

PRINCIPLES AND PRACTICE OF ACCOUNTING

Q.1. is Compulsory.

*Candidates are required to answer any **four** Questions from the remaining **five** Questions.*

Working note should form part of your answers.

Time Allowed: 3 Hours

Maximum Marks: 100

- | | Marks |
|---|--------------|
| 1. (a) State with reasons whether the following statements are true or false: (2 Marks Each) | 2 × 6 |
| | = 12 |
| (i) Profit & loss account shows the financial position of a concern at a particular point of time. | |
| (ii) Accounting Standards are the specific accounting principles followed by an enterprise. | |
| (iii) Bank Reconciliation Statement is prepared both by the banker and the customer. | |
| (iv) Discount at the time of retirement of bill is a gain for the drawee. | |
| (v) 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. | |
| (vi) Storage cost never form part of cost of inventories. | |
| (b) Distinguish between Going Concern concept & Cost concept | 4 |
| (c) On 1 st April, 2022, Ashish Auto purchased machinery for ₹ 1,20,000 & on 30 th September, 2023, it acquired additional machinery at a cost of 720,000. On 30 th June, 2024, one of the original machines which had cost ₹ 5,000 was found to have become obsolete and was sold as scrap for ₹ 500. It was replaced on that date by a new machine costing ₹ 8,000. Depreciation is to be provided @ 15% p.a. on the Written Down Value. Accounts are closed on 31 st March every year.
Prepare Machinery Account for the first three years. | 4 |

2. (a) Rectify the following errors by passing Journal entries: 10
- (i) Preeti was paid cash ₹ 2,800 but Jyoti was debited by ₹ 2,000.
 - (ii) Goods costing ₹ 10,000 were purchased for staff and was included in 'Purchases'. A similar amount was deducted from the salaries of the staff and net payments to them were debited to Salaries Account.
 - (iii) A contractor's bill for extension of premises of ₹ 7,000 has been debited to Building Repairs Account.
 - (iv) Machinery written off by ₹ 1,000 has not been posted to the Depreciation Account.
 - (v) Goods purchased for ₹ 1,000 for the proprietor's use were debited to Purchases A/c.
 - (vi) Goods purchased for ₹ 5,000 were posted as ₹ 500 to the Purchases Account.
 - (vii) Goods purchased for ₹ 200 were posted as ₹ 2,000 to the Purchases Account.
 - (viii) Own business materials (goods) of ₹ 20,000 and Wages ₹ 5,000 were used for construction of building. Adjustment was not made in the books.
 - (ix) The balance in the account of Mr. Vijay ₹ 1,000 has been written off as bad but no account has been debited.
 - (x) Goods of the value ₹ 230 returned by Swaminath were entered in the Purchases Day Book and posted therefrom to Swaika as ₹ 320
 - (xi) A debit balance of ₹ 5,000 on the personal account of Mr. John (correctly shown in the ledger) had been omitted when preparing the trail balance.
- (b) The Bank Pass Book of Account No. 5678 of Anita showed an overdraft of ₹ 33,575 on 31st March, 2024. On going through the Pass Book, the accountant noticed following: 10
- (i) A cheque of ₹ 1,080 credited in Pass Book on 28th March, 2024 being dishonoured is debited again in the Pass Book on 1st April, 2024. There was no entry in the Cash Book about the dishonour of cheque till 15th April, 2024.
 - (ii) Bank 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 cheques of ₹ 20,500 deposited by Anita on 28th March, 2024, cheques of ₹ 7,500 were collected on 7th April.
 - (iv) Out of cheques amounting to ₹ 7,800 drawn by her on 27th March, 2024, a cheque for ₹ 2,500 was encashed on 3rd April, 2024.

- (v) Bank gave her wrong credit for ₹ 500 in Account No. 8765 and a wrong debit of ₹ 300 against her Account No. 8765.
- (vi) A cheque for ₹ 1,000 entered in Cash Book but omitted to be banked till 31st March, 2024.
- (vii) Cheque for ₹ 5,200 previously discounted (Discount & 200) with the bank had been dishonoured but advice was received on 1st April, 2024.
- (viii) A cheque of ₹ 2,400 deposited into bank but omitted to be recorded in Cash Book and was collected by the bank on 31st March, 2024.
- (ix) Cheque for ₹ 10,000 was discounted from bank paying Discounting charges of ₹ 175 but the full amount of the cheque was debited in the bank column of Cash Book.

Prepare Bank Reconciliation Statement as on 31st March, 2024.

3. (a) From the following Trial Balance of Mukesh Stores, prepare Trading and Profit & Loss Account for the year ending 31st March, 2024 and a Balance Sheet as on that date: **10**

Heads of Accounts	Dr. (₹)	Cr. (₹)
Cash in Hand	1,080	
Cash at Bank	45,260	
Purchases	81,350	
Returns Outward		1,000
Sales Account		1,97,560
Returns Inward	1,360	
Wages	30,420	
Carriage Inwards	4,080	
Opening Stock	16,520	
Building	80,000	
Machinery	40,000	
Salaries	30,000	
Patents	15,000	
General Expenses	6,000	
Insurance	1,200	
Capital		1,62,000
Drawings	10,490	

Sundry Debtors	29,000	
Carriage Outwards	6,400	
Sundry Creditors		37,600
Total	3,98,160	3,98,160

Adjustments:

- Stock in hand on 31st March, 2024 is ₹ 13,600.
- Machinery is to be depreciated @ 10% and patents be amortised @ 20%.
- Salaries for the month of March, 2024 amounting to ₹ 3,000 were unpaid.
- Allow interest on capital @ 5%.
- Provision for Doubtful Debts is to be created to the extent of 5% on Sundry Debtors.
- Stock costing ₹ 4,000 was taken by the owner for his personal use, for which entry has not been passed in the books of account.
- Goods costing ₹ 3,000 were distributed to employees as staff welfare but entry has not been passed in the books of account.
- A theft occurred on 25th March, 2024 and goods costing ₹ 5,000 were stolen. These goods were fully insured and insurance company admitted the claim in full.

- (b) X and Y are in partnership business sharing profits and losses in the ratio of 2 : 3.

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Their Balance Sheet as at 31st March, 2024 is as follows:

Liabilities	₹	Assets	₹
Capital Accounts		Building	60,000
X	60,000	Plant	45,000
Y	1,40,000	Furniture	23,500
General Reserve	40,000	Debtors	38,400
Creditors	42,600	Bills Receivable	12,500
Bills Payable	15,400	Stock	42,600
Salary Payable	2,000	Bank	78,000
	3,00,000		3,00,000

On 1st April, 2024 they decided to admit Z into the partnership giving him 1/5th share in the future profits. He brings in ₹ 1,00,000 as his share of capital. Goodwill was valued at ₹ 1,20,000 at the time of admission of Z. The partners decided to revalue the assets and liabilities as follows:

- (i) Plant ₹ 40,000, Stock ₹ 42,000, Furniture ₹ 20,000 and Bills Receivable ₹ 12,000.
- (ii) Out of total Debtors, ₹ 2,400 is Bad and 5% provision is to be provided for bad and doubtful debts.
- (iii) Building is to be appreciated by 75%.
- (iv) Actual liability towards salary payable is 1,200 only.

You are required to show the following accounts in the books of the firm:

- (1) Revaluation Account
- (2) Partner's Capital Accounts
- (3) Balance sheet of the Firm after Admission of Z.

4. (a) A partnership firm was dissolved on 30th June, 2024. Its Balance Sheet on the date of dissolution was as follows: 10

Particulars	₹	₹	Particulars	₹
Capitals:			Cash	21,600
A	1,52,000		Sundry Assets	3,78,000
B	96,000			
C	72,000	3,20,000		
Loan A/c – B		20,000		
Sundry Creditors		60,000		
		4,00,000		4,00,000

The assets were realized in instalments and the payments were made on the proportionate capital basis. Creditors were paid ₹ 58,000 in full settlement of their account. Expenses of realization were estimated to be ₹10,800 but actual amount spent was ₹ 8,000. This amount was paid on 15th September. Draw up a statement showing distribution of cash, which was realized as follows:

	₹
On 5 th July, 2024	50,400
On 30 th August, 2024	1,20,000
On 15 th September, 2024	1,60,000

The partners shared profits and losses in the ratio of 2: 2: 1. Prepare a statement showing distribution of cash amongst the partners by 'Highest Relative Capital' method.

- (b) The Accountant of Diana Club furnishes you the following Receipts & Payments account for the year ending 30th September, 2024: 10

Receipts	Amt. (₹)	Payments	Amt. (₹)
Opening Balance:		Honorarium to Secretary	9,600
Cash at Bank	16,760	Misc. expenses	3,060
Subscriptions	21,420	Rates and taxes	2,520
Sale of old newspaper	4,800	Groundman's wages	1,680
Entertainment fees	8,540	Printing and Stationery	940
Bank Interest	460	Telephone expenses	4,780
Bar Receipts	14,900	Payment for Bar purchases	11,540
		Repairs	640
		New Car (Less sale proceeds of Old Car ₹ 6,000)	25,200
		Cash at Bank	6,920
	66,880		66,880

Additional Information:

		01.10.2023 (₹)	30.09.2024 (₹)
(i)	Subscription due (not received)	2,400	1,960
(ii)	Cheques issued, but not presented for payment of printing	180	60
(iii)	Club premises at cost	58,000	—
(iv)	Depreciation on club premises provided so far	37,600	—
(v)	Car at cost	24,380	—
(vi)	Depreciation on car	20,580	—
(vii)	Value of Bar stock.	1,420	1,740
(viii)	Amount unpaid for bar purchases	1,180	860
(ix)	Depreciation is to be provided @5% p.a. on the written down value of the club premises and @ 15% p.a. on car for the whole year.		

You are required to prepare an Income and Expenditure account of Diana Club for the year ending 30th September, 2024 and Balance Sheet as on that date.

5. (a) Following is the extract of the Balance Sheet of K Ltd. (listed company) as at 31.03.2024

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Particulars	₹
Authorized capital:	
3,00,000 Equity shares of ₹ 10 each	30,00,000
Total	30,00,000
Issued and Subscribed capital:	
2,00,000 Equity shares of ₹ 10 each ₹ 8 paid up	16,00,000
Reserves and surplus:	
General Reserve	3,60,000
Capital Redemption Reserve	1,20,000
Securities premium (not realised in cash)	75,000
Profit and Loss Account	6,00,000

On 1st April, 2024, the Company has made final call @ ₹ 2 each on 2,00,000 equity shares. The call money was received by 25th April, 2024. Thereafter, the company decided to capitalize its reserves by way of bonus at the rate of one share for every four shares held. Show necessary entries in the books of the company and prepare the extract of the Balance Sheet immediately after bonus issue.

(b) Mohit runs a factory which produces Toys. Following details were available in respect his manufacturing activities for the year ended on 31.03. 2024:

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Opening Work-in-Process (6,000 units)	1,60,000
Closing Work-in-Process (12,000 units)	1,90,000
Opening inventory of Raw Materials	1,70,000
Closing inventory of Raw Materials	1,90,000
Purchases	10,20,000
Hire Charges of machine @ ₹ 0.60 per unit manufactured	
Hire charges of factory	2,20,000
Direct Wages @ ₹ 0.80 per unit produced & ₹ 0.40 per unit of closing W.I.P	
Repairs and Maintenance	1,80,000
Units produced – 6,00,000 units	

- (c) Suresh draws a bill for ₹ 15,000 on Anup on 15th April, 2023 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, 2023 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, 2023. **10**

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

6. (a) PQR Limited issued 2,00,000 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 Mr. J, holding 5,000 shares who failed to pay the allotment and call money and Mr. K. holding 10,000 shares, who failed to pay the call money. All these 15,000 shares were forfeited. Out of the forfeited shares, 10,000 shares (including whole of J's shares) were subsequently reissued to Mr. L as fully paid up at a discount of ₹ 1 per share. **15**

Pass necessary journal entries in the books of PQR Limited. Also prepare balance sheet and notes to accounts of the company.

- (b) Difference between Bills of exchange & Promissory Note. **5**

OR

What are the subfields of Accounting?