



Marks : 100

Master Test - 5

17/05/2024

Duration : 3 hrs

**Accounting**

**State with Reasons , whether the following statement is True or False :**

1. The Sales book is kept to record both cash and credit sales. (2 Marks)
2. Bank reconciliation statement is prepared to arrive at the bank balance. (2 Marks)
3. Finished goods are normally valued at cost or market price whichever is higher. (2 Marks)
4. Reducing balance method of depreciation is followed to have a uniform charge for depreciation and repairs and maintenance together. (2 Marks)
5. Discount at the time of retirement of a bill is a gain for the drawee. (2 Marks)
6. A withdrawal of cash from the business by the proprietor should be charged to the profit and loss account as an expense. (2 Marks)

**Subjective**

7. Classify the following expenditures as capital or revenue expenditure:
  1. Amount spent for replacement of a petrol driven engine by CNG kits.
  2. Travelling expenses of the directors for trips abroad for purchase of capital assets.
  3. Amount spent to reduce working expenses.
  4. Insurance claim received on account of inventory damaged by fire.(4 Marks)
8. Differentiate between Trade bill and Accommodation bill. (4 Marks)

**Numerical :**

9. 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 fourth year, the machinery was revalued upwards by ₹ 40,000. The remaining useful life was reassessed at 8 years. Calculate depreciation for the 5th year. (5 Marks)

10. Zed Enterprises furnishes the following information for the year ended 31st March, 2023.

Particulars	Amount (₹)
Value of Stock as on 1st April, 2022	28,00,000
Purchases during the year	1,38,40,000
Manufacturing Expenses during the year	28,00,000
Sales during the year	2,08,80,000



The following further information is also provided:

1. At the time of valuing stock on 31st March, 2022 a sum of ₹ 2,40,000 was written off for a particular item which was originally purchased for ₹ 8,00,000. This item was sold during the year ended 31st March, 2023 for ₹ 6,40,000.
2. Except for the above transaction, the rate of gross profit during the year was 1/3rd on cost. Ascertain the value of Stock as on 31st March, 2023.

(5 Marks)

11. From the following particulars, prepare a Bank Reconciliation Statement on 31st March 2023.

Particulars	Amount (₹)
Bank balance as per Pass Book	25,00,000
Bills discounted dishonored not recorded in Cash Book	12,50,000
Cheque received entered twice in Cash Book	25,000
Bank charges entered twice in Cash Book	5,000
Insurance premium paid directly by Bank under-standing instruction	1,50,000
Cheque issued but not presented to Bank for payment	12,50,000
Cheque received, but not sent to Bank	28,00,000
Cheque deposited in Bank, but no entry passed in the Cash Book	12,50,000
Credit side of the Bank column cast short	5,000

(5 Marks)

12. Pass the Journal entries to rectify the following errors detected during preparation of the Trial Balance:

1. Wages paid for construction of office building debited to wages account ₹ 20,000.
2. A credit sale of goods ₹ 1,200 to Ramesh has been wrongly passed through the Purchase Book.
3. An amount of ₹ 2,000 due from Mahesh Chand which had been written off as a bad debit in the previous year was unexpectedly recovered and has been posted to the personal account of Mahesh Chand.
4. Goods (Cost being ₹ 5,000 and Sales price being ₹ 6,000) distributed as free samples amount prospective customers were not recorded anywhere.
5. Goods worth ₹ 1,500 returned by Green have not been recorded anywhere.

(5 Marks)

13. Prepare a Triple Column Cash Book from the following transactions of M/s Raj Agencies and bring down the balance for the start of next month:

2022		₹
March 1	Cash in hand	30,000
1	Cash at bank	1,20,000
2	Paid into bank	10,000
5	Bought furniture and issued cheque	15,000
8	Purchased goods for cash	5,000
12	Received cash from Mohan	9,800
	Discount allowed to him	200
14	Cash sales	50,000
16	Paid to Lata by cheque	14,500



	Discount received	500
19	Paid into Bank	5,000
23	Withdrawn from Bank for Private expenses	6,000
24	Received cheque from Gupta	14,300
	Allowed him discount	200
26	Deposited Gupta's cheque into Bank	
28	Withdrew cash from Bank for Office use	20,000
30	Paid rent by cheque	8,000

(5 Marks)

14. On 1st January 2023, 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, 2023, 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, 2023, 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 paise in a rupee could be recovered from his estate.

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

(5 Marks)

15. AD, BD & SD are partners sharing profits and losses in the ratio of 5:3:2. Their capitals were ₹ 13,440, ₹ 8,400, ₹ 11,760 respectively. Liabilities and assets of the firm are as under:

Liabilities	Amount
Trade Creditors	2,800
Loan from partners	1,400
<b>Assets of the firm:</b>	
Patent	1,400
Furniture	2,800
Machinery	1,680
Stock	5,600

The assets realized in full in the order in which they are listed above. BD is insolvent. You are required to prepare a statement showing the distribution of cash as and when available, applying maximum possible loss procedure.

(5 Marks)

16. Mr. Samphat who was the holder of 12,000 preference shares of ₹ 100 each, on which ₹ 60 per share has been called up could not pay his dues on Allotment and First call each at ₹ 20 per share. The Directors forfeited the above shares and reissued 10,000 of such shares to Mr. Sushil at ₹ 50 per share paid-up as ₹ 60 per share.

You are required to prepare journal entries to record the above forfeiture and re-issue in the books of the company.

(5 Marks)

17. Y Company Limited issue 10,000 12% Debentures of the nominal value of ₹ 60,00,000 as follows:

1. To a vendor for purchase of fixed assets worth 13,00,000-15,00,000 nominal value.
2. To sundry persons for cash at 90% of nominal value of 30,00,000.
3. 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)



18. The balance sheet of Mittal on 1st January, 2023 was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Trade payables	16,00,000	Plant & Machinery	31,00,000
Expense 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 2023, his profit and loss account revealed a net profit of ₹ 15,10,000. This was after allowing for the following:

- Interest on capital @ 6% p.a.
- Depreciation on plant and machinery @ 10% and on Furniture & Fixtures @ 5%
- A Provision for doubtful debts @5% of the trade receivables as at 31st December 2023.

But while preparing the profit and loss account he had forgotten to provide for

- outstanding expenses totalling ₹ 1,85,000 and
- prepaid insurance to the extent of ₹ 25,000. His current assets and liabilities on 31st December, 2023 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 the revised Profit & Loss Account and Balance Sheet at the end of the year.

(10 Marks)

19. Mr. Prakash furnishes following information for his readymade garments business:

Receipts and Payments during 2022-23:

Receipts	Amount	Payment	Amount
Bank Balance as on 1 – 4 – 22	16,250	Payment to Sundry Creditors	3,43,000
Received from Sundry Debtors	4,81,000	Salaries	75,000
Cash sales	1,70,800	General Expenses	22,500
Capital brought in the business during the year	50,000	Rent and Taxes	11,800
Interest on Investment received	9,750	Drawings	96,000
		Cash Purchases	1,22,750
		Balance at bank on 31 – 03 – 23	36,600
		Cash in hand on 31 – 03 – 23	20,150
	<b>7,27,800</b>		<b>7,27,800</b>

Particulars of other Assets and Liabilities are as follows:

	1 <sup>st</sup> April, 2022	31 <sup>st</sup> April, 2023
	(₹)	(₹)
Machinery	85,000	85,000
Furniture	24,500	24,500
Trade Debtors	1,55,000	?
Trade Creditors	60,200	?
Stock	38,600	55,700



12% Investment	85,000	85,000
Outstanding Salaries	12,000	14,000

Additional information:

- 20% of Total sales and 20% of total purchases are in cash.
- Of the Debtors, a sum of 7,200 should be written off as Bad debt and further a reserve for doubtful debts is to be provided @ 2%.
- Provide depreciation @ 10% p.a. on Machinery and Furniture.

You are required to prepare Trading and Profit & Loss account for the year ended 31st March, 2023, and Balance Sheet as on that date.

(10 Marks)

20. Following is the Receipts and Payments account of Pune Medical Aid Society for the year ended 31-12-2022. Receipts and Payments Account for the year ended 31-12-2022.

Receipts	Amount (₹)	Payment	Amount (₹)
To opening cash in hand	12,000	By Medicine supply	35,000
To subscription	65,000	By Honorarium to Doctors	15,000
To Donations	25,000	By Salaries	36,000
To Interest on Investment (10%)	10,000	By Sundry expenses	950
To Charity show collection	16,500	By Purchase of Medical equipment	25,000
		By Charity show expenses	2,750
		By Closing cash in hand	13,800
	<b>1,28,500</b>		<b>1,28,500</b>

The following is the additional information provided.

	01 – 01 – 2022	31 – 12 – 2022
	Amount (₹)	Amount (₹)
Subscription due	2,500	3,100
Subscription received in advance	1,800	1,400
Stock of medicine	12,500	17,250
Amount due for medicine supply	12,000	16,500
Value of equipment	21,500	37,200
Value of building	65,000	61,750

You are required to prepare Income and Expenditure account, and Balance sheet as on 31-12-2022.

(15 Marks)



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