodwill - 3 years	
	Swarup's Share in Profit (2/5th of ₹15,000)	6,000		Purchase of Average Profit	1,35,000
				Swarup's Share of goodwill (2/5 of ₹1,35,000)	54,000

Working Note:

Profit sharing ratio between Arup and Swarup = ½; 1/3; = 3: 2, Therefore Swarup's share of Profit = 2/5

Swarup's Executors Account

Date 2019	Particulars	₹	Date 2019	Particulars	₹
May 1	To Swarup's Loan A/c	1,38,000	Jan. 1	By Capital A/c	60,000
			May 1	By Reserves (2/5th of ₹45,000)	18,000
			May 1	By Arup's Capital A/c (Share of goodwill)	54,000

			May 1	By P&L Suspense A/c (Share of Profit)	6,000
		1,38,000			1,38,000

(b) **Receipts and Payments Account**

for the year ending 31st March, 2019

Receipts	₹	Payments	₹
To Balance b/d (Balancing figure)	16,126	By Upkeep of Ground (11,000+660)	11,660
To Subscription	19,052	By Printing (1,100+264)	1,364
To Interest on Prize Fund Investments	1,100	By Salaries	11,100
		By Furniture (9,900 +1,100)	11,000
To Lecture (fee)	1,650	By Rent	1,660
To Entrance Fee	2,860	By Prizes	2,200
To Sale of Newspapers (old)	286	By Balance c/d	2,530
To Misc. Income	440		
	41,514		41,514

Note:

₹660 paid for upkeep of ground for 2017-18 and ₹264 paid for printing have been added to the amount shown as expenditure for the year to arrive at total payment under these heads.

Subscription Account

		₹			₹
2018			2018		
April	To Subscription Outstanding (2017-18)	880	April 1	By Subscription in Advance (2017-18)	220
	To Subscription In Advance (2018-19)	110		By Subscription Outstanding (2018-19)	770
				By Cash (Balancing figure)	19,052

2019							
March	To	Income & Expenditure A/c	19,052				
			20,042				20,042

Question 5

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

Particulars	*Debit (₹)*	*Credit (₹)*
Provision for Doubtful Debts	*250*	*-*
Cash Credit Account	*1,654*	*-*
Capital	*-*	*4,591*
Trade payables	*-*	*1,637*
Due from customers	*2,983*	*-*
Discount Received	*252*	*-*
Discount Allowed	*-*	*733*
Drawings	*1,200*	*-*
Office Furniture	*2,155*	*-*
Carriage Inward	*-*	*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	*25,033*	*25,002*

Draw up a corrected Trial Balance by debiting or crediting any residual errors to a suspense account. ***(5 Marks)***

(b) *Mr. Shyamal 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)	*26,000*
Closing work-in-progress (14,000 units)	*48,000*

Opening inventory of Raw Materials	*2,60,000*
Closing inventory of Raw Materials	*3,20,000*
Purchases	*8,20,000*
Hire charges of Machinery @ ₹ 0.70 per unit manufactured	
Hire charges of factory	*2,60,000*
Direct wages-contracted@ ₹ 0.80 per unit manufactured and @ ₹ 0.40 per unit of closing W.I.P.	
Repairs and maintenance	*1,80,000*
Units produced - 5,00,000 units	

You are required to prepare a Manufacturing Account of Mr. Shyamal for the year ended 31-03-2019.

(5 Marks)

(c) The balance sheet of Mittal on 1st January, 2018 was as follows:

Liabilities	*Amount ₹*	*Assets*	*Amount ₹*
Trade payables	*16,00,000*	*Plant & Machinery*	*31,00,000*
Expenses payable	*2,50,000*	*Furniture & Fixture*	*4,00,000*
Capital	*51,00,000*	*Trade receivables*	*14,50,000*
		Cash at bank	*7,00,000*
		Inventories	*13,00,000*
	69,50,000		*69,50,000*

During 2018, his profit and loss account revealed a net profit of ₹ 15,10,000. This was after allowing for the following:

(i) Interest on capital @ 6% p.a.

(ii) Depreciation on plant and machinery @ 10% p.a. and on Furniture and Fixtures @ 5% p.a..

(iii) A provision for Doubtful debts @ 5% of the trade receivables as at 31st December 2018.

But while preparing the profit and loss account he had forgotten to provide for (1) outstanding expenses totalling ₹ 1,85,000 and (2) prepaid insurance to the extent of ₹ 25,000.

His current assets and liabilities on 31st December, 2018 were: Trade receivables ₹ 21,00,000; Cash at bank ₹ 5,20,000 and Trade payables ₹ 13,84,000. During the year *he withdrew ₹ 6,20,000 for domestic use. Closing inventories is equal to net trade receivables at the year-end.*

You are required to draw up revised Profit and Loss account and Balance Sheet at the end of the year. ***(10 Marks)***

Answer

(a) Trial Balance as on 31st March, 2019

Heads of Accounts	Dr. ₹	Cr. ₹
Provision for Doubtful Debts	–	250
Cash credit account (Bank overdraft)	–	1,654
Capital	–	4,591
Trade payables	–	1,637
Dues from customers	2,983	–
Discount Received	–	252
Discount allowed	733	–
Drawings	1,200	–
Office furniture	2,155	–
Carriage inward	829	–
Purchases	10,923	–
Returns Inward	330	–
Rent & Rates	314	–
Salaries	2,520	–
Inventory*	2,418	–
Provision for Depreciation on Furniture	–	364
Sales	–	16,882
Suspense Account (Balancing figure)	1,225	
Total	25,630	25,630

** considered as opening inventory.*

(b) In the Books of Mr. Shyamal

Manufacturing Account for the Year ended 31.03.2019

Particulars		Units	Amount ₹	Particulars	Units	Amount ₹
To Opening Work-in-Process		9,000	26,000	By Closing Work-in-Process	14,000	48,000

To Raw Materials Consumed:				By Trading A/c – Cost of finished goods transferred	5,00,000	19,33,600
Opening Inventory	2,60,000					
Add: Purchases	8,20,000					
	10,80,000					
Inventory	(3,20,000)		7,60,000			
To Direct Wages						
– W.N. (1)			4,05,600			
To Direct expenses:						
Hire charges						
on Machinery						
– W.N. (2)			3,50,000			
To Indirect expenses:						
Hire charges of						
Factory			2,60,000			
Repairs & Maintenance			1,80,000			
			19,81,600			19,81,600

Working Notes:

(1) Direct Wages – 5,00,000 units @ ₹0.80 = ₹4,00,000

14,000 units @ ₹0.40 = ₹ 5,600

₹ 4,05,600

(2) Hire charges on Machinery – 5,00,000 units @ ₹0.70 = ₹3,50,000

(c) Profit and Loss Account (Revised)

Particulars	₹	Particulars	₹
To Outstanding expenses	1,85,000	By Balance b/d	15,10,000
To Net profit	13,50,000	By Prepaid insurance	25,000
	15,35,000		15,35,000

Balance Sheet of Mittal as on 31st December, 2018

Liabilities		₹	Assets	₹	₹
Capital	51,00,000		Cash at Bank		5,20,000

Add: Net Profit	13,50,000		Trade receivables	21,00,000	
	64,50,000		*Less:* Provision for doubtful debts	(1,05,000)	19,95,000
Less: Drawings	(6,20,000)		Plant and Machinery	31,00,000	
	58,30,000		*Less:* Depreciation	(3,10,000)	27,90,000
Add: Interest on capital	3,06,000	61,36,000	Furniture & Fixtures	4,00,000	
Outstanding expenses		1,85,000	*Less:* Depreciation	(20,000)	3,80,000
Trade payables		13,84,000	Inventories		19,95,000
			Prepaid insurance		25,000
		77,05,000			77,05,000

Question 6

(a) *B Limited issued 50,000 equity shares of ₹ 10 each payable as ₹ 3 per share on application, ₹ 5 per share (including ₹ 2 as premium) on allotment and ₹ 4 per share on call. All these shares were subscribed. Money due on all shares was fully received except from X, holding 1000 shares who failed to pay the allotment and call money and Y, holding 2000 shares, failed to pay the call money. All those 3,000 shares were forfeited. Out of forfeited shares, 2,500 shares (including whole of X's shares) were subsequently re-issued to Z as fully paid up at a discount of ₹ 2 per share.*

Pass necessary journal entries in the books of B limited. Also prepare Balance Sheet and notes to accounts of the company. ***(15 Marks)***

(b) *Distinguish between Periodic Inventory System and Perpetual Inventory System.*

(5 Marks)

Answer

(a) **In the books of B Ltd.**

Journal Entries

Date	*Particulars*		Dr. ₹	Cr. ₹
	Bank A/c To Equity Share Application A/c (Application money on 50,000 shares @ ₹ 3 per	Dr.	1,50,000	 1,50,000

	share received.)			
	Equity Share Application A/c To Equity Share Capital A/c (Transfer of application money to Equity Share Capital on 50,000 shares @ ₹ 3 per share as per Directors resolution no… dated…)	Dr.	1,50,000	 1,50,000
	Equity Share Allotment A/c To Equity Share Capital A/c To Securities Premium A/c (Amount due from members in respect of allotment on 50,000 shares @ ₹ 5 per share including premium ₹ 2 per share as per Directors resolution no… dated…)	Dr.	2,50,000	 1,50,000 1,00,000
	Bank A/c To Equity Share Allotment A/c (Amount received against allotment on 49,000 shares @ ₹ 5 per share including premium ₹ 2 per share.) **'OR'** Bank A/c Calls in Arrear A/c To Equity Share Allotment A/c (Amount received against allotment on 49,000 shares @ ₹ 5 per share including premium ₹ 2 per share. X, holding 1,000 shares failed to pay allotment money.)	Dr. Dr. Dr.	2,45,000 2,45,000 5,000	 2,45,000 2,50,000
	Equity Share Call A/c To Equity Share Capital A/c (Amount due from members in respect of call on 50,000 shares @ ₹ 4 per share as per Directors resolution no… dated…)	Dr.	2,00,000	 2,00,000
	Bank A/c To Equity Share Call A/c (Amount received against the call on 47,000 shares @ ₹ 4 per share.) **'OR'** Bank A/c	Dr. Dr.	1,88,000 1,88,000	 1,88,000

	Calls in Arrear A/c To Equity Share Call A/c (Amount received against the call on 47,000 shares @ ₹ 4 per share. X, holding 1,000 shares and Y, holding 2,000 shares failed to pay call money.)	Dr.	12,000	 2,00,000
	Equity Share Capital A/c (3,000 x ₹ 10) Securities Premium A/c (1,000 x ₹ 2) To Equity Share Allotment A/c (1,000 X ₹ 5) To Equity Share Call A/c (3,000 X ₹ 4) To Forfeited Shares A/c (Being forfeiture of 3,000 equity shares for non-payment of allotment and call money on 1,000 shares and for non-payment of call money on 2,000 shares as per Board's Resolution No.....dated ....) **'OR'** Equity Share Capital A/c (3,000 x ₹ 10) Securities Premium A/c (1,000 x ₹ 2) To Calls in Arrear A/c (₹ 5,000 + ₹ 12,000) To Forfeited Shares A/c (Being forfeiture of 3,000 equity shares for non-payment of allotment and call money on 1,000 shares and for non-payment of call money on 2,000 shares as per Board's Resolution No… dated…)	Dr. Dr. Dr. Dr.	30,000 2,000 30,000 2,000	 5,000 12,000 15,000 17,000 15,000
	Bank A/c Forfeited Shares A/c To Equity Share Capital A/c (Being re-issue of 2,500 shares @ ₹8 each as per Board's Resolution No.....dated....)	Dr. Dr.	20,000 5,000	 25,000
	Forfeited Shares A/c To Capital Reserve A/c (Being profit on re-issue transferred to Capital Reserve)	Dr.	7,000	 7,000

Balance Sheet of B Limited as at……

Particulars	Notes No.	₹
EQUITY AND LIABILITIES		
Shareholders' funds		
Share capital	1	4,98,000
Reserves and Surplus	2	1,05,000
Total		6,03,000
ASSETS		
Current assets		
Cash and cash equivalents (bank)		6,03,000*
Total		6,03,000

*(5,83,000 +20,000)

Notes to accounts

		₹	₹
1.	**Share Capital**		
	Equity share capital		
	Issued share capital		
	50,000 Equity shares of ₹ 10 each	5,00,000	
	Subscribed, called up and paid up share capital		
	49,500 Equity shares of ₹ 10 each	4,95,000	
	Add: Forfeited shares	3,000	4,98,000
2.	Reserves and Surplus		
	Securities Premium	98,000	
	Capital Reserve	7,000	1,05,000

Working Notes:

(1) Calculation of Amount to be Transferred to Capital Reserve

Amount forfeited per share of X	₹ 3	Amount forfeited per share of Y	₹ 6
Less: Loss on re-issue per share	(₹ 2)	Less: Loss on re-issue per share	(₹ 2)
Surplus	₹ 1	Surplus	₹ 4

Transferred to Capital Reserve: X share (1,000 x ₹ 1)	₹ 1,000
Y's Share (1,500 x ₹ 4)	₹ 6,000
Total	₹ 7,000

(2) Balance of Security Premium:

Total Premium amount receivable on allotment	=	1,00,000
less: Amount reversed on forfeiture	=	(2,000)
Balance remaining	=	98,000

(b)

	Periodic Inventory System	Perpetual Inventory System
1.	This system is based on physical verification.	It is based on book records.
2.	This system provides information about inventory and cost of goods sold at a particular date	It provides continuous information about inventory and cost of sales.
3.	This system determines inventory and takes cost of goods sold as residual figure.	It directly determines cost of goods sold and computes inventory as balancing figure.
4.	Cost of goods sold includes loss of goods as goods not in inventory are assumed to be sold.	Closing inventory includes loss of goods as all unsold goods are assumed to be in Inventory
5.	Under this method, inventory control is not possible.	Inventory control can be exercised under this system.
6.	This system is simple and less expensive.	It is costlier method.
7.	Periodic system requires closure of business for counting of inventory.	Inventory can be determined without affecting the operations of the business.

Foundation (New Syllabus)
Paper - 1
Principles and Practice
of Accounting

MAY 2019

HAF2

Roll No. ....

Total No. of Printed Pages : 16

Total No. of Questions : 6

Maximum Marks : 100

Time allowed : 3 Hours

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.

1. (a) State with reasons, whether the following statements are true or false :

(i) 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.

(ii) If the amount is posted in the wrong account or it is written on the wrong side of the account, it is called error of principle.

(iii) In case of consignment sale, ownership of goods will be transfered to consignee at the time of receiving the goods.

(iv) 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.

(v) Limited Liability Partnership (LLP) is governed by Indian Partnership Act, 1932.

(vi) The relationship between sales and fixed assets is expressed as working capital ratio.

(6 Statements × 2 Marks = 12 Marks)

(b) Distinguish between Going Concern concept and Cost concept. (4 Marks)

(c) Give journal entries (with narrations) to rectify the following errors located in the books of a Trader after preparing the Trial Balance :

(i) An amount of ₹ 4,500 received on account of Interest was credited to Commission account.

(ii) A sale of ₹ 2,760 was posted from Sales Book to the Debit of M/S Sobhag Traders at ₹ 2,670

(iii) ₹ 35,000 paid for purchase of Airconditioner for the personal use of proprietor debited to Machinery a/c.

(iv) Goods returned by customer for ₹ 5,000. The same have been taken into stock but no entry passed in the books of accounts. (4 Marks)

2. (a) Prepare the Bank Reconciliation Statement of M/s. R.K. Brothers on 30th June 2018 from the particulars given below :

   (i) The Bank Pass Book had a debit balance of ₹ 25,000 on 30th June, 2018

   (ii) A cheque worth ₹ 400 directly deposited into Bank by a customer but no entry was made in the Cash Book.

   (iii) Out of cheques issued worth ₹ 34,000, cheques amounting to ₹ 20,000 only were presented for payment till 30th June, 2018.

   (iv) A cheque for ₹ 4,000 received and entered in the Cash Book but it was not sent to the Bank.

   (v) Cheques worth ₹ 20,000 had been sent to Bank for collection but the collection was reported by the Bank as under.

      (1) Cheques collected before 30th June, 2018, ₹ 14,000

      (2) Cheques collected on 10th July, 2018, ₹ 4,000

      (3) Cheques collected on 12th July, 2018, ₹ 2,000.

   (vi) The Bank made a direct payment of ₹ 600 which was not recorded in the Cash Book.

(vii) Interest on Overdraft charged by the bank ₹ 1,600 was not recorded in the Cash Book.

(viii) Bank charges worth ₹ 80 have been entered twice in the cash book whereas Insurance charges for ₹ 70 directly paid by Bank was not at all entered in the Cash Book.

(ix) The credit side of bank column of Cash Book was undercast by ₹2,000.

(10 Marks)

(b) A Firm purchased an old Machinery for ₹ 37,000 on 1st January, 2015 and spent ₹ 3,000 on its overhauling. On 1st July 2016, another machine was purchased for ₹ 10,000. On 1st July 2017, the machinery which was purchased on 1st January 2015, was sold for ₹ 28,000 and the same day a new machinery costing ₹ 25,000 was purchased. On 1st July, 2018, the machine which was purchased on 1st July, 2016 was sold for ₹ 2,000.

Depreciation is charged @ 10% per annum on straight line method. The firm changed the method and adopted diminishing balance method with effect from 1st January, 2016 and the rate was increased to 15% per annum. The books are closed on 31st December every year.

Prepare Machinery account for four years from 1st January, 2015.

(10 Marks)

3. (a) R & S entered into a joint venture and opened a Joint Bank account with an amount of ₹ 1,50,00,000 towards which R contributed ₹1,00,00,000. They agreed to share profits and losses the ratio of 2 : 1. They purchased a big residential house measuring area of 5,000 sq.ft. @ ₹2,900 per sq.ft. Out of the total area, 200 sq.ft. was left over for general use as a community hall and remaining area was sub-divided in 6 equal flats. Out of those 6 flats, 4 front facing flats were sold by R for ₹ 1,28,00,000 and the remaining 2 flats were sold by S for ₹ 56,00,000.

The following expenses were incurred in connection with above transaction –

Registration fees	:	₹ 1,50,000
Stamp duty	:	₹ 1,00,000
Renovation Exp.	:	₹ 25,00,000

R and S were entitled to brokerage @ 2% on flats sold by them.

Separate books were maintained for the joint venture. You are required to prepare the necessary ledger accounts. (10 Marks)

(b) On 1st January 2018, Akshay draws two bills of exchange for ₹ 16,000 and ₹ 25,000. The bill of exchange for ₹ 16,000 is for two months while the bill of exchange for ₹ 25,000 is for three months. These bills are accepted by Vishal. On 4th March, 2018, Vishal requests Akshay to renew the first bill with interest @ 15% p.a. for a period of two months. Akshay agreed to this proposal. On 25th March, 2018, Vishal retires the acceptance for ₹ 25,000, the interest rebate i.e. discount being ₹ 250. Before the due date of the renewed bill, Vishal becomes insolvent and only 50 paisa in a rupee could be recovered from his estate.

Show the Journal Entries (with narrations) in the books of Akshay. (5 Marks)

(c) Attempt any one of the following two sub-parts i.e. either (i) or (ii).

(i) Two Traders Yogesh and Yusuf buy goods from one another, each allowing the others, one month's credit. At the end of 3 months the accounts rendered are as follows :

	Goods sold by Yogesh to Yusuf (₹)		Goods sold by Yusuf to Yogesh (₹)
April 18	12,000	April 23	10,600
May 15	14,000	May 24	10,000
June 16	16,000		

Calculate the date upon which the balance should be paid so that no interest is due either to Yogesh or Yusuf. (5 Marks)

OR

(ii) Exe Collieries Co. Ltd. took from M/s. Zed a lease of coal field for a period of 20 years from 1st April 2013, on a royalty of ₹ 25 per tonne of coal extracted with a dead rent of ₹ 2,50,000 per annum with power to recoup short-working during the first five years of the lease. The company closes its books of account on 31st March every year.

The output in the first five years of the lease was as follows :

Year ended	Tonnes
31st March 2014	3,000
31st March 2015	4,800
31st March 2016	10,600
31st March 2017	16,800
31st March 2018	21,000

You are required to compute the amount of royalty payable for the years ended 31st March, 2014, 2015, 2016, 2017 and 2018. (5 Marks)

4. (a) Monika, Yedhant and Zoya are in partnership, sharing profits and losses equally. Zoya died on 30th June 2018. The Balance Sheet of Firm as at 31st March 2018 stood as.

Liabilities	Amount ₹	Assets		Amount ₹
Creditors	20,000	Land and Building		1,50,000
General Reserve	12,000	Investments		65,000
Capital Accounts :		Stock in trade		15,000
Monika	1,00,000	Trade receivables	35,000	
Yedhant	75,000	Less : Provision for doubtful debt	2,000	33,000
Zoya	75,000	Cash in hand		7,000
		Cash at bank		12,000
	2,82,000			2,82,000

In order to arrive at the balance due to Zoya, it was mutually agreed that :

(i) Land and Building be valued at ₹ 1,75,000

(ii) Debtors were all good, no provision is required

(iii) Stock is valued at ₹ 13,500

(iv) Goodwill will be valued at one Year's purchase of the average profit of the past five years. Zoya's share of goodwill be adjusted in the account of Monika and Yedhant.

(v) Zoya's share of profit from 1st April 2018, to the date of death be calculated on the basis of average profit of preceding three years.

(vi) The profit of the preceding five years ended 31st March were :

2018	2017	2016	2015	2014
25,000	20,000	22,500	35,000	28,750

You are required to prepare :

(1) Revaluation account

(2) Capital accounts of the partners and

(3) Balance sheet of the Firm as at 1st July 2018. (10 Marks)

(b) Following particulars are extracted from the books of Mr. Sandeep for the year ended 31st December, 2018.

Particulars	Amount ₹	Particulars	Amount ₹
Debit Balances :		Credit Balances :	
Cash in hand	1,500	Capital	16,000
Purchase	12,000	Bank overdraft	2,000

Particulars	Amount	Particulars	Amount
	₹		₹
Sales return	1,000	Sales	9,000
Salaries	2,500	Purchase return	2,000
Tax and Insurance	500	Reserve for Bad debts	1,000
Bad debts	500	Creditors	2,000
Debtors	5,000	Commission	500
Investments	4,000	Bills payable	2,500
Opening stock	1,400		
Drawings	2,000		
Furniture	1,600		
Bills receivables	3,000		
	35,000		35,000

Other information :

(i) Closing stock was valued at ₹ 4,500

(ii) Salary of ₹ 100 and Tax of ₹ 200 are outstanding whereas insurance ₹ 50 is prepaid.

(iii) Commission received in advance is ₹ 100

(iv) Interest accrued on investment is ₹ 210

(v) Interest on overdraft is unpaid ₹ 300

(vi) Reserve for bad debts is to be kept at ₹ 1,000

(vii) Depreciation on furniture is to be charged @ 10%

You are required to prepare the final accounts after making above adjustments.

(10 Marks)

5. (a) What do you understand by Ratio Analysis? Find out the value of Current Assets of a company from the following information:

(i) Inventory Turnover Ratio : 4 Times.

(ii) Inventory at the end is ₹20,000 more than inventory in the beginning.

(iii) Revenue from Operations i.e., Net Sales ₹3,00,000.

(iv) Gross Profit Ratio 25%.

(v) Current Liabilities ₹ 40,000.

(vi) Quick Ratio 0.75. (10 Marks)

(b) From the following information supplied by M.B.S. Club prepare Receipts and Payments account and Income and Expenditure Account for the year ended 31st March 2019.

	01.04.2018	31.03.2019
	₹	₹
Outstanding subscription	1,40,000	2,00,000
Advance Subscription	25,000	30,000
Outstanding Salaries	15,000	18,000
Cash in Hand and at Bank	1,10,000	?
10% Investment	1,40,000	70,000
Furniture	28,000	14,000
Machinery	10,000	20,000
Sports Goods	15,000	25,000

Subscription for the year amount to ₹ 3,00,000/-. Salaries paid ₹ 60,000. Face value of the Investment was ₹ 1,75,000, 50% of the Investment was sold at 80% of Face Value. Interest on Investments was received ₹ 14,000. Furniture was sold for ₹ 8000 at the beginning of the year. Machinery and Sports Goods purchased and put to use at the last date of the year. Charge depreciation @ 15% p.a. on Machinery and Sports Goods and @10% p.a. on Furniture.

Following Expenses were made during the year :

Sports Expenses: ₹ 50,000

Rent : ₹ 24,000 out of which ₹ 2,000 outstanding

Misc. Expenses : ₹ 5,000

(10 Marks)

6. (a) Bhagwati Ltd. invited applications for issuing 2,00,000 equity shares of ₹ 10 each. The amounts were payable as follows :

On application – ₹ 3 per share

On allotment – ₹. 5 per share

On first and final call – ₹ 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 @ ₹ 6 per share.

Pass necessary Journal entries to record the above transactions in the books of Bhagwati Ltd. (10 Marks)

(b) On 1st January 2018, Ankit Ltd. issued 10% debentures of the face value of ₹ 20,00,000 at 10% discount. Debenture interest after deducting tax at source @10% was payable on 30th June and 31st December every year. All the debentures were to be redeemed after the expiry of five year period at 5% premium.

Pass necessary journal entries for the accounting year 2018. (5 Marks)

(c) Raj Ltd. Prepared their accounts for financial year ended on 31st March 2019. Due to unavoidable circumstances actual stock has been taken on 10th April 2019, when it was ascertained at ₹ 1,25,000. It has been found that ;

(i) Sales are entered in the Sales Book on the day of dispatch and return inwards in the Returns Inward Book on the day of the goods received back.

(ii) Purchases are entered in the Purchase Book on the day the Invoices are received.

(iii) Sales between 1st April 2019 to 9th April 2019 amounting to ₹ 20,000 as per Sales Day Book.

(iv) Free samples for business promotion issued during 1st April 2019 to 9th April 2019 amounting to ₹ 4,000 at cost.

(v) Purchases during 1st April 2019 to 9th April 2019 amounting to ₹ 10,000 but goods amounts to ₹ 2,000 not received till the date of stock taking.

(vi) Invoices for goods purchased amounting to ₹ 20,000 were entered on 28th March 2019 but the goods were not included in stock.

Rate of Gross Profit is 25% on cost.

Ascertain the value of Stock as on 31st March 2019. (5 Marks)

PAPER – 1: PRINCIPLES AND PRACTICE OF ACCOUNTING

*Question No. **1** is compulsory.*

*Attempt 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 1

(a) *State with reasons, whether the following statements are true or false:*

(i) *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.*

(ii) *If the amount is posted in the wrong account or it is written on the wrong side of the account, it is called error of principle.*

(iii) *In case of consignment sale, ownership of goods will be transferred to consignee at the time of receiving the goods.*

(iv) *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.*

(v) *Limited Liability Partnership (LLP) is governed by Indian Partnership Act, 1932.*

(vi) *The relationship between sales and fixed assets is expressed as working capital ratio.*

(6 Statements x 2 Marks = 12 Marks)

(b) *Distinguish between Going Concern concept and Cost concept.* ***(4 Marks)***

(c) *Give journal entries (with narrations) to rectify the following errors located in the books of a Trader after preparing the Trial Balance:*

(i) *An amount of ₹ 4,500 received on account of Interest was credited to Commission account.*

(ii) *A sale of ₹ 2,760 was posted from Sales Book to the Debit of M/s Sobhag Traders at ₹ 2,670*

(iii) *₹ 35,000 paid for purchase of Air conditioner for the personal use of proprietor debited to Machinery A/c.*

(iv) *Goods returned by customer for ₹ 5,000. The same have been taken into stock but no entry passed in the books of accounts.* ***(4 Marks)***

Answer

(a) **(i)** **True:** Since the temporary huts were necessary for the construction, their cost should be added to the cost of the cinema hall and thus capitalised.

(ii) **False:** If an amount is posted in the wrong account or is written on the wrong side of the correct account, it is case of "errors of commission" and is not "error of principle".

(iii) **False:** In Consignment sale, ownership of the goods rests with the consignor till they are sold by the consignee. The consignee does not become the owner of the goods even though goods are in his possession. He acts only as agent of the consignor.

(iv) **True:** In case the due date of a bill falls after the date of closing the account, then no interest is allowed for that. However, interest from the date of closing to such due date is written in "Red-Ink" in the appropriate side of the 'Account current'. This interest is called Red-Ink interest.

(v) **False:** The provisions of the Indian Partnership Act, 1932 shall not apply to a limited liability partnership. Limited Liability (LLPs) Act, 2008 is applicable for Limited Liability Partnerships.

(vi) **False:** The relationship between sales and fixed assets is expressed as fixed assets turnover ratio.

(b) **Going Concern concept:** The financial statements are normally prepared on the assumption that an enterprise is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the enterprise has neither the intention nor the need to liquidate or curtail materially the scale of its operations; if such an intention or need exists, the financial statements may have to be prepared on a different basis and, if so, the basis used is disclosed.

Cost concept: By this concept, the value of an asset is to be determined on the basis of historical cost, in other words, acquisition cost. Although there are various measurement bases, accountants traditionally prefer this concept in the interests of objectivity. It is highly objective and free from all bias.

(c)

S. No.			Debit (₹)	Credit (₹)
1	Commission A/c	Dr.	4,500	
	To Interest Received			4,500
	(Correcting wrong entry of interest received into commission account)			
2	M/s Sobhag Traders A/c	Dr.	90	
	To Suspense A/c			90

	(Being credit sale of ₹ 2,760 posted as ₹ 2,670 i.e. debiting M/s Sobhag Traders A/c less by 90, now rectified)		
3	Drawing A/c Dr.	35,000	
	To Machinery A/c		35,000
	(Correction of wrong debit to machinery account for purchase of air-conditioner for personal use)		
4	Return Inward A/c Dr.	5,000	
	To Debtors (Personal) A/c		5,000
	(Correction of omission to record return of goods by customers)		

Question 2

(a) *Prepare the Bank Reconciliation Statement of M/s. R.K. Brothers on 30th June 2018 from the particulars given below:*

(i) *The Bank Pass Book had a debit balance of ₹ 25,000 on 30th June, 2018.*

(ii) *A cheque worth ₹ 400 directly deposited into Bank by customer but no entry was made in the Cash Book.*

(iii) *Out of cheques issued worth ₹ 34,000, cheques amounting to ₹ 20,000 only were presented for payment till 30th June, 2018.*

(iv) *A cheque for ₹ 4,000 received and entered in the Cash Book but it was not sent to the Bank.*

(v) *Cheques worth ₹ 20,000 had been sent to Bank for collection but the collection was reported by the Bank as under.*

(1) *Cheques collected before 30th June, 2018, ₹ 14,000*

(2) *Cheques collected on 10th July, 2018, ₹ 4,000*

(3) *Cheques collected on 12th July, 2018, ₹ 2,000.*

(vi) *The Bank made a direct payment of ₹ 600 which was not recorded in the Cash Book.*

(vii) *Interest on Overdraft charged by the bank ₹ 1,600 was not recorded in the Cash Book.*

(viii) *Bank charges worth ₹ 80 have been entered twice in the cash book whereas Insurance charges for ₹ 70 directly paid by Bank was not at all entered in the Cash Book.*

(ix) *The credit side of bank column of Cash Book was under cast by ₹ 2,000.*

(b) A Firm purchased an old Machinery for ₹ 37,000 on 1st January, 2015 and spent ₹ 3,000 on its overhauling. On 1st July 2016, another machine was purchased for ₹ 10,000. On 1st July 2017, the machinery which was purchased on 1st January 2015, was sold for ₹ 28,000 and the same day a new machinery costing ₹ 25,000 was purchased. On 1st July, 2018, the machine which was purchased on 1st July, 2016 was sold for ₹ 2,000.

Depreciation is charged @ 10% per annum on straight line method. The firm changed the method and adopted diminishing balance method with effect from 1st January, 2016 and the rate was increased to 15% per annum. The books are closed on 31st December every year.

Prepare Machinery account for four years from 1st January, 2015. ***(10 + 10 = 20 Marks)***

Answer

(a) Bank Reconciliation Statement as on 30th June 2018

	Particulars	Amount	Amount
	Overdraft as per Pass Book (Dr. Balance)		25,000
Add:	Cheques issued but not presented ₹ (34,000-20,000)	14,000	
	Cheques deposited into the Bank by Customer but not entered in Cash Book	400	
	Bank charges written twice in Cash Book	80	14,480
			39,480
Less:	Cheques received, recorded in cash Book but not sent to the Bank	4,000	
	Cheques sent to the Bank but not collected	6,000	
	Direct payment made by the bank not recorded in the Cash book	600	
	Interest on Overdraft charged by Bank	1,600	
	Insurance charges not entered in Cash Book	70	
	Credit side of bank column of Cash Book was undercast	2,000	14,270
	Overdraft as per Cash Book		25,210

(b) In the books of Firm

Machinery Account

		₹			₹
1.1.2015	To Bank A/c	37,000	31.12.2015	By Depreciation A/c	4,000

	To Bank A/c (overhauling charges)	3,000	31.12.2015	By Balance c/d	36,000
		40,000			40,000
1.1.2016	To Balance b/d	36,000	31.12.2016	By Depreciation A/c (₹ 5,400 + ₹ 750)	6,150
1.7.2016	To Bank A/c	10,000	31.12.2016	By Balance c/d (₹ 30,600 + ₹ 9,250)	39,850
		46,000			46,000
1.1.2017	To Balance b/d	39,850	1.7.2017	By Bank A/c(sale)	28,000
1.7.2017	To Bank A/c	25,000	1.7.2017	By Profit and Loss A/c (Loss on Sale – W.N. 1)	305
			31.12.2017	By Depreciation A/c (₹ 2,295 + ₹ 1,388 + ₹ 1,875)	5,558
				By Balance c/d (₹ 7,862 + ₹ 23,125)	30,987
		64,850			64,850
1.1.2018	To Balance b/d	30,987	1.7.2018	By Bank A/c (sale)	2,000
			1.7.2018	By Profit and Loss A/c (Loss on Sale – W.N. 1)	5,272
			31.12.2018	By Depreciation A/c (₹ 590 + ₹ 3,469)	4,059
			31.12.2018	By Balance c/d	19,656
		30,987			30,987

Working Note:

Book Value of machines

	Machine I ₹	*Machine II* ₹	*Machine III* ₹
Cost of all machinery (Machinery cost for 2015)	40,000	10,000	25,000
Depreciation for 2015	4,000		

Written down value as on 31.12.2015	36,000		
Purchase 1.7.2016 (6 months)		10,000	
Depreciation for 2016	5,400	750	
Written down value as on 31.12.2016	30,600	9,250	
Depreciation for 6 months (2017)	2,295		
Written down value as on 1.7.2017	28,305		
Sale proceeds	28,000		
Loss on sale	**305**		
Purchase 1.7.2017			25,000
Depreciation for 2017 (6 months)		1,388	1,875
Written down value as on 31.12.2017		7,862	23,125
Depreciation for 6 months in 2018		590	
Written down value as on 1.7.2018		7,272	
Sale proceeds		2,000	
Loss on sale		**5,272**	
Depreciation for 2018			3,469
Written down value as on 31.12.2018			**19,656**

Question 3

(a) *R & S entered into a joint venture and opened a Joint Bank account with an amount of ₹ 1,50,00,000 towards which R contributed ₹ 1,00,00,000. They agreed to share profits and losses the ratio of 2 : 1. They purchased a big residential house measuring area of 5,000 sq. ft. @ ₹ 2,900 per sq. ft. Out of the total area, 200 sq. ft. was left over for general use as a community hall and remaining area was sub-divided in 6 equal flats. Out of those 6 flats, 4 front facing flats were sold by R for ₹ 1,28,00,000 and the remaining 2 flats were sold by S for ₹ 56,00,000.*

The following expenses were incurred in connection with above transaction -

Registration fees	*₹ 1,50,000*
Stamp duty	*₹ 1,00,000*
Renovation Exp.	*₹ 25,00,000*

R and S were entitled to brokerage @ 2% on flats sold by them.

Separate books were maintained for the joint venture. You are required to prepare the necessary ledger accounts.

(b) *On 1st January 2018, Akshay draws two bills of exchange for ₹ 16,000 and ₹ 25,000.*

The bill of exchange for ₹ 16,000 is for two months while the bill of exchange for ₹ 25,000 is for three months. These bills are accepted by Vishal. On 4th March, 2018, Vishal requests Akshay to renew the first bill with interest at 15% p.a. for a period of two months. Akshay agreed to this proposal. On 25th March, 2018, Vishal retires the acceptance for ₹ 25,000, the interest rebate i.e. discount being ₹ 250. Before the due date of the renewed bill, Vishal becomes insolvent and only 50 paisa in a rupee could be recovered from his estate.

Show the Journal Entries (with narrations) in the books of Akshay.

(c) *Attempt any one of the following two sub-parts i.e. either (i) or (ii).*

(i) *Two Traders Yogesh and Yusuf buy goods from one another, each allowing the others, one month's credit. At the end of 3 months the accounts rendered are as follows:*

	Goods sold by Yogesh to Yusuf (₹)		Goods sold by Yusuf to Yogesh (₹)
April,18	12,000	April, 23	10,600
March, 15	14,000	May, 24	10,000
June, 16	16,000		

Calculate the date upon which the balance should be paid so that no interest is due either to Yogesh or Yusuf.

OR

(ii) *Exe Collieries Co. Ltd. took from M/s. Zed a lease of coal field for a period of 20 years from 1st April, 2013, on a royalty of ₹ 25 per tonne of coal extracted with a dead rent of ₹ 2,50,000 per annum with power to recoup short-working during the first five years of the lease. The company closes its books of account on 31st March every year.*

The output in the first five years of the lease was as follows:

Year ended	Tonnes
31st - March 2014	3,000
31st - March 2015	4,800
31st - March 2016	10,600
31st - March 2017	16,800
31st - March 2018	21,000

The output in the first five years of the lease was as follows:

You are required to compute the amount of royalty payable for the years ended 31st March, 2014, 2015, 2016, 2017 and 2018. ***(10 + 5 + 5 = 20 Marks)***

Answer

(a) **Ledgers Accounts**

Joint Bank Account

Particulars	Amount (₹)	Particulars		Amount (₹)
To R A/c	1,00,00,000	By Joint Venture A/c:		
To S A/c	50,00,000	Residential house	1,45,00,000	
		Other Expenses	27,50,000	1,72,50,000
To Joint Venture A/c	1,84,00,000	By Balance transferred:		
		R's A/c	1,07,77,333	
		S's A/c	53,72,667	1,61,50,000
	3,34,00,000			3,34,00,000

Joint Venture Account

Particulars		Amount (₹)	Particulars	Amount (₹)
To Joint Bank A/c:			By Joint Bank A/c (Sales)	1,84,00,000
Residential house	1,45,00,000			
Other Expenses	27,50,000	1,72,50,000		
To R A/c		2,56,000		
To S A/c (Brokerage)		1,12,000		
To Profit to:				
R A/c	5,21,333			
S A/c	2,60,667	7,82,000		
		1,84,00,000		1,84,00,000

R's Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Joint Bank A/c		By Joint Bank A/c	1,00,00,000
- Repayment	1,07,77,333	By Joint Venture A/c	2,56,000
		- Brokerage	
		By Joint Venture A/c	5,21,333

		- Profit	
	1,07,77,333		1,0777,333

S's Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Joint Bank A/c		By Joint Bank A/c	50,00,000
- Repayment	53,72,667	By Joint Venture A/c -Brokerage	1,12,000
		By Joint venture A/c -Profit	2,60,667
	53,72,667		53,72,667

(b) Journal Entries in the books of Akshay

2018			*Dr.* (₹)	*Cr.* (₹)
Jan. 1	Bills receivable (No. 1) A/c	Dr.	16,000	
	Bills receivable (No. 2) A/c	Dr.	25,000	
	To Vishal A/c			41,000
	(Being drawing of bills receivable No. 1 due for maturity on 4.3.2018 and bills receivable No. 2 due for maturity on 4.4.2018)			
March 4	Vishal's A/c	Dr.	16,000	
	To Bills receivable (No.1) A/c			16,000
	(Being the reversal entry for bill No.1 on renewal)			
March 4	Bills receivable (No. 3) A/c	Dr.	16,400	
	To Interest A/c			400
	To Vishal 's A/c			16,000
	(Being the drawing of bill of exchange no. 3 due for maturity on 7.5.2018 together with interest at 15%p.a. in lieu of the original acceptance of Vishal)			
March 25	Bank A/c	Dr.	24,750	
	Discount A/c	Dr.	250	
	To Bills receivable (No. 2) A/c			25,000

	(Being the amount received on retirement of bills No.2 before the due date)			
May 7	Vishal's A/c	Dr.	16,400	
	To Bills receivable (No. 3) A/c			16,400
	(Being the amount due from Vishal on dishonour of his acceptance on presentation on the due date)			
May 7	Bank A/c	Dr.	8,200	
	To Vishal's A/c			8,200
	(Being the amount received from official assignee of Vishal at 50 paise per rupee against dishonoured bill)			
May 7	Bad debts A/c	Dr.	8,200	
	To Vishal's A/c			8,200
	(Being the balance 50% debt in Vishal's Account arising out of dishonoured bill written off as bad debts)			

(c) (i) Taking May 21 as the zero or base date

For Yusuf's payments:

Date of Transactions	*Due Date*	*Amount*	*No. of days from the base date*	*Products*
(1)	*(2)*	*(3)*	*(4)*	*(5)*
April 18	May 21	12,000	0	0
May 15	June 18	14,000	28	3,92,000
June 16	July 19	16,000	59	9,44,000
Amount Due to Yogesh		42,000	Sum of products	13,36,000

For Yogesh's payments

Taking same base date i.e. May 21

Date of Transactions	*Due Date*	*Amount*	*No. of days from the base date*	*Products*
(1)	*(2)*	*(3)*	*(4)*	*(5)*
April 23	May 26	10,600	5	53,000
May 24	June 27	10,000	37	3,70,000

Amount Due to Y		20,600	Sum of products	4,23,000

Excess of Yusuf's products over Yogesh's = ₹ 13,36,000 – ₹ 4,23,000

= ₹ 9,13,000

Excess amount due to Yogesh ₹ 42,000 –₹ 20,600 = ₹ 21,400

Number of days from the base date to the date of settlement is

9,13,000/ 21,400= 42.66 days i.e. 43 days

Hence the date of settlement of the balance amount is 43 days after May 21 i.e., on 3rd July. Yusuf has to pay Yogesh, ₹ 21,400 to clear the account.

Note: Due date is calculated after considering 3 day of grace period.

(ii) Statement showing amount of Royalty Payable

Date	Output (in tonnes)	Royalty @ ₹ 25 per tonne	Minimum Rent	Short workings	Short-workings being recouped	Amount payable
31-3-14	3,000	75,000	2,50,000	1,75,000		2,50,000
31-3-15	4,800	1,20,000	2,50,000	1,30,000		2,50,000
31-3-16	10,600	2,65,000	2,50,000		15,000	2,50,000
31-3-17	16,800	4,20,000	2,50,000		170,000	2,50,000
31-3-18	21,000	5,25,000	2,50,000		1,20,000	4,05,000

Question 4

(a) Monika, Yedhant and Zoya are in partnership, sharing profits and losses equally.

Zoya died on 30th June 2018. The Balance Sheet of Firm as at 31st March 2018 stood as

Liabilities	*Amount*	*Assets*		*Amount*
Creditors	*20,000*	*Land and Building*		*1,50,000*
General Reserve	*12,000*	*Investments*		*65,000*
Capital Accounts:		*Stock in trade*		*15,000*
Monika	*1,00,000*	*Trade receivables*	*35,000*	
Yedhant	*75,000*	*Less: Provision for doubtful debt*	*(2,000)*	*33,000*
Zoya	*75,000*	*Cash in hand*		*7,000*
		Cash at bank		*12,000*
	2,82,000			*2,82,000*

In order to arrive at the balance due to Zoya, it was mutually agreed that:

(i) Land and Building be valued at ₹ 1,75,000

(ii) Debtors were all good, no provision is required

(iii) Stock is valued at ₹ 13,500

(iv) Goodwill will be valued at one Year's purchase of the average profit of the past five years. Zoya's share of goodwill be adjusted in the account of Monika and Yedhant.

(v) Zoya's share of profit from 1st April 2018, to the date of death be calculated on the basis of average profit of preceding three years.

(vi) The profit of the preceding five years ended 1st March were:

2018	2017	2016	2015	2014
25,000	20,000	22,500	35,000	28,750

You are required to prepare:

(1) Revaluation account

(2) Capital accounts of the partners and

(3) Balance sheet of the Firm as at 1st July 2018.

(b) *Following particulars are extracted from the books of Mr. Sandeep for the year ended 31st December, 2018.*

Particulars	**Amount**	**Particulars**	**Amount**
Debit Balances:	**₹**	**Credit Balances:**	**₹**
Cash in hand	1,500	Capital	16,000
Purchase	12,000	Bank overdraft	2,000
Sales return	1,000	Sales	9,000
Salaries	2,500	Purchase return	2,000
Tax and Insurance	500	Provision for Bad debts	1,000
Bad debts	500	Creditors	2,000
Debtors	5,000	Commission	500
Investments	4,000	Bills payable	2,500
Opening stock	1,400		
Drawings	2,000		
Furniture	1,600		
Bills receivables	3,000		
	35,000		35,000

Other information :

(i) Closing stock was valued at ₹ 4,500

(ii) Salary of ₹ 100 and Tax of ₹ 200 are outstanding whereas insurance ₹ 50 is prepaid.

(iii) Commission received in advance is ₹ 100.

(iv) Interest accrued on investment is ₹ 210

(v) Interest on overdraft is unpaid ₹ 300

(vi) Reserve for bad debts is to be kept at ₹ 1,000

(vii) Depreciation on furniture is to be charged @ 10%

You are required to prepare the final accounts after making above adjustments.

(10 + 10 = 20 Marks)

Answer

(a) Revaluation Account

Particulars	₹	Particulars	₹
To Stock	1,500	By Land & Building	25,000
To Partners:		By Provision for doubtful debt	2,000
(Revaluation Profit)			
Monika	8,500		
Yedhant	8,500		
Zoya	8,500		
	27,000		27,000

Partners' Capital Accounts

Particulars	Monika	Yedhant	Zoya	Particulars	Monika	Yedhant	Zoya
To Zoya	4,375	4,375	-	By Bal b/d.	1,00,000	75,000	75,000
To Zoya's Executor	-	-	98,125	By General reserve	4,000	4,000	4,000
				By Monika & Yedhant	-	-	8,750
To Bal. c/d	1,08,125	83,125		By Profit and Loss Adjustment* (suspense) A/c	-	-	1,875
				By Revaluation	8,500	8,500	8,500
	1,12,500	87,500	98,125		1,12,500	87,500	98,125

*Profit and Loss Adjustment = [(25,000 + 20,000 + 22,500)/3] x 3/12 x 1/3 = 1,875

Balance Sheet of Firm as on 1.7.2018

Particulars	₹	Particulars	₹
Monika	1,08,125	Land & Building	1,75,000
Yedhant	83,125	Investment	65,000
Zoya Executor	98,125	Stock	13,500
Creditors	20,000	Trade receivable	35,000
		Profit & Loss Adjustment	1,875
		Cash in hand	7,000
		Cash at bank	12,000
	3,09,375		3,09,375

Calculation of goodwill and Zoya's share

Average of last five year's profits and losses for the year ended on 31st March

31.3.2014	28,750
31.3.2015	35,000
31.3.2016	22,500
31.3.2017	20,000
31.3.2018	25,000
Total	1,31,250
Average profit	26,250

Goodwill at 1 year purchase = ₹ 26,250 x 1 = ₹ 26,250

Zoya's Share of Goodwill = ₹ 26,250X1/3

= ₹ 8,750

Which is contributed by Monika and Yedhant in their gaining Ratio

Monika = ₹ 8750X1/2 =₹ 4375

Yedhant =₹ 8750X1/2 = ₹ 4375

(b) Trading & Profit and Loss Account of

Mr. Sandeep for the year ended 31st December, 2018

Particulars	₹	₹	Particulars	₹	₹
To Opening Stock		1,400	By Sales	9,000	
To Purchase	12,000		*Less*: Sales return	(1,000)	8,000
Less: Purchase return	(2,000)	10,000	By Closing stock		4,500
To Gross Profit		1,100			

		12,500			12,500
To Salary	2,500		By Gross Profit		1,100
Add: Outstanding salary	100	2,600	By Commission	500	
			Less: Advance	(100)	400
To Tax & Insurance	500		By Accrued interest		210
Add: Outstanding	200		By Net Loss		2,500
Prepaid insurance	(50)	650			
To Bad debt	500				
Opening provision	(1,000)				
Closing provision	1,000	500			
To Interest on overdraft		300			
To Depreciation on furniture		160			
		4,210			4,210

Balance Sheet of Mr. Sandeep as on 31.3.2018

Particulars	₹	₹	Particulars	₹	₹
Capital	16,000		By Furniture	1,600	
Less: drawing	(2,000)		*Less*: Depreciation	(160)	1,440
Net loss	(2,500)	11,500	Bill receivable		3,000
Bank overdraft	2,000		Investment	4,000	
Add: interest	300	2,300	Add: accrued interest	210	4,210
Creditors		2,000	Debtors	5,000	
Bills payable		2,500	*Less:* Provision on bad debts	(1,000)	4,000
Outstanding expenses:					
Salary	100		Closing stock		4,500
Tax	200	300	Cash in hand		1,500
Commission received in advance		100	Prepaid insurance		50
		18,700			18,700

Question 5

(a) What do you understand by Ratio Analysis? Find out the value of Current Assets of a company from the following information:

(i) Inventory Turnover Ratio: 4 Times.

(ii) Inventory at the end is ₹ 20,000 more than inventory in the beginning.

(iii) Revenue from Operations i.e., Net Sales ₹ 3,00,000.

(iv) Gross Profit Ratio 25%.

(v) Current Liabilities ₹ 40,000.

(vi) Quick Ratio 0.75.

(b) From the following information supplied by M.B.S. Club, prepare Receipts and Payments account and Income and Expenditure Account for the year ended 31st March 2019.

	01.04.2018 ₹	31.03.2019 ₹
Outstanding subscription	*1,40,000*	*2,00,000*
Advance subscription	*25,000*	*30,000*
Outstanding salaries	*15,000*	*18,000*
Cash in Hand and at Bank	*1,10,000*	*?*
10% Investment	*1,40,000*	*70,000*
Furniture	*28,000*	*14,000*
Machinery	*10,000*	*20,000*
Sports goods	*15,000*	*25,000*

Subscription for the year amount to ₹ 3,00,000/-. Salaries paid ₹ 60,000. Face value of the Investment was ₹ 1,75,000, 50% of the Investment was sold at 80% of Face Value. Interest on investments was received ₹ 14,000. Furniture was sold for ₹ 8000 at the beginning of the year. Machinery and Sports Goods purchased and put to use at the last date of the year. Charge depreciation @ 15% p.a. on Machinery and Sports goods and @10% p.a. on Furniture.

Following Expenses were made during the year:

Sports Expenses: ₹ 50,000

Rent: ₹ 24,000 out of which ₹ 2,000 outstanding

Misc. Expenses: ₹ 5,000 ***(10 + 10 = 20 Marks)***

Answer

(a) (i) Ratio Analysis: Ratio Analysis is a process of drawing meaningful interpretations from the calculated ratio and taking decisions based on the same. Ratio Analysis is an accounting tool utilized in analysis, interpreting the various items in financial statements and reporting in understandable terms to its users Myers explained it as, “Ratio Analysis is a study of relationship among various financial factors in a business”.

(ii) Calculation of Current Assets

Quick ratio = 0.75

Quick ratio = Quick Assets/Current liability

Quick Assets = 0.75 x 40,000 = 30,000

Cost of goods sold = Sales-Gross profit

Cost of goods sold = {3,00,000-(3,00,000 x 25%)}

= ₹ 2,25,000

Inventory turnover ratio = Cost of goods sold/ Average Inventory

Average Inventory = ₹ 2,25,000/4

= ₹ 56,250

Average Inventory = (Opening inventory + closing inventory)/2

₹ 56,250 x 2 = x + x + ₹ 20,000

₹ 1,12,500 =2 x + ₹ 20,000

₹ (1,12,500 - 20,000) =2x

₹ 92,500 =2x

X= ₹ 46,250 i.e. (Opening Inventory)

Closing Inventory = ₹ 46,250 + ₹ 20,000= ₹ 66,250

Current Assets = Quick Assets + Closing Inventory

= ₹ (30,000 + 66,250)

Current Assets = ₹ 96,250

(b) Receipts and Payments Account for the year ended 31-03-2019

Receipts	₹	Payments	₹
To balance b/d		By Salaries	60,000
Cash and bank	1,10,000	By Purchase of sports goods	10,000
To Subscription received (W.N.1)	2,45,000	₹ (25,000-15,000)	
To Sale of investments (W.N.2)	70,000	By Purchase of machinery	10,000
To Interest received on investment	14,000	₹ (20,000-10,000)	
To Sale of furniture	8,000	By Sports expenses	50,000
		By Rent paid	22,000
		₹ (24,000 -2,000)	
		By Miscellaneous expenses	5,000
		By Balance c/d	
		Cash and bank	2,90,000
	4,47,000		4,47,000

Income and Expenditure account for the year ended 31-03-2019

Expenditure	₹	₹	Income	₹	₹
To Salaries	60,000		By Subscription		3,00,000
Add: Outstanding for 2019	18,000		By Interest on Investment		
	78,000		Received	14,000	
Less: Outstanding for 2018	(15,000)	63,000	Accrued (W.N.5)	3,500	17,500
To Sports expenses		50,000			
To Rent		24,000			
To Miscellaneous exp.		5,000			
To Loss on sale of furniture (W.N.3)		6,000			
To Depreciation (W.N.4)					
Furniture	1,400				
Machinery	1,500				
Sports goods	2,250	5,150			
To Surplus		1,64,350			
		3,17,500			3,17,500

Working Notes:

1. **Calculation of Subscription received during the year 2018-19**

	₹
Subscription due for 2018-19	3,00,000
Add: Outstanding of 2018	1,40,000
Less: Outstanding of 2019	(2,00,000)
Add: Subscription of 2019 received in advance	30,000
Less: Subscription of 2018 received in advance	(25,000)
	2,45,000

2. **Calculation of Sale price and profit on sale of investment**

Face value of investment sold: ₹ 1,75,000 × 50% = ₹ 87,500

Sales price: ₹ 87,500 × 80% = ₹ 70,000

Cost price of investment sold: ₹ 1,40,000 × 50% = ₹ 70,000

Profit/loss on sale of investment: ₹ 70,000 - ₹ 70,000 = NIL

3. Loss on sale of furniture

	₹
Value of furniture as on 01-04-2018	28,000
Value of furniture as on 31-03-2019	14,000
Value of furniture sold at the beginning of the year	14,000
Less: Sales price of furniture	(8,000)
Loss on sale of furniture	6,000

4. Depreciation

Furniture -	₹14,000 × 10%	=	1,400
Machinery-	₹10,000 × 15%	=	1,500
Sports goods –	₹15,000 × 15%	=	2,250

5. Interest accrued on investment

	₹
Face value of investment on 01-04-2018	1,75,000
Interest @ 10%	17,500
Less: Interest received during the year	(14,000)
Interest accrued during the year	3,500

Note: It is assumed that the sale of investment has taken place at the end of the year.

Question 6

(a) *Bhagwati Ltd. invited applications for issuing 2,00,000 equity shares of ₹ 10 each.*

The amounts were payable as follows:

On application - ₹ 3 per share

On allotment - ₹ 5 per share

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

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

(b) *On 1st January 2018·Ankit Ltd. issued 10% debentures of the face value of ₹ 20,00,000 at 10% discount. Debenture interest after deducting tax at source @10% was payable on*

30th June and 31st December every year. All the debentures were to be redeemed after the expiry of five year period at 5% premium.

Pass necessary journal entries for the accounting year 2018.

(c) Raj Ltd. prepared their accounts financial year ended on 31st March 2019. Due to unavoidable circumstances actual stock has been taken on 10th April 2019, when it was ascertained at ₹ 1,25,000. It has been found that;

(i) Sales are entered in the Sales Book on the day of dispatch and return inwards in the Returns Inward Book on the day of the goods received back.

(ii) Purchases are entered in the Purchase Book on the day the Invoices are received.

(iii) Sales between 1st April 2019 to 9th April 2019 amounting to ₹ 20,000 as per Sales Day Book.

(iv) Free samples for business promotion issued during 1st April 2019 to 9th April 2019 amounting to ₹ 4,000 at cost.

(v) Purchases during 1st April 2019 to 9th April 2019 amounting to ₹ 10,000 but goods amounts to ₹ 2,000 not received till the date of stock taking.

(vi) Invoices for goods purchased amounting to ₹ 20,000 were entered on 28th March 2019 but the goods were not included in stock.

Rate of Gross Profit is 25% on cost.

Ascertain the value of Stock as on 31st March 2019. ***(10 + 5+5 = 20 Marks)***

Answer

(a) In the books of Bhagwati Ltd.

Journal Entries

		Dr. ₹	Cr. ₹
Bank A/c	Dr.	9,00,000	
To Equity Share Application A/c			9,00,000
(Being the application money received for 3,00,000 shares at ₹ 3 per share)			
Equity Share Application A/c	Dr.	9,00,000	
To Equity Share Capital A/c (2,00,000 x ₹ 3)			6,00,000
To Share allotment A/c			3,00,000
(Being share allotment made for 2,00,000 shares and excess adjusted towards allotment)			

Equity Share Allotment A/c	Dr.	10,00,000	
To Equity Share Capital A/c			10,00,000
(Being allotment amount due on 2,00,000 equity shares at ₹ 5 per share as per Directors' resolution no... dated...)			
Bank A/c	Dr.	7,00,000	
To Equity Share Allotment A/c			7,00,000
(Being balance allotment money received for 2,00,000 shares at ₹ 5 per share.)			
Equity Share first and final call A/c	Dr.	4,00,000	
To Equity Share Capital A/c			4,00,000
(Being first and final call amount due on 2,00,000 equity shares at ₹ 2 per share as per Directors' resolution no... dated...)			
Bank A/c	Dr.	3,94,000	
Calls in arrears A/c		6,000	
To Equity Share first and final call A/c			4,00,000
(Being final call received on 1,97,000 shares)			
Share capital A/c (3,000 x ₹ 10)	Dr.	30,000	
To Forfeited share A/c (3,000 x ₹ 8)			24,000
To Calls in arrears A/c (3,000 x₹ 2)			6,000
(Being forfeiture of 3,000 shares of ₹ 10 each fully called-up for non payment of first and final call @ ₹ 2 as per Directors' resolution no... dated..)			
Bank A/c (2,500 x ₹6) .	Dr.	15,000	
Forfeited share A/c (2,500 x ₹4)		10,000	
To Equity Share Capital A/c (2,500 x ₹ 10)			25,000
(Being re-issue of 2,500 shares @6)			
Forfeited share A/c (2,500 x ₹ 4)		10,000	
To capital reserve A/c (2,500 x ₹ 4)			10,000
(Being profit on re-issue transferred to capital reserve)			

Working Note:

Calculation of amount to be transferred to Capital reserve A/c			₹
Forfeited amount per share	= 24,000/3,000	=	8
Loss on re issue (8-4)			4
Surplus per share			4
Transfer to capital reserve	4 x 2,500	₹ 10,000	

(b) Journal Entries

			Dr. (₹)	Cr. (₹)
1-1-2018	Bank A/c	Dr.	18,00,000	
	Discount/Loss on Issue of Debentures A/c	Dr.	3,00,000	
	To 10% Debentures A/c			20,00,000
	To Premium on Redemption of Debentures A/c			1,00,000
	(For issue of debentures at discount redeemable at premium)			
30-6-2018	Debenture Interest A/c	Dr.	1,00,000	
	To Debenture holders A/c			90,000
	To Tax Deducted at Source A/c			10,000
	(For interest payable)			
	Debenture holders A/c	Dr.	90,000	
	Tax Deducted at Source A/c	Dr.	10,000	
	To Bank A/c			1,00,000
	(For payment of interest and TDS)			
31-12-2018	Debenture Interest A/c	Dr.	1,00,000	
	To Debenture holders A/c			90,000
	To Tax Deducted at Source A/c			10,000
	(For interest payable)			
	Debenture holders A/c	Dr.	90,000	
	Tax Deducted at Source A/c	Dr.	10,000	
	To Bank A/c			1,00,000
	(For payment of interest and tax)			
	Profit and Loss A/c	Dr.	2,00,000	
	To Debenture Interest A/c			2,00,000

	(For transfer of debenture interest to profit and loss account at the end of the year)			
	Profit and Loss A/c To Discount/Loss on issue of debenture A/c (For proportionate debenture discount and premium on redemption written off, i.e., 3,00,000 x 1/5)	Dr.	60,000	60,000

(c) Statement of Valuation of Physical Stock as on 31st March,2019

	₹	₹
Value of stock as on 10th April, 2019		1,25,000
Add: Cost of sales during the intervening period		
Sales made between 1.4.2019 and 9.4.2019	20,000	
Less: Gross profit @20% on sales	(4,000)	16,000
Free sample		4,000
		1,45,000
Less: Purchases actually received during the intervening period:		
Purchases from 1.4.2019 to 9.4.2019	10,000	
Less: Goods not received upto 9.4.2019	(2,000)	(8,000)
		1,37,000
Add: Purchases during March, 2019 but not recorded in stock		20,000
Value of physical stock as on 31.3.2019		1,57,000

Roll No. .... NOV 2018

Total No. of Questions – 6 **Foundation (New Syllabus)** Total No. of Printed Pages – 8

Paper - 1

Time Allowed – 3 Hours **Principles and Practice of Accounting** Maximum Marks – 100

DSNQ

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 and answers in Hindi, his/her answers in Hindi will not be valued.

Question No. 1 is compulsory.

Candidates are required to answer any **four** questions from the remaining **five** questions.

Working notes should form part of your answer.

Marks

1. (a) State with reasons, whether the following statements are true or false : **6×2 =12**

   (i) Overhauling expenses for the engine of motor car to get better fuel efficiency is revenue expenditure.

   (ii) Depreciation is a non-cash expense and does not result in any cash outflow.

   (iii) Fees received for Life Membership is a revenue receipt as it is of recurring nature.

   (iv) If Closing Stock appears in the Trial Balance :
   The closing inventory is then not entered in Trading Account. It is shown only in the balance sheet.

   (v) Inventory Turnover Ratio is also known as Stock Turnover Ratio.

   (vi) If del-credere commission is paid to consignee, the loss of bad debts is to be borne by the consignor.

   (b) Discuss the limitations which must be kept in mind while evaluating the Financial Statements. **4**

   (c) A Plant & Machinery costing ₹ 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 ₹ 40,000. The remaining useful life was reassessed at 8 years. Calculate Depreciation for the fifth year. **4**

Marks

2. (a) 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 : **10**

(i) Sales Day Book was overcast by ₹ 1,000.

(ii) A sale of ₹ 5,000 to X was wrongly debited to the Account of Y.

(iii) General expenses ₹ 180 was posted in the General Ledger as ₹ 810.

(iv) A Bill Receivable for ₹ 1,550 was passed through Bills Payable Book. The Bill was given by P.

(v) Legal Expenses ₹ 1,190 paid to Mrs. Neetu was debited to her personal account.

(vi) Cash received from Ram was debited to Shyam ₹ 1,500.

(vii) While carrying forward the total of one page of the Purchases Book to the next, the amount of ₹ 1,235 was written as ₹ 1,325.

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

(b) Define the term "Royalty" and give any four examples for the same. **5**

(c) Attempt any **one** of the following two sub-parts i.e. Either (i) or (ii).

(i) From the following particulars prepare an account current, as sent by Mr. AB to Mr. XY as on 31st October, 2018 by means of product method charging interest @ 5% p.a. **5**

Date	Particulars	(₹)
1st July	Balance due from XY	1,500
20th August	Sold goods to XY	2,500
28th August	Goods returned by XY	400
25th September	XY paid by cheque	1,600
20th October	Received cash from XY	1,000

(OR)

Marks

(ii) 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 – **5**

Mr. Adhitya ₹ 3,900 and Mr. Bakkiram ₹ 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 ₹ 50,000.

3. (a) 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 : **15**

Liabilities		(₹)	Assets	(₹)
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	10,000	40,000		
		72,500		**72,500**

Marks

The partners have agreed to take Suresh as a partner with effect from 1st April, 2018 on the following terms :

(i) Suresh shall bring ₹ 8,000 towards his capital.

(ii) The value of stock to be increased to ₹ 14,000 and Furniture & Fixtures to be depreciated by 10%.

(iii) Reserve for bad and doubtful debts should be provided at 5% of the Trade Receivables.

(iv) The value of Land & Buildings to be increased by ₹ 5,600 and the value of the goodwill be fixed at ₹ 18,000.

(v) The new profit sharing ratio shall be divided equally among the partners.

The outstanding liabilities include ₹ 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.

(b) Mr. Fazhil is a proprietor in business of trading. An abstract of his Trading and P & L account is as follows : **5**

Trading and P & L A/c for the year ended 31st March, 2018.

Particulars	(₹)	Particulars	(₹)
To Cost of Goods sold	22,00,000	By Sales	45,00,000
To Gross Profit C/d	?		
	?		45,00,000
To Salaries paid	12,00,000	By Gross Profit B/d	?
To General Expenses	6,00,000	By Other Income	45,000
To Selling Expenses	?		
To Commission to Manager (On Net profit before charging such commission)	1,00,000		
To Net Profit	?		
	?		?

Selling expenses amount to 1% of total Sales.

You are required to compute the missing figure.

Marks

4. (a) Raj of Gwalior consigned 15,000 kgs of Ghee at ₹ 30 per kg to his agent Siraj at Delhi. He spent ₹ 5 per kg as freight and insurance for sending the Ghee at Delhi. On the way 100 kgs. of Ghee was lost due to the leakage (which is to be treated as normal loss) and 400 kgs. of Ghee was destroyed in transit. ₹ 9,000 was paid to consignor directly by the Insurance company as Insurance claim. **10**

Siraj sold 7,500 kgs. at ₹ 60 per kg. He spent ₹ 33,000 on advertisement and recurring expenses.

You are required to calculate :

(i) The amount of abnormal loss.

(ii) Value of stock at the end and

(iii) Prepare Consignment account showing profit or loss on consignment, if Siraj is entitled to 5% commission on sales.

(b) Prepare a bank reconciliation statement from the following particulars as on 31st March, 2018. **10**

Particulars	(₹)
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 allowed 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 dishonored, 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

Marks

5. (a) You are provided with the followings : 10

Balance Sheet as on 31st March, 2017

Liabilities	(₹)	Assets	(₹)
Capital Fund	1,06,200	Building	1,50,000
Subscription received in Advance	6,000	Outstanding Subscription	3,800
Outstanding Expenses	14,000	Outstanding Locker Rent	2,400
Loan	40,000	Cash in Hand	20,000
Sundry Creditors	10,000		
Total	**1,76,200**	**Total**	**1,76,200**

The Receipts and Payment account for the year ended on 31st March, 2018

Receipts		(₹)	Payments		(₹)
To Balance b/d			By Expenses :		
Cash in Hand		20,000	For 2017	12,000	
To Subscriptions :			For 2018	20,000	32,000
For 2017	2,000		By Land		40,000
For 2018	21,000		By Interest		4,000
For 2019	1,000	24,000	By Miscellaneous Expenses		4,700
To Entrance Fees		38,000	By Balance c/d		
To Locker Rent		7,000	Cash in Hand		18,300
To Sale proceeds of old newspapers		1,000			
To Miscellaneous Income		9,000			
		99,000			**99,000**

You are required to prepare Income and Expenditure account for the year ended 31st March, 2018 and a Balance Sheet as at 31st March, 2018 (Workings should form part of your answer).

Marks

(b) With the following ratios and further information given below, you are required to prepare a Trading account and Profit & Loss account and a Balance Sheet of Sri Ganesh : **10**

(i) Gross Profit Ratio = 25%

(ii) Net Profit / Sales = 20%

(iii) Stock Turnover Ratio = 10

(iv) Net Profit / Capital = 1/5

(v) Capital to Total other Liabilities = 1/2

(vi) Fixed Assets / Capital = 5/4

(vii) Fixed Assets / Total Current Assets = 5/7

(viii) Fixed Assets = ₹ 10,00,000

(ix) Closing Stock = ₹ 1,00,000

6. (a) Give necessary journal entries for the forfeiture and re-issue of shares : **10**

(i) X Ltd. forfeited 300 shares of ₹ 10 each fully called up, held by Ramesh for non-payment of allotment money of ₹ 3 per share and final call of ₹ 4 per share. He paid the application money of ₹ 3 per share. These shares were re-issued to Suresh for ₹ 8 per share.

(ii) X Ltd. forfeited 200 shares of ₹ 10 each (₹ 7 called up) on which Naresh had paid application and allotment money of ₹ 5 per share. Out of these, 150 shares were re-issued to Mahesh as fully paid up for ₹ 6 per share.

(iii) X Ltd. forfeited 100 shares of ₹ 10 each (₹ 6 called up) issued at a discount of 10% to Dimple on which she paid ₹ 2 per share. Out of these, 80 shares were re-issued to Simple at ₹ 8 per share and called up for ₹ 6 per share.

Marks

(b) Pure Ltd. issues 1,00,000 12% Debentures of ₹ 10 each at ₹ 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. **5**

Calculate the amount of discount to be written-off in each of the 5 years.

(c) Karan purchased goods from Arjun, the average due date for payment in cash is 10.08.2018 and the total amount due is ₹ 1,75,800. How much amount should be paid by Karan to Arjun, if total payment is made on following dates and interest is to be considered at the rate of 15% p.a. **5**

(i) On average due date

(ii) On 28th August, 2018.

(iii) On 29th July, 2018

PAPER – 1: PRINCIPLES AND PRACTICE OF ACCOUNTING

*Question No. **1** is compulsory.*

*Attempt 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 1

(a) State with reasons, whether the following statements are true or false:

(i) Overhauling expenses for the engine of motor car to get better fuel efficiency is revenue expenditure.

(ii) Depreciation is a non-cash expense and does not result in any cash outflow.

(iii) Fees received for Life Membership is a revenue receipt as it is of recurring nature.

(iv) If Closing Stock appears in the Trial Balance:

The closing inventory in then not entered in Trading Account. It is shown only in the balance sheet.

(v) Inventory Turnover Ratio is also known as Stock Turnover Ratio.

(vi) If del-creders commission is paid to consignee, the loss of bad debts is to be borne by the consignor. ***(6 x 2 = 12 Marks)***

(b) Discuss the limitations which must be kept in mind while evaluating the Financial Statements. ***(4 Marks)***

(c) A Plant & Machinery costing ₹ 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 ₹ 40,000. The remaining useful life was reassessed at 8 year. Calculate Depreciation for the fifth year. ***(4 Marks)***

Answer

(a) (i) False: Overhauling expenses for the engine of the motor car is incurred to get better fuel efficiency. These expenses will reduce the running cost in future and thus the benefit is in the form of a long-term advantage. So overhauling expenses should be capitalized.

(ii) True: Depreciation is a non-cash expense and unlike other normal expenditure (e.g. wages, rent, etc.) does not result in any cash outflow. Therefore depreciation is a non-cash expense and does not result in any cash outflow.

(iii) False: Life Membership Fee received for life membership is a capital receipt as it is of non-recurring nature. It is directly added to capital fund or general fund.

(iv) True: The closing stock appears in the trial balance only when it is adjusted against purchases by passing the entry (in which Closing Stock A/c is debited and Purchases A/c is credited). In this case, closing stock is not entered in Trading Account and is shown only in Balance sheet.

(v) True: Inventory Turnover Ratio is also known as Stock Turnover Ratio. It establishes the relationship between the cost of goods sold during the year and average inventory held during the year.

(vi) False: To increase the sale and to encourage the consignee to make credit sales, the consignor provides an additional commission generally known as del-credere commission. In case del-credere commission is provided to consignee, bad debts is no more the loss of the consignor and it is borne by the consignee.

(b) Limitations which must be kept in mind while evaluating the Financial Statements are as follows:

(i) The factors which may be relevant in assessing the worth of the enterprise don't find place in the accounts as they cannot be measured in terms of money

(ii) Balance sheet shows the position of the business on the day of its preparation and not on the future date while the users of the accounts are interested in knowing the position of the business in the near future and also in the long run and not for the past date.

(iii) Accounting ignores changes in some money factors like inflation etc.

(iv) There are occasions when accounting principles conflict with each other.

(v) Certain accounting estimates depend on the sheer personal judgment of the accountant.

(vi) Different accounting policies for the treatment of same item adds to the probability of manipulations.

(c) Calculation of depreciation for 5th year

(a) Depreciation per year charged for four years = ₹ 10,00,000 / 10 = ₹ 1,00,000

(b) WDV of the machine at the end of fourth year = ₹ 10,00,000 – ₹ 1,00,000 × 4 = ₹ 6,00,000.

(c) Depreciable amount after revaluation = ₹ 6,00,000 + ₹ 40,000 = ₹ 6,40,000

(d) Remaining useful life as per previous estimate = 6 years

(e) Remaining useful life as per revised estimate = 8 years

(f) Depreciation for the fifth year and onwards = ₹ 6,40,000 / 8 = ₹ 80,000.

Question 2

(a) 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 ₹ 1,000.

(ii) A sale of ₹ 5,000 to X was wrongly debited to the Account of Y.

(iii) General expenses ₹ 180 was posted in the General Ledger as ₹ 810.

(iv) A Bill Receivable for ₹ 1,550 was passed through Bills Payable Book. The Bill was given by P.

(v) Legal Expenses ₹ 1,190 paid to Mrs. Neetu was debited to her personal account.

(vi) Cash received from Ram was debited to Shyam ₹ 1,500.

(vii) While carrying forward the total of one page of the Purchases Book to the next, the amount of ₹ 1,235 was written as ₹ 1,325.

Find out the nature and 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)

(b) Define the term "Royalty" and give any four examples for the same. ***(5 Marks)***

(c) Attempt any ***one*** *of the following two sub-parts i.e. Either (i) or (ii).*

(i) From the following particulars prepare an account current, as sent by Mr. AB to Mr. XY as on 31st October, 2018 by means of product method charging interest @ 5% p.a.

Date	***Particulars***	***(₹)***
1st July	*Balance due from XY*	*1,500*
20th August	*Sold goods to XY*	*2,500*
28th August	*Goods returned by XY*	*400*
25th September	XY paid by cheque	1,600
20th October	Received cash form XY	1,000

(ii) 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.

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 ₹ 50,000. ***(5 Marks)***

Answer

(a)

(i)	P & L Adjustment A/c	Dr.	1,000	
	To Suspense A/c			1,000
	(Correction of error by which sales account was overcast last year)			
(ii)	X	Dr.	5,000	
	To Y			5,000
	(Correction of error by which sale of ₹ 5,000 to X was wrongly debited to Y's account)			
(iii)	Suspense A/c	Dr.	630	
	To P & L Adjustment A/c			630
	(Correct of error by which general expenses of ₹ 180 was wrongly posted as ₹ 810)			
(iv)	Bills Receivable A/c	Dr.	1,550	
	Bills Payable A/c	Dr.	1,550	
	To P			3,100
	(Correction of error by which bill receivable of ₹ 1,550 was wrongly passed through BP book)			
(v)	P & L Adjustment A/c	Dr.	1,190	
	To Mrs. Neetu			1,190
	(Correction of error by which legal expenses paid to Mrs. Neetu was wrongly debited to her personal account)			
(vi)	Suspense A/c	Dr.	3,000	
	To Ram			1,500
	To Shyam			1,500
	(Removal of wrong debit to Shyam and giving credit to Ram from whom cash was received)			
(vii)	Suspense A/c	Dr.	90	
	To P&L Adjustment A/c			90
	(Correction of error by which Purchase A/c was excess debited by ₹90/-, ie: ₹1,325 – ₹1,235)			

Suspense A/c

	₹		₹
To P & L Adjustment A/c	630	By P & L Adjustment A/c	1,000
To Ram	1,500	By Difference in Trial Balance (Balancing figure)	2,720
To Shyam	1,500		
To P&L Adjustment A/c	90		
	3,720		3,720

(b) "Royalty" may be defined as Periodic payment made by one person (lessee) to another person (lessor) for using the right by the lessee vested in the lessor.

Examples:

1. For the extraction of oil, coal, and minerals.
2. To an author for sale of his books.
3. To a patentee for the use of patent.
4. For use of technical knowhow developed by a party

(c) (i) XY in Account Current with AB as on 31st Oct, 2018

		(₹)	*Days*	*Product (₹)*			*(₹)*	*Days*	*Product (₹)*
01.07.18	To Bal. b/d	1,500	123	1,84,500	28.08.18	By Sales Returns	400	64	25,600
20.8.18	To Sales	2,500	72	1,80,000	25.09.18	By Bank	1,600	36	57,600
31.10.18	To Interest	37			20.10.18	By Cash	1,000	11	11,000
					20.10.18	By Balance of Products			2,70,300
					31.10.18	By Bal. c/d	1,037		
		4,037		3,64,500			4,037		3,64,500

Note:

Interest $= ₹\ 2,70,300 \times \frac{5}{100} \times \frac{1}{365} = ₹\ 37$ (approx.)

(ii) In the Books of Mr. Ganesh

Journal Entries

Date	*Particulars*		*L.F.*	*Dr. ₹*	*Cr. ₹*
2018	Sales A/c	Dr.		6,500	

March 31	To Trade receivables A/c				6,500
	(Being the cancellation of original entry for sale in respect of goods lying with customers awaiting approval)				
March 31	Inventories with Customers on Sale or Return A/c	Dr.		5,000	
	To Trading A/c (Note 1)				5,000
	(Being the adjustment for cost of goods lying with customers awaiting approval)				
April 25	Trade receivables A/c	Dr.		3,900	
	To Sales A/c				3,900
	(Being goods costing worth ₹ 3,900 sent to Mr. Aditya on sale or return basis has been accepted by him)				

Balance Sheet of Mr. Ganesh as on 31st March, 2018 (Extracts)

Liabilities	₹	*Assets*	₹	₹
		Trade receivables (₹ 75,000 - ₹ 6,500)		68,500
		Inventories-in-trade	50,000	
		Add: Inventories with customers on Sale or Return	5,000	55,000
				1,23,500

Notes:

(1) Cost of goods lying with customers = 100/130 x ₹ 6,500 = ₹ 5,000

(2) No entry is required on 15th April, 2018 for goods returned by Mr. Bakkiram. Goods should be included physically in the Inventories.

Question 3

(a) 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	*(₹)*	*Assets*	*(₹)*
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			

Ramesh	15,000			
Naresh	10,000	40,000		
			Cash in hand	2,800
			Cash at Bank	2,200
		72,500		**72,500**

The partners have agreed to take Suresh as a partner with effect from 1st April, 2018 on the following items:

(i) Suresh shall bring ₹ 8,000 towards his capital.

(ii) The value of stock to be increased to ₹ 14,000 and Furniture & Fixtures to be depreciated by 10%.

(iii) Reserve for bad and doubtful debts should be provided at 5% of the Trade Receivables.

(iv) The value of Land & Buildings to be increased by ₹ 5,600 and the value of the goodwill be fixed at ₹ 18,000.

(v) The new profit sharing ratio shall be divided equally among the partners.

The outstanding liabilities include ₹ 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.

(b) Mr. Fazhil is a proprietor in business of trading. An abstract of his Trading and P&L account is as follows:

Trading and P&L A/c for the year ended 31st March, 2018

Particulars	(₹)	Particulars	(₹)
To Cost of Goods sold	22,00,000	By Sales	45,00,000
To Gross Profit C/d	?		45,00,000
		By Gross Profit B/d	?
To Salaries paid	12,00,000	By Other Income	45,000
To General Expenses	6,00,000		
To Selling Expenses	?		
To Commission to Manager (On net profit before charging such commission)	1,00,000		
To Net Profit	?		
	?		?

Selling expenses amount to 1% of total Sales

You are required to compute the missing figures.

Answer

(a) **Revaluation Account**

2018			₹	2018		₹
April 1	To Provision for bad and doubtful debts		535	April 1	By Inventory in trade	1,400
	To Furniture and fittings		720		By Land and Building	5,600
	To Capital A/cs:					
	(Profit on revaluation transferred)					
	Dinesh	2,872.50				
	Ramesh	1,915.00				
	Naresh	957.50	5,745			
			7,000			7,000

Partners' Capital Accounts

Particulars	Dinesh ₹	Ramesh ₹	Naresh ₹	Suresh ₹	Particulars	Dinesh ₹	Ramesh ₹	Naresh ₹	Suresh ₹
To Dinesh & Ramesh			1,500	4,500	By Balance b/d	15,000	15,000	10,000	–
					By General Reserve	3,900	2,600	1,300	
To Balance c/d	26,972.50	21,015	10,757.50	3,500	By Cash	–	–	–	8,000
					By Naresh & Suresh	4,500	1,500	–	–
					By Outstanding Liabilities (Ram)	700	–	–	
					By Revaluation A/c	2,872.50	1,915	957.50	-
	26,972.5	21,015	12,257.50	8,000		26,972.50	21,015	12,257.50	8,000

Working Note:

Calculation of sacrificing ratio

Partners	New share	Old share	Sacrifice	Gain
Dinesh	¼	3/6	6/24	
Ramesh	¼	2/6	2/24	
Naresh	¼	1/6		2/24
Suresh	¼			6/24

Entry for goodwill adjustment

Naresh (2/24 of ₹18,000)	Dr.		1,500	
Suresh (6/24 of ₹18,000)	Dr.		4,500	
To Dinesh (6/24 od ₹18,000)				4,500
To Ramesh (2/24 of ₹18,000)				1,500

Balance Sheet of M/s. Dinesh, Ramesh, Naresh and Suresh as on 1-4-2018

Liabilities	₹	₹	*Assets*	₹	₹
Trade payables		22,500	Land and Buildings		42,600
Outstanding Liabilities (2,200-700)		1,500	Furniture		6,480
Capital Accounts of Partners :			Inventory of goods		14,000
Mr. Dinesh	26,972.50		Trade receivables	10,700	
Mr. Ramesh	21,015.00		*Less:* Provisions	(535)	10,165
Mr. Naresh	10,757.50		Cash in hand		2,800
Mr. Suresh	3,500.00	62,245	Cash at Bank (2,200+8,000)		10,200
		86,245			86,245

(b) Trading and P&L A/c for the year ended 31st March 2018

Dr. *Cr.*

Particulars	₹	Particulars	₹
To Cost of Goods Sold	22,00,000	By Sales	45,00,000
To Gross Profit c/d	23,00,000		
	45,00,000		45,00,000
To Salaries A/c	12,00,000	By Gross Profit b/d	23,00,000

To General Expenses	6,00,000	By Other Income	45,000
To Selling Expenses (1% of 45,00,000)	45,000		
To Commission to Manager (on Net Profit before charging such commission)	1,00,000		
To Net Profit	4,00,000		
	23,45,000		23,45,000

Question 4

(a) Raj of Gwalior consigned 15,000 kgs of Ghee at ₹ 30 per kg to his agent Siraj at Delhi. He spent ₹ 5 per kg as freight and insurance for sending the Ghee at Delhi. On the way 100 kgs. of Ghee was lost due to the leakage (which is to be treated as normal loss) and 400 kgs. of Ghee was destroyed in transit. ₹ 9,000 was paid to consignor directly by the Insurance company as Insurance claim.

Siraj sold 7,500 kgs. at ₹ 60 per kg. He spent ₹ 33,000 on advertisement and recurring expenses.

You are required to calculate:

(i) The amount of abnormal loss

(ii) Value of stock at the end and

(iii) Prepare Consignment account showing profit or loss on consignment, if Siraj is entitled to 5% commission on sales.

(b) Prepare a bank reconciliation statement from the following particulars as on 31st March, 2018.

Particulars	***(₹)***
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 allowed 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 form bank in this connection	*1,75,000*

(10 Marks + 10 Marks = 20 Marks)

Answer

(a) **Consignment Account**

	₹			₹
To Goods sent on consignment A/c (15,000 kg x ₹ 30)	4,50,000	By Consignee's A/c-Sales (7,500 kg x ₹ 60)		4,50,000
To Cash A/c (Expenses 15,000 kg x ₹ 5)	75,000	By Abnormal Loss A/c (Insurance claim - WN)	9,000	
To Consignee's A/c:		Add: Abnormal Loss (WN)	5,000	14,000
Advertisement & Recurring expenses	33,000	(Profit and Loss Account)		
Commission @ 5% on ₹4,50,000	22,500	By Consignment Stock A/c		2,46,690
To Profit and loss A/c (Profit on Consignment)	1,30,190			
	7,10,690			7,10,690

Working Notes:

1. Abnormal Loss:

Cost of goods lost: 400 kg	
Total cost (400 x ₹ 30)	12,000
Add: expenses incurred by the consignor @ ₹5 per kg	2,000
Gross Amount of abnormal loss	14,000
Less: Insurance claim	(9,000)
Net abnormal loss	5,000

2. Valuation of Inventories

	Quantity (Kgs)	Amount (₹)
Total Cost (15,000 kg x ₹30)	15,000	4,50,000
Add: Expenses incurred by the consignor		75,000
Less: Value of Abnormal Loss – 400 kgs (WN 1)	(400)	(14,000)
	14,600	5,11,000
Less: Normal Loss	(100)	
	14,500	5,11,000
Less: Quantity of ghee sold	(7,500)	
Quantity of Closing Stock	7,000	
Value of 7,000 kgs – (5,11,000/14,500) x 7,000		**2,46,690**

(b) Bank Reconciliation Statement as on 31st March, 2018

Particulars	Details ₹	Amount ₹
Debit balance as per Cash Book		18,60,000
Add: Cheque issued but not yet presented to bank for payment	3,60,000	
Dividend received by bank not entered in cash book	2,50,000	
Interest credited by bank	6,250	6,16,250
		24,76,250
Less: Cheques deposited into bank but not yet collected	7,70,000	
Bank charges debited by Bank	1,000	
Cheque deposited into bank was dishonoured	1,60,000	
House tax paid by bank	1,75,000	(11,06,000)
Credit balance as per Pass Book		**13,70,250**

Question 5

(a) You are provided with the following:

Balance Sheet as on 31st March, 2017

Liabilities	*(₹)*	*Assets*	*(₹)*
Capital Fund	*1,06,200*	*Building*	*1,50,000*
Subscription received in Advance	*6,000*	*Outstanding Subscription*	*3,800*
Outstanding Expenses	*14,000*	*Outstanding Locker Rent*	*2,400*
Loan	*40,000*	*Cash in hand*	*20,000*
Sundry Creditors	*10,000*		
Total	***1,76,200***		***1,76,200***

The Receipts and Payment Account for the year ended on 31st March, 2018

Receipts		*(₹)*	*Payment*		*(₹)*
To Balance b/d			*By Expenses:*		
Cash in Hand		*20,000*	*For 2017*	*12,000*	
To Subscriptions:			*For 2018*	*20,000*	*32,000*
For 2017	*2000*		*By Land*		*40,000*

For 2018 21,000		*By Interest*	*4,000*
For 2019 1,000	*24,000*	*By Miscellaneous Expenses*	*4,700*
To Entrance Fees	*38,000*	*By Balance c/d*	
To Locker Rent	*7,000*	*Cash in Hand*	*18,300*
To Sale proceeds of old newspapers	*1,000*		
To Miscellaneous Income	*9,000*		
	99,000		*99,000*

You are required to prepare Income and Expenditure account for the year ended 31st March, 2018 and a Balance Sheet as at 31st March, 2018 (Workings should form part of your answer).

(b) *With the following ratios and further information given below, you are required to prepare a Trading account and Profit & Loss account and a Balance Sheet of Sri Ganesh:*

(i) *Gross Profit Ratio = 25%*

(ii) *Net Profit/Sales = 20%*

(iii) *Stock Turnover Ratio = 10*

(iv) *Net Profit/Capital = 1/5*

(v) *Capital to Total other Liabilities = 1/2*

(vi) *Fixed Assets/Capital = 5/4*

(vii) *Fixed Assets/Total Current Assets = 5/7*

(viii) *Fixed Assets = ₹ 10,00,000*

(ix) *Closing Stock = ₹ 1,00,000* ***(10 Marks + 10 Marks = 20 Marks)***

Answer

(a) Income and Expenditure Account for the year ended 31st March, 2018

Expenditure	₹	Income	₹
To Expenses	20,000	By Subscriptions (21,000 + 6,000)	27,000
To Interest	4,000	By Locker rent (7,000 - 2,400)	4,600
To Misc. Expenses	4,700	By Sale proceeds of old newspapers	1,000
To Surplus	12,900	By Misc. income	9,000
	41,600		41,600

Balance Sheet as at 31st March, 2018

Liabilities		Amount (₹)	Assets	Amount (₹)
Capital fund			Land and Building	1,90,000
Bal. as on 1.4.2017	1,06,200		Subscription receivable (2017)	1,800
Add: Entrance fee	38,000		(3,800 – 2,000)	
Add: Surplus	12,900	1,57,100		
Loan		40,000	Cash in hand	18,300
Creditors		10,000		
Outstanding expenses (2017) (14,000-12,000)		2,000		
Subscription received in advance		1,000		
		2,10,100		2,10,100

Note: Entrance fees have been capitalized in the above solution.

(b) Trading and Profit and Loss Account for the year ended……………

	₹		₹
To Opening Stock	20,000	By Sales	8,00,000
To Purchases (Balancing figure)	6,80,000		
To Gross Profit c/d	2,00,000	By Closing stock	1,00,000
	9,00,000		9,00,000
To Expenses	40,000	By Gross Profit b/d	2,00,000
To Net Profit	1,60,000		
	2,00,000		2,00,000

Balance Sheet of Sri Ganesh as at…………

Liabilities	₹	Assets	₹
Capital		Fixed assets	10,00,000
Opening Balance	6,40,000		
Add: Net Profit	1,60,000	Closing stock	1,00,000
	8,00,000		
Current Liabilities	16,00,000	Other Current assets	13,00,000
	24,00,000		24,00,000

1. Fixed Asset is ₹10,00,000

   Fixed Assets / Capital = 5/4

   Therefore, Capital – ₹10,00,000 x 4/5 = ₹8,00,000

2. Capital is ½ of Total Liabilities

   Therefore Liabilities = ₹8,00,000 x 2 = ₹16,00,000

3. Net Profit is 1/5 of Capital

   Therefore Net Profit = ₹8,00,000 x 1/5 = ₹1,60,000

4. Net Profit is 20% of Sales

   Therefore Sales = ₹1,60,000 x 100/20 = ₹8,00,000

5. Gross Profit Ratio = 25% of Sales

   Therefore, Gross Profit = ₹8,00,000 x 25% = ₹2,00,000

6. Stock Turnover Ratio (i.e. Cost of Sales/Average Inventory) is 10

   Cost of Sales = Sales – Gross Profit

   = ₹8,00,000 – ₹2,00,000

   = ₹6,00,000

   Therefore Average Inventory = ₹6,00,000 / 10 = ₹60,000

7. Closing Stock is ₹1,00,000

   Average Inventory = ₹60,000

   Therefore, Opening Stock = (₹60, 000 x 2) - Rs1,00,000 = ₹20,000

8. Fixed Assets is ₹10,00,000

   Fixed Assets / Total Current Assets = 5/7

   Therefore, Total Current Assets is 10,00,000 x 7/5 = ₹14,00,000

   Closing Stock = ₹1,00,000

   Therefore other Current Assets = ₹13,00,000

Question 6

(a) Give necessary journal entries for the forfeiture and re-issue of shares:

(i) X Ltd. forfeited 300 shares of ₹ 10 each fully called up, held by Ramesh for non-payment of allotment money of ₹ 3 per share and final call of ₹ 4 per share. He paid the application money of ₹ 3 per share. These shares were re-issued to Suresh for ₹ 8 per share.

(ii) X Ltd. forfeited 200 shares of ₹ 10 each (₹ 7 called up) on which Naresh had paid application and allotment money of ₹ 5 per share. Out of these, 150 shares were re-issued to Mahesh as fully paid up for ₹ 6 per share.

(iii) X Ltd. forfeited 100 shares of ₹ 10 each (₹ 6 called up) issued at a discount of 10% to Dimple on which she paid ₹ 2 per share. Out of these, 80 shares were re-issued to Simple at ₹ 8 per share and called up for ₹ 6 share.

(b) Pure Ltd. issues 1,00,000 12% Debentures of ₹ 10 each at ₹ 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.

(c) Karan purchased goods from Arjun, the average due date for payment in cash is 10.08.23018 and the total amount due is ₹ 1,75,800. How much amount should be paid by Karan to Arjun, if total payment is made on following dates and interest is to be considered at the rate of 15% p.a.

(i) On average due due

(ii) On 28th August, 2018

(iii) On 29th July, 2018 ***(10 + 5 + 5 = 20 Marks)***

Answer

(a) (i) Journal Entries in the books of X Ltd.

Date			*Dr.* ₹	*Cr.* ₹
(a)	Equity Share Capital A/c	Dr.	3,000	
	To Equity Share Allotment money A/c (300 x ₹ 3)			900
	To Equity Share Final Call A/c (300 x ₹ 4)			1,200
	To Forfeited Shares A/c (300 x ₹ 3)			900
	(Being the forfeiture of 300 equity shares of ₹ 10 each for non-payment of allotment money and final call, held by Ramesh as per Board's resolution No…………….dated……………..)			
(b)	Bank Account (300 x 8)	Dr.	2,400	
	Forfeited Shares Account (300x 2)	Dr.	600	
	To Equity Share Capital Account			3,000
	(Being the re-issue of 300 forfeited shares @ ₹ 8 each as fully paid up to Suresh as per			

	Board's resolution No……….dated……………..)			
(c)	Forfeited Shares Account	Dr.	300	
	To Capital Reserve Account			300
	(Being the profit on re-issue, transferred to capital reserve)			

(ii)

Date			*Dr.* ₹	*Cr.* ₹
(a)	Equity Share Capital A/c (200 x ₹ 7)	Dr.	1,400	
	To Equity Share First Call A/c (200 x ₹ 2)			400
	To Forfeited Shares A/c (200 x ₹ 5)			1,000
	(Being the forfeiture of 200 equity shares of ₹ 10/- (₹7 called up) for non-payment of first call @ ₹ 2/- per share as per Board Resolution No………. dated………………)			
(b)	Bank Account	Dr.	900	
	Forfeited Shares Account	Dr.	600	
	To Equity Share Capital Account			1,500
	(Being the re-issue of 150 forfeited shares as fully paid up as per Board's resolution No……………. dated…………..)			
(c)	Forfeited Shares Account	Dr.	150	
	To Capital Reserve Account			150
	(Being the profit on re-issue, transferred to capital reserve)			

Working Note:

Balance in forfeited shares account on forfeiture of 150 shares (150 x 5)	₹750
Less: Forfeiture of 150 shares	(₹600)
Profit on re-issue of shares	₹150

(iii)

Date			*Dr.* ₹	*Cr.* ₹
(a)	Equity Share Capital A/c (100 x ₹ 6)	Dr.	600	

	To Equity Share Final Call A/c (100 x ₹ 3)			300
	To Discount on issue of shares (100 x ₹ 1)			100
	To Forfeited Shares A/c (100 x ₹ 2)			200
	(Being the forfeiture of 100 equity shares issued at a discount as per Board's resolution No…………dated…….)			
(b)	Bank Account (80 x ₹ 6)	Dr.	480	
	Discount on issue of shares (80 x ₹ 1)	Dr.	80	
	Forfeited Shares A/c (80 x ₹ 1)	Dr.	80	
	To Equity Share Capital Account (80 x ₹ 8)			640
	(Being the re-issue of 80 shares fully paid up as per Board's Resolution No………dated……….)			
(c)	Forfeited Shares Account		80	
	To Capital Reserve Account			80
	(Being the profit on re-issue, transferred to capital reserve)			

Working Note:

Balance in forfeited shares account on forfeiture of 100 shares (100 x 2)	₹ 200.00
Forfeited shares balance for 80 shares	₹ 160
Less: Forfeiture of 80 shares	(₹ 80.00)
Profit on re-issue of shares	₹ 80.00

Note: It may be noted that the facts given in the question are not in compliance with Companies Act, 2013. As per Section 53 of Companies Act, 2013 a company cannot issue shares at discount except for in case of sweat equity shares and therefore any issue on discount by the company is void. However, the above answer has been given strictly based on the information provided in the question.

(b) Total amount of discount comes to ₹ 60,000 (₹ 0.6 X 1, 00,000). The amount of discount to be written-off in each year is calculated as under:

Year end	Debentures Outstanding	Ratio in which discount to be written-off	Amount of discount to be written-off
1st	₹ 10, 00,000	1/5	1/5th of ₹ 60,000 = ₹ 12,000
2nd	₹ 10, 00,000	1/5	1/5th of ₹ 60,000 = ₹ 12,000
3rd	₹ 10, 00,000	1/5	1/5th of ₹ 60,000 = ₹ 12,000

4th	₹ 10, 00,000	1/5	1/5th of ₹ 60,000 = ₹ 12,000
5th	₹ 10, 00,000	1/5	1/5th of ₹ 60,000 = ₹ 12,000

(c)

A	*B*	*C*	*D = B ± C*
	Principal Amount	*Interest from Average Due Date to Actual date of Payment*	*Total amount to be paid*
(i)	**Payment on average due date**		
	₹ 1,75,800	₹ 1,75,800 x 15/100 x 0/365 =0	₹ 1,75,800
(ii)	**Payment on 28th Aug. 2018**		
	₹ 1,75,800	₹ 1,75,800 x 15/100 x 18/365= 1,300 Interest to be charged for period of 18 days from 10th August 2018 to 28th Aug. 2018	₹ 1,77,100
(iii)	**Payment on 29th July, 2018**		
	₹ 1,75,800	₹ 1,75,800 x 15/100 x (12)/365= (867) Rebate has been allowed for unexpired credit period of 12 days from 29.7.2018 to 10.8.2018	₹ 1,74,933

Foundation (New Syllabus)
Paper - 1
Principles and Practice of Accounting

MAY 2018

JMKS

Roll No. ....

Total No. of Printed Pages : 12

Total No. of Questions : 6

Maximum Marks : 100

Time allowed : 3 Hours

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 and answers in Hindi, his/her answers in Hindi will not be valued.

Question No. 1 is compulsory.

Candidates are required to answer any **four** questions from the remaining **five** questions.

In case, any candidate answers extra question(s)/sub-question(s) over and above the required number, then only the requisite number of questions first answered in the answer book shall be valued and subsequent extra question(s) answered shall be ignored.

Working notes should form part of the answer.

Wherever necessary, suitable assumptions may be made and indicated in the answer by the candidates.

1. (a) State with reasons, whether the following statements are true or false :

(i) Expenses in connection with obtaining a license for running the Cinema Hall is Revenue Expenditure.

(ii) Re-issue of forfeited shares is allotment of shares but not a sale.

(iii) If the effect of errors committed cancel out, the errors will be called compensating errors and the trial balance will disagree.

(iv) There are two ways of preparing an account current.

(v) when there is no partnership deed prevails, the interest on loan of a partner to be paid @ 6%.

(vi) Interest coverage ratio indicates the firm's ability to pay off current interest and installments.

(6 Statements × 2 Marks = 12 Marks)

(b) Differentiate between provision and contingent liability. (4 Marks)

(c) Give journal entries (narrations not required) to rectify the following:

(i) Purchase of Furniture on credit from Nigam for Rs.3,000 posted to Subham account as Rs.300.

(ii) A Sales Return of Rs.5,000 to Jyothy was not entered in the financial accounts though it was duly taken in the stock book.

(iii) Investments were sold for Rs.75,000 at a profit of Rs.15,000 and passed through Sales account.

(iv) An amount of Rs.10,000 withdrawn by the proprietor (Darshan) for his personal use has been debited to Trade Expenses account. (4 Marks)

2. (a) Shri Ganpath of Nagpur consigns 500 cases of goods costing ₹ 1,500 each to Rawat of Jaipur. Shri Ganpath pays the following expenses in connection with the consignment :

Particulars	₹
Carriage	15,000
Freight	45,000
Loading Charges	15,000

Shri Rawat sells 350 cases at ₹ 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 and another 50 cases were in transit. Shri Rawat is entitled to a commission of 10% on gross sales. Draw up the Consignment Account and Rawat's Account in the books of Shri Ganpath.

(10 Marks)

(b) Mr. Alok owes Mr. Chirag ₹ 650 on 1st January 2018. From January to March, the following further transactions took place between Alok and Chirag :

January 15	Alok buys goods	₹ 1,200
February 10	Alok buys goods	₹ 850
March 7	Alok receives Cash loan	₹ 1,500

Alok pays the whole amount on 31st March, 2018 together with interest @ 6% per annum. Calculate the interest by average due date method. (5 Marks)

(c) Attempt any one of the following two sub-parts i.e. either (i) or (ii)

(i) Mr. Badhri sends goods to his customers on Sale or Return. The following transactions took place during the month of December 2017.

December 2nd – Sent goods to customers on sale or return basis at cost plus 25%–₹ 80,000

December 10th – Goods returned by customers – ₹ 35,000

December 17th – Received letters from customers for approval –₹ 35,000

December 23rd – Goods with customers awaiting approval –₹ 15,000

Mr. Badhri records sale or return transactions as ordinary sales. You are required to pass the necessary Journal Entries in the books of Mr. Badhri assuming that the accounting year closes on 31st Dec. 2017. (5 Marks)

OR

(ii) From the following prepare an account current, as sent by Avinash to Bhuvanesh on 31st March, 2018 by means of products method charging interest @ 5% per annum:

Date	Particulars	Amount (₹)
2018 January 1	Balance due from Bhuvanesh	1,800
January 10	Sold goods to Bhuvanesh	1,500
January 15	Bhuvanesh returned goods	650
February 12	Bhuvanesh paid by cheque	1,000
February 20	Bhuvanesh accepted a bill drawn by Avinash for one month	1,500
March 11	Sold goods to Bhuvanesh	720
March 14	Received cash from Bhuvanesh	800

(5 Marks)

3. 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 (₹)	Credit (₹)
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	

Particulars	Debit (₹)	Credit (₹)
General expenses	11,000	
Bank charges	3,800	
Bad debts	12,200	
Repairs to 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 Buildings	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 ₹ 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) Reserve for bad debts is to be maintained at 5% of Sundry debtors.

(f) Insurance premium includes ₹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. (20 Marks)

4. (a) Piyush Limited is a company with an authorized share capital of ₹2,00,00,000 in equity shares of ₹ 10 each, of which 15,00,000 shares had been issued and fully paid on 30th June, 2017. The company proposed to make a further issue of 1,30,000 shares of ₹ 10 each at a price of ₹ 12 each, the arrangements for payment being :

(i) ₹ 2 per share payable on application, to be received by 1st July, 2017;

(ii) Allotment to be made on 10th July, 2017 and a further ₹ 5 per share (including the premium) to be payable;

(iii) The final call for the balance to be made, and the money received by 30th April, 2018.

Applications were received for 4,20,000 shares and were dealt with as follows:

(1) Applicants for 20,000 shares received allotment in full;

(2) Applicants for 1,00,000 shares received an allotment of one share for every two applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;

(3) Applicants for 3,00,000 shares received an allotment of one share for every five shares applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and

(4) The money due on final call was received on the due date.

You are required to record these transactions (including cash items) in the journal of Piyush limited. (10 Marks)

(b) A, B and C are partners sharing profits in the ratio of 3:2:1. Their Balance Sheet as at 31st March, 2018 stood as :

Liabilities		₹	Assets		₹
Capital Accounts			Building		10,00,000
A	8,00,000		Furniture		2,40,000
B	4,20,000		Office equipments		2,80,000
C	4,00,000	16,20,000	Stock		2,50,000
Sundry Creditors		3,70,000	Sundry debtors	3,00,000	
General Reserves		3,60,000	Less : Provision for Doubtful		
			debts	30,000	2,70,000
			Joint life policy		1,60,000
			Cash at Bank		1,50,000
		23,50,000			23,50,000

B retired on 1st April, 2018 subject to the following conditions :

(i) Office Equipments revalued at Rs. 3,27,000.

(ii) Building revalued at Rs.15,00,000. Furniture is written down by Rs.40,000 and Stock is reduced to Rs,2,00,000.

(iii) Provision for Doubtful Debts is to be created @ 5% on Debtors.

(iv) Joint Life Policy will appear in the Balance Sheet at surrender value after B's retirement. The surrender value is Rs.1,50,000.

(v) Goodwill was to be valued at 3 years purchase of average 4 years profit which were :

Year	Rs.
2014	90,000
2015	1,40,000
2016	1,20,000
2017	1,30,000

(vi) Amount due to B is to be transferred to his Loan Account.

Prepare the Revaluation Account, Partners' Capital Accounts and the Balance Sheet immediately after B's retirement. (10 Marks)

5. (a) You are provided with the following details:

Current ratio	2.5
Liquidity ratio	1.5
Net Working Capital	Rs,3,00,000
Stock Turnover Ratio	6 times
Ratio of Gross Profit on Sales	20%
Turnover to Fixed assets (net)	2 times
Average debt collection period	2 months
Fixed Assets to net worth	0.8
Reserve and Surplus to Capital	0.5

Draw up the Balance Sheet as at 31st March, 2018 of Zoom Ltd. with appropriate figures:

Zoom Ltd.

Balance Sheet as at 31st March, 2018

Liabilities	Rs.	Assets	Rs.
Share Capital	?	Fixed Assets	?
Reserves and Surplus	?	Stock	?
Long-Term Borrowings	1,50,000	Debtors	?
Current Liabilities	?	Bank	50,000
Total	11,00,000		11,00,000

(10 Marks)

(b) Calculate the Trade Receivables Turnover Ratio, the average collection period and Gross Profit Ratio from the following information :

Particulars		₹
Total revenue from operations	–	6,00,000
Cash revenue from operations	–	25% of Total Revenue from operations
Trade Receivables as at 01.04.2017	–	60,000
Trade Receivables as at 31.03.2018	–	1,40,000
Cost of Revenue from Operations	–	4,20,000

(10 Marks)

6. (a) The Bank Pass Book of Account No.5678 of Mrs.Rani showed an overdraft of Rs.33,575 on 31st March 2018. On going through the Pass Book, the accountant found the following :

(i) A Cheque of Rs,1,080 credited in the pass book on 28th March 2018 being dishonoured is debited again in the pass book on 1st April 2018. There was no entry in the cash book about the dishonour of the cheque until 15th April 2018.

(ii) Bankers had credited her account with Rs.2,800 for interest collected by them on her behalf, but the same has not been entered in her cash book.

(iii) Out of Rs.20,500 paid in by Mrs.Rani in cash and by cheques on 31st March 2018 cheques amounting to Rs.7,500 were collected on 7th April 2018.

(iv) Out of Cheques amounting to Rs.7,800 drawn by her on 27th March 2018 a cheque for Rs.2,500 was encashed on 3rd April 2018.

(v) Bankers seems to have given her wrong credit for Rs.500 paid in by her in Account No.8765 and a wrong debit in respect of a cheque for Rs.300 against her account No.8765.

(vi) A Cheque for Rs.1,000 entered in Cash Book but omitted to be banked on 31st March, 2018.

(vii) A Bill Receivable for Rs.5,200 previously dishonoured (Discount Rs.200) with the Bank had been dishonoured but advice was received on 1st April, 2018.

(viii) A Bill for Rs.10,000 was retired/paid by the bank under a rebate of Rs.175 but the full amount of the bill was credited in the bank column of the Cash Book.

(ix) A Cheque for Rs.2,400 deposited into bank but omitted to be recorded in Cash Book and was collected by the bank on 31st March, 2018.

Prepare Bank Reconciliation Statement as on 31st March 2018.

(10 Marks)

(b) Miss Daisy was unable to agree the Trial Balance last year and wrote off the difference to the profit and loss account of that year. On verifying the old books by a Chartered Accountant next year, the following mistakes were found.

(i) Purchase account was under cast by ₹ 8,000.

(ii) Sale of goods to Mr. Rahim for ₹ 2,500 was omitted to be recorded.

(iii) Receipt of cash from Mr. Asok was posted to the account of Mr. Anbu ₹ 1,200.

(iv) Amount of ₹ 4,167 of sales was wrongly posted as ₹ 4,617.

(v) Repairs to Machinery was debited to Machinery Account ₹ 1,800.

(vi) A credit purchase of goods from Mr. Paul for ₹ 3,000 entered as sale. Suggest the necessary rectification entries.

(10 Marks)

PAPER – 1: PRINCIPLES AND PRACTICE OF ACCOUNTING

*Question No. **1** is compulsory.*

*Attempt 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 1

(a) State with reasons, whether the following statements are true or false:

(i) Expenses in connection with obtaining a license for running the Cinema Hall is Revenue Expenditure.

(ii) Re-issue of forfeited shares is allotment of shares but not a sale.

(iii) If the effect of errors committed cancel out, the errors will be called compensating errors and the trial balance will disagree.

(iv) There are two ways of preparing an account current.

(v) When there is no partnership deed prevails, the interest on loan of a partner to be paid @ 6%.

(vi) Interest coverage ratio indicates the firm's ability to pay off current interest and installments. ***(6 statements x 2 Marks = 12 Marks)***

(b) Differentiate between provision and contingent liability, ***(4 Marks)***

(c) Give journal entries (narrations not required) to rectify the following:

(i) Purchase of Furniture on credit from Nigam for ₹ 3,000 posted to Subham account as ₹ 300.

(ii) A Sales Return of ₹ 5,000 to Jyothy was not entered in the financial accounts though it was duly taken in the stock book.

(iii) Investments were sold for ₹ 75,000 at a profit of ₹ 15,000 and passed through Sales account.

(iv) An amount of ₹ 10,000 withdrawn by the proprietor (Darshan) for his personal use has been debited to Trade Expenses account. ***(4 Marks)***

Answer

(a) (i) **False:** The Cinema Hall could not be started without license. Expenditure incurred to obtain the license is pre-operative expense which is capitalized. Such expenses are not revenue and amortized over a period of time.

(ii) **False:** A forfeited share is merely a share available to the company for sale and remains vested in the company for that purpose only. Reissue of forfeited shares is not allotment of shares but only a sale as they have already been allotted earlier.

(iii) **False:** If the effect of errors committed cancel out, the errors will be called compensating errors and the trial balance will agree.

(iv) **False:** There are three ways of preparing an Account Current: (i)With help of interest table; (ii) By means of products and (iii) By means of products of balances.

(v) **True:** When there is no partnership deed then the provisions of the Indian Partnership Act are to be applied for settling the dispute. Interest on loan is payable @ 6% p.a. as per Indian Partnership Act.

(vi) **False:** Interest coverage ratio is computed as Earnings before interest and taxes divided by Interest. This indicates the firm's ability to meet only the interest and other fixed-charges obligations and not instalments.

(b) Difference between Provision and Contingent liability

	Provision	***Contingent liability***
(1)	Provision is a present liability of uncertain amount, which can be measured reliably by using a substantial degree of estimation.	A Contingent liability is a possible obligation that may or may not crystallise depending on the occurrence or non-occurrence of one or more uncertain future events.
(2)	A provision meets the recognition criteria.	A contingent liability fails to meet the same.
(3)	Provision is recognized when (a) an enterprise has a present obligation arising from past events; an outflow of resources embodying economic benefits is probable, and (b) a reliable estimate can be made of the amount of the obligation.	Contingent liability includes present obligations that do not meet the recognition criteria because either it is not probable that settlement of those obligations will require outflow of economic benefits, or the amount cannot be reliably estimated.
(4)	If the management estimates that it is probable that the settlement of an obligation will result in outflow of economic benefits, it recognises a provision in the balance sheet.	If the management estimates, that it is less likely that any economic benefit will outflow from the firm to settle the obligation, it discloses the obligation as a contingent liability.

(c) **Journal Entries**

	Particulars	***L.F.***	***Dr. (₹)***	***Cr. (₹)***
(i)	Subham A/c	Dr.	300	
	Furniture A/c	Dr.	2,700	
	To Nigam A/c			3,000
(ii)	Sales Returns A/c	Dr.	5,000	
	To Jyothy A/c			5,000
(iii)	Sales A/c	Dr.	75,000	
	To P & L A/c (Gain on sale of investments)			15,000
	To Investments A/c			60,000
(iv)	Drawings A/c	Dr.	10,000	
	To Trade Expenses A/c			10,000

Question 2

(a) *Shri Ganpath of Nagpur consigns 500 cases of goods costing ₹ 1,500 each to Rawat of Jaipur. Shri Ganpath pays the following expenses in connection with the consignment:*

Particulars	***₹***
Carriage	*15,000*
Freight	*45,000*
Loading Charges	*15,000*

Shri Rawat sells 350 cases at ₹ 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 and another 50 cases were in transit. Shri Rawat is entitled to a commission of 10% on gross sales. Draw up the Consignment Account and Rawat's Account in the books of Shri Ganpath. ***(10 Marks)***

(b) *Mr. Alok owes Mr. Chirag ₹ 650 on 1st January 2018. From January to March, the following further transactions took place between Alok and Chirag*

January 15	*Alok buys goods*	*₹ 1,200*
February 10	*Alok buys goods*	*₹ 850*
March 7	*Alok received Cash loan*	*₹ 1,500*

Alok pays the whole amount on 31st March, 2018 together with interest @ 6% per annum. Calculate the interest by average due date method. ***(5 Marks)***

(c) Attempt any one of the following two sub-parts i.e. either (i) or (ii)

(i) Mr. Badhri sends goods to his customers on Sale or Return. The following transactions took place during the month of December 2017.

December 2nd - Sent goods to customers on sale or return basis at cost plus 25% - ₹ 80,000

December 10th - Goods returned by customers ₹ 35,000

December 17th - Received letters from customers for approval ₹ 35,000

December 23rd - Goods with customers awaiting approval ₹ 15,000

Mr. Badhri records sale or return transactions as ordinary sales. You are required to pass the necessary Journal Entries in the books of Mr. Badhri assuming that the accounting year closes on 31st Dec. 2017.

OR

(ii) From the following prepare an account current, as sent by Avinash to Bhuvanesh on 31st March, 2018 by means of products method charging interest @ 5% per annum:

Date	*Particulars*	*Amount (₹)*
2018 January 1	*Balance due from Bhuvanesh*	*1,800*
January 10	*Sold goods to Bhuvanesh*	*1,500*
January 15	*Bhuvanesh returned goods*	*650*
February 12	*Bhuvanesh paid by cheque*	*1,000*
February 20	*Bhuvanesh accepted a bill drawn by Avinash for one month*	*1,500*
March 11	*Sold goods to Bhuvanesh*	*720*
March 14	*Received cash from Bhuvanesh*	*800*

(5 Marks)

Answer

(a) In the books of Shri Ganpath

Consignment to Rawat of Jaipur Account

Particulars	₹	*Particulars*	₹
To Goods sent on Consignment	7,50,000	By Rawat (Sales)	7,35,000
		By Goods lost in Transit 50 cases @ ₹ 1,650 each*	82,500

To Bank (Expenses: 15,000+45,000+15,000)	75,000	By	Consignment Inventories:	
To Rawat (Expenses: 18,000+25,000+7,000)	50,000		In hand 50 @ ₹ 1,695 each	84,750
To Rawat (Commission)	73,500	By	Consignment Inventories:	
To Profit on Consignment ts/f to Profit & Loss A/c	36,250		In transit 50 @ ₹ 1,650 each**	82,500
	9,84,750			9,84,750

Considered as abnormal loss.

*** The goods in transit (50 cases) have not yet been cleared. Hence the proportionate clearing charges on those goods have not been included in their value.*

Rawat's Account

Particulars	**₹**	***Particulars***	**₹**
To Consignment to Jaipur A/c	7,35,000	By Consignment A/c(Expenses)	50,000
		By Consignment A/c(Commission)	73,500
		By Balance c/d	6,11,500
	7,35,000		7,35,000

Working Notes:

(i) Consignor's expenses on 500 cases amounts to ₹ 75,000; it comes to ₹ 150 per case. The cost of cases lost will be computed at ₹ 1,650 per case.

(ii) Rawat has incurred ₹ 18,000 on clearing 400 cases, i.e., ₹ 45 per case; while valuing closing inventories with the agent ₹ 45 per case has been added to cases in hand with the agent.

(iii) It has been assumed that balance of ₹ 6,11,500 is not yet paid.

(b) Calculation of average due date

Alok pays the whole amount on 31st March, 2018 together with interest at 6% per annum.

Due Date	***Amount***	***No. of days from Jan. 1***	***Product***
2018	**₹**		
Jan. 1	650	0	0
Jan. 15	1,200	14	16,800
Feb. 10	850	40	34,000
March 7	1,500	65	97,500
	4,200		1,48,300

Average due date = Base date + days equal to $\dfrac{\text{Sum of Products}}{\text{Sum of the amounts}}$

= Jan. 1 + $\left[\dfrac{1,48,300}{4,200}\right]$

= Jan. 1 + 35.31*days

= Feb. 6

Interest therefore has been calculated on ₹ 4,200 from 6th Feb. to 31st March, i.e., for 54 days.

4,200 x 6% x 54/365= ₹ 37.28

(c) (i) In the books of Mr. Badhri

Journal Entries

Date	***Particulars***		***L.F.***	***Dr. (in ₹)***	***Cr. (in ₹)***
2017					
Dec. 2	Trade receivables A/c	Dr.		80,000	
	To Sales A/c				80,000
	(Being the goods sent to customers on sale or return basis)				
Dec. 10	Return Inward A/c (Note 1)	Dr.		35,000	
	To Trade receivables A/c				35,000
	(Being the goods returned by customers to whom goods were sent on sale or return basis)				
Dec. 23	Sales A/c	Dr.		15,000	
	To Trade receivables A/c				15,000
	(Being the cancellation of original entry of sale in respect of goods on sale or return basis)				
Dec. 31	Inventories with customers on Sale or Return A/c	Dr.		12,000	
	To Trading A/c (Note 3)				12,000
	(Being the adjustment for cost of goods lying with customers awaiting approval)				

Note:

(1) Alternatively, Sales account or Sales returns can be debited in place of Return Inwards account.

(2) No entry is required for receiving letter of approval from customer.

(3) Cost of goods with customers = ₹ 15,000 x 100/125 = ₹ 12,000

(4) It has been considered that the transaction values are at involve price (including profit margin).

(ii) Bhuvanesh

in Account Current with Avinash
for the period ending on 31st March 2018

Date	Particulars	Amount	Days	Products	Date	Particulars	Amount	Days	Products
2018		₹			2018		₹		
Jan.1	To Balance b/d	1,800	90*	1,62,000	Jan.15	By Sales Returns	650	75	48,750
Jan. 10	To Sales A/c	1,500	80	1,20,000	Feb. 12	By Bank A/c	1,000	47	47,000
March, 11	To Sales A/c	720	20	14,400	Feb. 20	By B/R A/c (due date: March 23)	1,500	8	12,000
March, 31	To Interest A/c	24							
					March, 14	By Cash A/c	800	17	13,600
					March, 31	By Balance of products			1,75,050
						By Balance c/d	94		
		4,044		2,96,400			4,044		2,96,400

***Calculation of interest**

Interest = (1,75,050 x 5%)/365= ₹ 24

**Opening day considered in calculation of no. of days.*

Question 3

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 (₹)***	***Credit (₹)***
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 Buildings	*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 ₹ 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) Reserve for bad debts is to be maintained at 5% of Sundry debtors.

(f) Insurance premium includes ₹ 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.

(20 Marks)

Answer

M/s Raghuram & Associates

Trading Account for the year ended 31st March 2018

Particulars	Details	Amount	Particulars	Details	Amount
		₹			₹
To Opening Stock		3,20,000	By Sales	15,00,000	
To Purchases	12,00,000		*Less:* Sales Returns	(24,000)	14,76,000
Less: Purchase Returns	(18,000)	11,82,000	By Closing Stock		4,10,000
To Freight		62,000			
To Gross Profit c/d		3,22,000			
		18,86,000			18,86,000

M/s Raghuram & Associates

Profit and Loss Account for the year ended 31st March 2018

Particulars	Details	Amount	Particulars	Details	Amount
		₹			₹
To Salaries		72,000	By Gross profit b/d		3,22,000
To Rent for Godown	55,000				
Add: Outstanding	5,000	60,000	By Discount received		12,000
To Provision for Doubtful Debts (W.N.4)		16,200			

To Rent and Taxes		24,000			
To Discount Allowed		7,500			
To Carriage outwards		8,500			
To Printing and stationery		6,000			
To Electricity charges		14,000			
To Insurance premium (W.N. 1)		4,800			
To Depreciation (W.N. 2)		80,000			
To General expenses		11,000			
To Bank Charges		3,800			
To Interest on loan	4,400				
Add: Outstanding (W.N. 3)	100	4,500			
To Motor car expenses (Repairs)		13,000			
To Net Profit transferred to Capital A/c		8,700			
		3,34,000			3,34,000

Balance Sheet of M/s Raghuram & Associates as at 31st March 2018

Liabilities	***Details***	***Amount***	***Assets***	***Details***	***Amount***
		₹			₹
Capital	14,11,400		Land & Building	5,00,000	
Add: Net Profit	8,700		*Less:* Depreciation	(25,000)	4,75,000
Less: Drawings	(20,000)		Motor Vehicles	1,00,000	
Less: proprietor's Insurance Premium	(42,000)	13,58,100	*Less:* Depreciation	(20,000)	80,000
Loan from Rajan	60,000		Office equipment	2,00,000	
Add: Outstanding Interest	100	60,100	*Less:* Depreciation	(30,000)	1,70,000
Sundry Creditors		62,000	Furniture & Fixture	50,000	
Outstanding rent		5,000	*Less:* Depreciation	(5,000)	45,000
			Stock in Trade		4,10,000
			Sundry Debtors	2,80,000	
			Less: Provision for doubtful debts	(14,000)	2,66,000
			Cash at hand		22,000

			Cash in bank		16,000
			Prepaid insurance (W.N. 1)		1,200
		14,85,200			14,85,200

Working Notes:

(1) Insurance premium

	₹
Insurance premium as given in trial balance	48,000
Less: Personal premium	(42,000)
Less: Prepaid for 3 months	
$\left(\frac{6,000}{15}\times 3\right)$	(1,200)
Transfer to Profit and Loss A/c	4,800

(2) Depreciation

Building @ 5% on 5,00,000	25,000
Motor Vehicles @ 20% on 1,00,000	20,000
Furniture & Fittings @ 10% on 50,000	5,000
Office Equipment @ 15% on 2,00,000	30,000
Total	80,000

(3) Interest on Loan

Interest on Loan ₹ 60,000 X 10% X 9/12	= 4,500
Less: interest as per Trial Balance	= (4,400)
Amount (Outstanding)	100

(4) Provision for bad debts A/c

Particulars	***Amount (₹)***	***Particulars***	***Amount (₹)***
To bad debts a/c	12,200	By balance b/d	10,000
To balance c/d (5% of 2,80,000)	14,000	By P&L A/c	16,200
	26,200		26,200

Question 4

(a) *Piyush Limited is a company with an authorized share capital of ₹ 2,00,00,000 in equity shares of ₹ 10 each, of which 15,00,000 shares had been issued and fully paid on 30th June, 2017. The company proposed to make a further issue of 1,30,000 shares of ₹ 10 each at a price of ₹ 12 each, the arrangements for payment being:*

(i) *₹ 2 per share payable on application, to be received by 1st July, 2017;*

(ii) *Allotment to be made on 10th July, 2017 and a further ₹ 5 per share (including the premium) to be payable;*

(iii) *The final call for the balance to be made, and the money received by 30th April, 2018.*

Applications were received for 4,20,000 shares and were dealt with as follows:

(1) *Applicants for 20,000 shares received allotment in full;*

(2) *Applicants for 1,00,000 shares received an allotment of one share for every two applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;*

(3) *Applicants for 3,00,000 shares received an allotment of one share for every five shares applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and*

(4) *The money due on final call was received on the due date.*

You are required to record these transactions (including cash items) in the journal of Piyush limited. ***(10 Marks)***

(b) *A, B and C are partners sharing profits in the ratio of 3:2:1. Their Balance Sheet as at 31st March, 2018 stood as:*

Liabilities		**₹**	***Assets***		**₹**
Capital Accounts			Building		10,00,000
A	8,00,000		Furniture		2,40,000
B	4,20,000		Office equipments		2,80,000
C	4,00,000	16,20,000	Stock		2,50,000
Sundry Creditors		3,70,000	Sundry debtors	3,00,000	
General Reserves		3,60,000	Less: Provision for Doubtful debts	30,000	2,70,000
			Joint life policy		1,60,000
			Cash at Bank		1,50,000
		23,50,000			23,50,000

B retired on 1st April, 2018 subject to the following conditions:

(i) Office Equipments revalued at ₹ 3,27,000.

(ii) Building revalued at ₹ 15,00,000. Furniture is written down by ₹ 40,000 and Stock is reduced to Rs,2,00,000 .

(iii) Provision for Doubtful Debts is to be created @ 5% on Debtors.

(iv) Joint Life Policy will appear in the Balance Sheet at surrender value after B's retirement. The surrender value is ₹ 1,50,000

(v) Goodwill was to be valued at 3 years purchase of average 4 years profit which were:

Year	₹
2014	90,000
2015	1,40,000
2016	1,20,000
2017	1,30,000

(vi) Amount due to B is to be transferred to his Loan Account.

Prepare the Revaluation Account, Partners' Capital Accounts and the Balance Sheet immediately after B's retirement. ***(10 Marks)***

Answer

(a) Journal of Piyush Limited

Date 2017	**Particulars**		**Dr. ₹**	**Cr. ₹**
July 1	Bank A/c (Note 1 – Column 3)	Dr.	8,40,000	
	To Equity Share Application A/c			8,40,000
	(Being application money received on 4,20,000 shares @ ₹ 2 per share)			
July 10	Equity Share Application A/c	Dr.	8,40,000	
	To Equity Share Capital A/c			2,60,000
	To Equity Share Allotment A/c			
	(Note 1 - Column 5)			4,00,000
	To Bank A/c (Note 1–Column 6)			1,80,000
	(Being application money on 1,30,000 shares transferred to Equity Share Capital Account; on 2,00,000 shares adjusted with			

	allotment and on 90,000 shares refunded as per Board's Resolution No…..dated…)			
	Equity Share Allotment A/c	Dr.	6,50,000	
	To Equity Share Capital A/c			3,90,000
	To Securities Premium a/c			2,60,000
	(Being allotment money due on 1,30,000 shares @ ₹ 5 each including premium at ₹ 2 each as per Board's Resolution No….dated….)			
	Bank A/c (Note 1 – Column 8)	Dr.	2,50,000	
	To Equity Share Allotment A/c			2,50,000
	(Being balance allotment money received)			
	Equity Share Final Call A/c	Dr.	6,50,000	
	To Equity Share Capital A/c			6,50,000
	(Being final call money due on 1,30,000 shares @ ₹ 5 per share as per Board's Resolution No…..dated….)			
April 30	Bank A/c	Dr.	6,50,000	
	To Equity Share Final Call A/c			6,50,000
	(Being final call money on 1,30,000 shares @ ₹ 5 each received)			

Working Note:

Calculation for Adjustment and Refund

Category	No. of Shares Applied for	No. of Shares Allotted	Amount Received on Application (1x ₹ 2)	Amount Required on Application (2 x ₹ 2)	Amount adjusted on Allotment	Refund [3-4-5]	Amount due on Allotment	Amount received on Allotment
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(i)	20,000	20,000	40,000	40,000	Nil	Nil	1,00,000	1,00,000
(ii)	1,00,000	50,000	2,00,000	1,00,000	1,00,000	Nil	2,50,000	1,50,000
(iii)	3,00,000	60,000	6,00,000	1,20,000	3,00,000	1,80,000	3,00,000	Nil
TOTAL	**4,20,000**	**1,30,000**	**8,40,000**	**2,60,000**	**4,00,000**	**1,80,000**	**6,50,000**	**2,50,000**

(b) **Revaluation Account**

	₹		₹
To Furniture A/c	40,000	By Office equipment A/c	47,000
To Stock A/c	50,000	By Building A/c	5,00,000
To Joint life policy	10,000	By Provision for doubtful debts	15,000
To Partners' capital A/cs:			
A 2,31,000			
B 1,54,000			
C 77,000	4,62,000		
	5,62,000		5,62,000

Partners' Capital Accounts

	A ₹	B ₹	C ₹		A ₹	B ₹	C ₹
To B's capital A/c	90,000	–	30,000	By Balance b/d	8,00,000	4,20,000	4,00,000
To B's loan A/c		8,14,000		By General Reserve	1,80,000	1,20,000	60,000
To Balance c/d	11,21,000		5,07,000	By revaluation reserve	2,31,000	1,54,000	77,000
				By A's capital A/c		90,000	
				By C's capital A/c		30,000	
	12,11,000	8,14,000	5,37,000		12,11,000	8,14,000	5,37,000

Balance Sheet as on 1.4.2018 (After B's retirement)

Liabilities	₹	₹	***Assets***	₹	₹
Capital accounts:			Building		15,00,000
A	11,21,000		Furniture		2,00,000
C	5,07,000	16,28,000	Office equipment		3,27,000
B's loan account		8,14,000	Stock		2,00,000
Sundry creditors		3,70,000	Sundry debtors	3,00,000	
			Less: Provision for doubtful debts	(15,000)	2,85,000

			JLP		1,50,000
			Cash at bank		1,50,000
		28,12,000			28,12,000

Working Notes:

Calculation of goodwill:

1. **Average of last 4 year's profit**

   = (90,000+1,40,000+1,20,000+1,30,000)/4

   = ₹ 1,20,000

2. **Goodwill at three years' purchase**

   ₹ 1,20,000 x 3 = ₹ 3,60,000

Goodwill adjustment

	Share of goodwill (Old ratio)	***Share of goodwill (New ratio)***	***Adjustment***
A	1,80,000	2,70,000	90,000 (Dr.)
B	1,20,000	-	1,20,000 (Cr.)
C	60,000	90,000	30,000 (Dr.)

Question 5

(a) You are provided with the following details:

Current ratio	*2.5*
Liquidity ratio	*1.5*
Net Working Capital	*₹ 3,00,000*
Stock Turnover Ratio	*6 times*
Ratio of Gross Profit on Sales	*20%*
Turnover to Fixed assets (net)	*2 times*
Average debt collection period	*2 months*
Fixed Assets to net worth	*0.8*
Reserve and Surplus to Capital	*0.5*

Draw up the Balance Sheet as at 31st March, 2018 of Zoom Ltd. with appropriate figures:

Zoom Ltd.

Balance Sheet as at 31st March, 2018

Liabilities	*₹*	*Assets*	*₹*
Share Capital	*?*	*Fixed Assets*	*?*
Reserves and Surplus	*?*	*Stock*	*?*
Long-Term Borrowings	*1,50,000*	*Debtors*	*?*
Current Liabilities	*?*	*Bank*	*50,000*
Total	*11,00,000*		*11,00,000*

(10 Marks)

(b) Calculate the Trade Receivables Turnover Ratio, the average collection period and Gross Profit Ratio from the following information:

Particulars	
Total revenue from operations	*6,00,000*
Cash revenue from operations	*25% if Total revenue from operations*
Trade Receivables as at 01.04.2017	*60,000*
Trade Receivables as at 31.03.2018	*1,40,000*
Cost of Revenue from Operations	*4,20,000*

(10 Marks)

Answer

(a) Balance Sheet of Zoom Ltd. as at 31.3.2018

Capital and Liabilities	***₹***	***Assets***	***₹***
Share Capital	5,00,000	Fixed assets	6,00,000
Reserves & Surplus	2,50,000	Stock	2,00,000
Long term borrowings	1,50,000	Debtors	2,50,000
Current liabilities	2,00,000	Bank	50,000
	11,00,000		11,00,000

Working Notes:

Assume Current Liabilities	1.0
Current Assets are	2.5
Therefore, Difference or working capital	1.5
Given, Working Capital	₹ 3,00,000

Current Assets = ₹ 3,00,000 x 2.5/1.5 =	₹ 5,00,000
Current Liabilities =	₹ 2,00,000
Given, Liquidity Ratio =	1.5
Liquid Assets ₹ 2,00,000 x 1.5 =	₹ 3,00,000
Therefore, Stock = (Current Assets – Liquid Assets) = ₹ 5,00,000 - ₹ 3,00,000	
Stock = ₹ 2,00,000	
Cost of Sales (as stock turnover is 6) = ₹ 2,00,000 x 6 =	₹ 12,00,000
Sales (G.P. ratio 20%) = ₹ 12,00,000 + [20/80) x 12,00,000]	
Sales = 15,00,000*	
Fixed Assets = ₹ 12,00,000 / 2 = ₹ 6,00,000	
Debtors = ₹ 15,00,000/6 = ₹ 2,50,000**	
Net worth = ₹ 6,00,000 x 1/ 0.8 = ₹ 7,50,000	
Reserve and Surplus, 1/3rd of net worth = ₹ 2,50,000	
Share Capital = ₹ 7,50,000 - ₹ 2,50,000 = ₹ 5,00,000	

**Alternatively, candidates may use fixed assets turnover ratio for computation of sales.*

***The balance of Debtors can be calculated as balancing figure in the balance sheet.*

(b) Trade Receivables Turnover Ratio = Net Credit Sales/ Average Trade receivables

Trade Receivables Turnover Ratio = ₹ 4,50,000/ ₹ 1,00,000

= 4.5 times.

Average collection period

$$= \frac{\text{Average accounts receivable}}{\text{Average daily credit sale}}$$

Average daily credit sales = 4,50,000/360*= 1,250

= 1,00,000/1,250

= 80 days

Therefore, on an average, debtors take 80 days to pay.

** 360 days considered.*

Gross Profit Ratio

= Gross Profit/Sales x 100

= (6, 00,000 – 4, 20,000) / 6, 00,000 x 100= 30%

Working notes:

1. **Credit sales= Total sales – Cash sales**

   Cash Sales = 25% of ₹ 6,00,000 = ₹1,50,000

   Credit Sales = ₹ 6,00,000 – ₹ 1,50,000 = ₹ 4,50,000

2. **Average Trade Receivables** = (Opening Trade Receivables + Closing Trade Receivables)/ 2

   = (₹ 60,000 + ₹ 1,40,000) / 2

   = ₹ 1,00,000

Question 6

(a) The Bank Pass Book of Account No.5678 of Mrs. Rani showed an overdraft of ₹ 33,575 on 31st March 2018. On going through the Pass Book, the accountant found the following:

(i) A Cheque of Rs,1,080 credited in the pass book on 28th March 2018 being dishonoured is debited again in the pass book on 1st April 2018. There was no entry in the cash book about the dishonour of the cheque until 15th April 2018.

(ii) Bankers had credited her account with ₹ 2,800 for interest collected by them on her behalf, but the same has not been entered in her cash book.

(iii) Out of ₹ 20,500 paid in by Mrs. Rani in cash and by cheques on 31st March 2018 cheques amounting to ₹ 7,500 were collected on 7th April, 2018.

(iv) Out of Cheques amounting to ₹ 7,800 drawn by her on 27th March, 2018 a cheque for ₹ 2,500 was encashed on 3rd April, 2018.

(v) Bankers seems to have given here wrong credit for ₹ 500 paid in by her in Account No. 8765 and a wrong debit in respect of a cheque for ₹ 300 against her account No.8765.

(vi) A cheque for ₹ 1,000 entered in Cash Book but omitted to be banked on 31st March, 2018.

(vii) A Bill Receivable for ₹ 5,200 previously dishonoured (Discount ₹ 200) with the Bank had been dishounoured but advice was received on 1st April, 2018.

(viii) A Bill for ₹ 10,000 was retired /paid by the bank under a rebate of ₹ 175 but the full amount of the bill was credited in the bank column of the Cash Book.

(ix) A Cheque for ₹ 2,400 deposited into bank but omitted to be recorded in Cash Book and was collected by the bank on 31st March, 2018.

Prepare Bank Reconciliation Statement as on 31st March, 2018. ***(10 Marks)*** *(b) Miss Daisy was unable to agree the Trial Balance last year and wrote off the difference to the profit and loss account of that year. On verifying the old books by a Chartered Accountant next year, the following mistakes were found.*

(i) Purchase account was undercast by ₹ 8,000.

(ii) Sale of goods to Mr. Rahim for ₹ 2,500 was omitted to be recorded.

(iii) Receipt of cash from Mr. Asok was posted to the account of Mr. Anbu ₹ 1,200.

(iv) Amount of ₹ 4,167 of sales was wrongly posted as ₹ 4,617.

(v) Repairs to Machinery was debited to Machinery Account ₹ 1,800.

(vi) A credit purchase of goods from Mr. Paul for ₹ 3,000 entered as sale.

Suggest the necessary rectification entries. ***(10 Marks)***

Answer

(a) Bank Reconciliation Statement

as on 31st March, 2018

Particulars	***₹***
Bank balance (Debit i.e. overdraft) as per Bank Pass book	33,575
(i) No adjustment required as there would be no difference on 31.3.18	
(ii) *Add:* No entry in Cash book for interest collection by Bank	2,800
(iii) *Less:* Amount debited in cash book for pending cheques in collection but not credited in Pass Book	(7,500)
(iv) *Add:* Cheque credited in cash book but not debited in pass book	2,500
(v) *Add:* Reversal of wrong Credit	500
Less: Reversal of wrong debit	(300)
(vi) *Less:* Cheque of ₹ 1,0000 entered in cash book but omitted to be banked	(1,000)
(vii) *Less:* Discounted dishonored but no entry in Cash book	(5,200)
(viii) *Add:* Rebate on bill retired not entered in cash book	175
(viii) *Add:* Cheques deposited in bank not yet recorded in cash book	2,400
Balance (Cr. i.e. overdraft) as per Cash book	27,950

Note: A cheque of ₹ 1,080 credited in Pass Book on 28th March, 2018 and later debited in Pass Book on 1st April, 2018 has no effect on Bank Reconciliation statement as at 31st March, 2018.

(b) Journal Entries in the books of Miss Daisy

Date	Particulars		Dr. (₹)	Cr. (₹)
(i)	Profit & Loss Adjustment A/c	Dr.	8,000	
	To Suspense*A/c			8,000
	(Purchase Account under cast in the previous year; error now rectified)			
(ii)	Rahim's Account	Dr.	2,500	
	To Profit & Loss Adjustment A/c			2,500
	(Sales to Rahim omitted last year; now adjusted)			
(iii)	Anbu's Account	Dr.	1,200	
	To Asok's Account			1,200
	(Amount received from Asok wrongly posted to the account of Anbu; now rectified)			
(iv)	Profit & Loss Adjustment A/c	Dr.	450	
	To Suspense* A/c			450
	(Excess posting to sales account last year, ₹ 4,617, instead of ₹ 4,167 now adjusted)			
(v)	Profit & Loss Adjustment A/c	Dr.	1,800	
	To Machinery A/c			1,800
	(Repairs to machinery was wrongly debited to machinery account, now rectified)			
(vi)	Profit & Loss Adjustment A/c	Dr.	6,000	
	To Mr. Paul Account			6,000
	Credit purchase of goods from Mr. Paul sale last year, now rectified)			
(vii)	Daisy's Capital A/c	Dr.	13,750	
	To Profit and Loss Adjustment Account			13,750
	(Being balance in P & L Adjustment Account transferred to Daisy's Capital A/c – Refer W.N. 1)			
(viii)	Suspense A/c	Dr.	8,450	
	To Daisy's Capital A/c			8,450
	(Being balance of Suspense A/c transferred to Capital A/c– Refer W.N. 2)			

**Considering that the difference was posted to Suspense account.*

Working Notes

1. Profit and Loss Adjustment Account

	₹		₹
To Suspense A/c	8,000	By Rahim's A/c	2,500
To Suspense A/c	450	By Daisy's Capital A/c (Bal. Transfer)	13,750
To Machinery A/c	1,800		
To Mr. Paul's A/c	6,000		
	16,250		16,250

2. Suspense Account

	₹		₹
To Daisy's Capital A/c (Balance Transfer)	8,450	By P & L Adj. A/c	8,000
		By P & L Adj. A/c	450
	8,450		8,450