

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

DEC 2023

J  
31/12/23  
(5.20 PM)

SYN

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, 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. Wherever necessary, suitable assumptions may be made and disclosed by way of a note.

1. (a) State with reasons, whether the following statements are True or False:
- The financial statement must disclose all the relevant and reliable information in accordance with the full disclosure principle.
  - The gain from sale of capital assets is added to revenue to ascertain the net profit of the business.
  - Depreciation is non-cash and non-operating expense which is to be provided for if there are profits.
  - Sum of the year's digit method is an example of accelerated method of charging depreciation.
  - Inauguration expenses of ₹10 lakhs incurred on the new unit in an existing business is a capital expenditure.
  - Discount column of cash book records the trade discount.

(6 × 2 = 12 Marks)

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(b) Briefly explain the following terms :

- (i) Conversion Cost
- (ii) Diminishing Balance Method
- (iii) Money Measurement Concept
- (iv) Realisation Concept

(4 × 1 = 4 Marks)

(c) From the following information, ascertain the value of Closing Stock as on 31<sup>st</sup> March, 2023.

Particulars	(₹)
Opening Stock	1,47,500
Cash Sales	5,50,000
Credit Sales	4,00,000
Purchases	8,85,000
Manufacturing Expenses	1,35,000
Advertisement Expenses	43,000
Rate of Gross Profit on Cost	25%

At the time of valuing inventory as on 31<sup>st</sup> March, 2022, a sum of ₹ 12,500 was written off on a particular item, which was originally purchased for ₹ 50,000 and was sold during the year for ₹ 40,000. (4 Marks)

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2. (a) From the following particulars, prepare a Bank Reconciliation Statement as on 31<sup>st</sup> December, 2022.
- (i) Debit balance (overdraft) shown by the pass book ₹ 2,48,000.
  - (ii) Cheques of ₹ 2,10,000 were issued in the last week of December, but of these ₹ 1,40,000 only were presented for payment.
  - (iii) A Cheque for ₹ 19,200 drawn for the payment of telephone bill had been entered in the cash book as ₹ 29,200 but was shown correctly in the bank statement.
  - (iv) A Cheque received of ₹ 37,520 entered twice in the Cash Book.
  - (v) A Cheque for ₹ 1,17,000 was issued for purchase of merchandise and was paid by the bank but not recorded in cash book.
  - (vi) Interest on overdraft and bank charges amounting to ₹ 3,500 were not entered in the Cash Book.
  - (vii) A Cheque for ₹ 45,000 was credited in the Pass Book but was not recorded in the Cash Book.
  - (viii) A bill of exchange for ₹ 26,200 which was discounted with bank, returned dishonored but no entry was made in the cash book.
  - (ix) Payment side of the Cash Book has been undercast by ₹ 12,000.

(8 Marks)

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- (b) ABC sports club had the following income and expenditure account for the year ended 31<sup>st</sup> Dec 2022.

**Income and Expenditure Account for the year ended 31 Dec 2022**

Particulars	Amount ₹	Particulars	Amount ₹
To Salaries	2,35,000	By Subscriptions	2,50,000
To Stationary Expenses	30,000	By Interest	90,000
To Rent and Taxes	5,000	By Donations	40,000
To Insurance	2,000	By Misc. Receipts	3,000
To Office Expenses	8,000		
To Depreciation			
Building	37,500		
Furniture	1,200		
Sports Equipment	1,000		
To Excess of Income over Expenditure	63,300		
	3,83,000		3,83,000

**Additional information:**

	31-12-2021 ₹	31-12-2022 ₹
Govt. securities	18,00,000	18,00,000
Subscription outstanding	70,000	1,00,000
Subscription received in advance	2,000	6,000
Salaries unpaid	10,000	15,000
Furniture	20,000	19,800
Land and Building	20,00,000	19,62,500
Sports Equipment	35,000	39,000
Stock of stationary	3,000	5,500

Cash in hand and Cash at bank as on 31-12-2021 is ₹ 1,08,000.

You are required to prepare Receipts and Payments Account for the period ending 31.12.2022 and Balance Sheet as on 31.12.2022.

(12 Marks)

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3. (a) R draws a bill of exchange on P for ₹ 2,00,000 on 1<sup>st</sup> July, 2022 for 4 months. P accepted the bill and sent it to R. R discounts the bill from his bankers for ₹ 1,88,000. R immediately remits ₹ 75,200 to P. On the due date, R, being unable to remit the amount due, accepts a bill for ₹ 2,50,000 for 4 months which is discounted by P for ₹ 2,36,250. P sends ₹ 56,700 to R. Before the bill is due for payment R becomes insolvent, his estate is paying fifty paise in the rupee.

Give the journal entries in the books of P. Also show R's account in P's books.

(10 Marks)

- (b) Mr. B and Mr. G had the following mutual dealings and allow each other one month's credit. At the end of three months the accounts rendered are as follow :

Date	Goods sold by Mr. B to Mr. G (₹)	Date	Goods sold by Mr. G to Mr. B (₹)
July 20	35,000	July 25	24,000
Aug 17	30,000	Aug 16	22,000
Sep 13	32,000	Sep 05	25,000

You are required to calculate the date upon which the balance should be paid so that no interest is due either to Mr. B or Mr. G (consider 20 Aug. as base date)

(5 Marks)

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

(i) From the following particulars prepare account current, as sent by Rose to Lily as on 31<sup>st</sup> March, 2023 by means of product method charging interest @ 6% p.a.

		₹
01/01/2023	Balance due from Lily	8,500
10/01/2023	Sold goods to Lily	14,700
15/01/2023	Purchased goods from Lily	10,200
20/01/2023	Goods returned by Lily	2,500
25/02/2023	Lily paid by cheque	9,500

(5 Marks)

**OR**

(ii) Mr. X consigned goods costing ₹ 1,50,000 to Mr. Y and spent ₹ 1,800 on insurance. Mr. Y received the goods and spent ₹ 2,000 on freight. He also spent ₹ 1,500 on godown rent. Mr. Y sent bank draft of ₹ 50,000 to Mr. X as advance payment and sent his Account sales showing that 4/5 of the goods had been sold for ₹ 1,40,000. Mr. Y is entitled to a commission of 8%. One of customers turned insolvent and could not pay ₹ 5,000 due from him. (Commission does not include del-credere).

Show the necessary journal entries in the consignee's book.

(5 Marks)

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4. (a) The following is the schedule of balances as on 31.03.23 extracted from the books of M/s RM & Co.

Particulars	Dr. ₹	Cr. ₹
Bank charges	24,000	
Buildings	9,00,000	
Capital A/c		19,48,000
Carriage Outwards	30,000	
Cash at bank	39,000	
Cash in hand	21,000	
Discount allowed	36,000	
Discount received		24,000
Drawings	1,80,000	
Electricity Charges	33,000	
Freight on purchases	18,000	
Furniture & fixtures	3,21,000	
General office expenses	45,000	
Insurance Premium	82,500	
Interest on loan	35,000	
Loan		6,00,000
Printing and Stationery	27,000	
Purchase Returns		39,000
Purchases	21,30,000	
Rent for Godown	82,500	

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Particulars	Dr. ₹	Cr. ₹
Salaries	1,65,000	
Sales		35,50,000
Sales Returns	63,000	
Stock on 1.4.2022	9,30,000	
Sundry Creditors		6,45,000
Sundry Debtors	12,90,000	
Vehicles	3,00,000	
Vehicles running expenses	54,000	
<b>TOTAL</b>	<b>68,06,000</b>	<b>68,06,000</b>

Prepare Trading and Profit & Loss Account for the year ended 31<sup>st</sup> March 2023 and the Balance Sheet as at that date after making provision for the following:

- (i) Value of stock as on 31.03.2023 is ₹ 4,10,000. This includes goods returned by customers on 31<sup>st</sup> March, 2023 to the value of ₹ 22,000 for which no entry has been passed in the books.
- (ii) Purchases include furniture purchased on 01.10.2022 for ₹ 30,000.
- (iii) Depreciate :
  - (1) Building by 5%
  - (2) Furniture and Fixtures by 10%
  - (3) Vehicles by 20%
- (iv) Sundry debtors include ₹ 35,000 due from Goku and Sundry creditors include ₹ 25,000 due to him
- (v) Provision for bad debts is to be maintained at 4% of Sundry Debtors.
- (vi) Insurance premium includes ₹ 42,000 paid towards proprietor's life insurance policy and the balance of the insurance charges cover the period from 1.05.2022 to 30.4.2023.

(15 Marks)

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(b) P, Q and R are the 3 partners in partnership firm. Partnership deed includes the following :

- (i) R is entitled to get salary of ₹ 10,000 p.a.
- (ii) P, Q and R are to get interest @ 6% on their respective capital of ₹ 2,50,000 ; ₹ 1,50,000 and ₹ 1,00,000.
- (iii) R is to get extra benefit of 10% of profit in excess of ₹ 50,000 after providing for (i) and (ii) mentioned above.
- (iv) Q is entitled to 10% of profits after providing all the amounts in para (i), (ii) and (iii) mentioned above.
- (v) The balance of profits will be shared by P, Q and R in ratio of 5 : 3 : 2.

The profits for the year before providing above items are ₹ 3,50,000.

You are required to prepare Profit and Loss Appropriation Account.

(5 Marks)

5. (a) X, Y and Z were partners sharing profit and losses in the ratio of 5: 3 : 2. Their Balance Sheet as on 31 March 2023 is as follows.

Balance Sheet as on 31 March 2023

Liabilities	Amount ₹	Assets	Amount ₹
Capital Accounts		Building	2,00,000
X	4,25,000	Machinery	3,50,000
Y	2,55,000	Debtors	1,95,000
Z	1,40,000	Stock	1,05,000
General Reserve	25,000	Bank	25,000
Trade Creditors	30,000		
	8,75,000		8,75,000

Y retired from the business on 1 April 2023 on the following terms:

- (i) To appreciate building by 20% and to depreciate machinery by 5%.
- (ii) Provision for doubtful debts is to create at 10%.

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- (iii) Goodwill of the firm is valued at 1,60,000 and Goodwill is not to be raised in the books of accounts. New profit sharing ratio will be 5:3.
- (iv) Entire sum payable to Y should be brought by X and Z in such a way to make their capital ratios according to new profit ratio. Balance of Y to be paid immediately.

You are required to prepare Revaluation Account, Partners Capital Accounts and Balance Sheet after retirement.

(10 Marks)

- (b) From the following transactions of a concern, prepare the Machinery Account for the year ending 31<sup>st</sup> Dec, 2022 :

01.01.21	Purchased a second – hand Machinery for ₹ 2,00,000
01.01.21	Spent ₹ 50,000 on repairs for making it serviceable
30.06.21	Purchased additional new Machinery for ₹ 3,50,000
30.06.21	Installation charge of new Machine ₹ 15,000
01.04.22	Repairs and maintenance of Machinery ₹ 30,000
30.06.22	Sold second hand Machinery purchased on 01.01.21 for ₹ 1,55,000
31.12.22	Depreciate the Machinery at 10% per annum by WDV method

(5 Marks)

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(c) Prepare a Triple Column Cash Book from the following transactions of G. Enterprises for the month of Jan 2023.

Date	Particulars	Amount ₹
01-01-2023	Cash in hand	14,500
	Cash at Bank	1,95,000
03-01-2023	Received from K	
	– Cash	7,300
	– Cheque	15,000
	Discount allowed to him	400
06-01-2023	Goods sold for cash	9,100
07-01-2023	Withdrew from bank by self-cheque	3,000
12-01-2023	Issued a cheque to B	10,590
	Discount received	410
14-01-2023	Received a cheque from R (in full settlement of her account ₹ 6,500) by cheque	6,350
17-01-2023	Withdrew from bank for personal use	15,000
18-01-2023	Paid electricity bill by cheque	5,000
20-01-2023	Cash purchases of stationary	1,200
31-01-2023	Deposit the entire cash in bank in excess of ₹ 10,000	

(5 Marks)

6. (a) A Ltd issued 25000 equity shares of ₹ 100 each at a premium of ₹ 25 per share payable as follows :

On Application ₹ 50

On Allotment ₹ 50 including premium, and

On Final Call ₹ 25

Applications were received for 29000 shares. Letter of regret were issued to applicants for 4000 shares and shares were allotted to all other applicants.

Mr. A, the holder of 150 shares, failed to pay the allotment and call money, the shares were forfeited.

Show the journal entries and cash book in the books of A Limited. (15 Marks)

(b) What are the sub-fields of Accounting? (5 Marks)

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Paper - 1  
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JUN 2023

24/06/2023 PNB  
5:07 PM

Roll No. ....

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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**:
- As per Concept of Conservatism the accountant should provide for all possible losses, but should not anticipate income.
  - Expenses in connection with obtaining a license for running the Cinema Hall are Revenue Expenditure.
  - Under or over – casting of a subsidiary book is an example of error of commission.
  - If Del-credere commission is paid to consignee, the loss of bad debts is to be borne by the consignor.
  - Perpetual debentures are payable at the time of liquidation of the company.
  - Overhead is defined as the total cost of direct material, direct wages and direct expenses.
- (6 × 2 = 12 Marks)

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(b) Briefly explain the following terms:

- (i) Materiality
- (ii) Conservatism
- (iii) Extraordinary item
- (iv) Floating Charge

(4 × 1 = 4 Marks)

(c) Enter the following transactions in Sales Book of Gurgaon Engineers, Gurgaon for January 2022 :

2022 January	
5	Sold to Praneet Electricals 10 pieces of microwaves @ ₹ 8,500/- each less trade discount 15%
10	Sold to Ajanta plaza 8 pieces of Mixer grinders @ ₹ 12,500/- each less trade discount 10%.
20	Sold to Naveen traders, 15 pieces of juicers @ ₹ 5,500/- each less trade discount 5%

(4 Marks)

2. (a) The following balances appear in the books of Dheeraj Enterprises :

	₹
Machinery account as on 01.04.2021	12,00,000
Provision for depreciation account as on 01.04.2021	4,65,000

On 1<sup>st</sup> October 2021 the Machinery which was purchased on 1<sup>st</sup> April 2018 for ₹ 2,00,000 was sold for ₹ 1,10,000 and on the same date another Machinery was purchased for ₹ 4,80,000. The firm has been charging depreciation at 10% p.a. on written down value of the Machinery every year. Prepare the Machinery account, Provision for Depreciation account and Machinery disposal account for the year ending 31<sup>st</sup> March 2022.

(10 Marks)

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**PNB**

- (b) From the following information prepare a Bank Reconciliation statement as on 31<sup>st</sup> March 2022 for A Ltd

		₹
	Bank overdraft as per cash book as 31 <sup>st</sup> March 2022	15,50,750
1.	Cheques deposited on 15 <sup>th</sup> February, 2022 credited on 5 <sup>th</sup> April, 2022	12,50,000
2.	Interest debited by bank on 31 <sup>st</sup> March, 2022	1,75,500
3.	Cheques issued before 31 <sup>st</sup> March, 2022 but not yet presented	7,75,000
4.	On 10 <sup>th</sup> March, 2022 bank credited to A Ltd in error	1,50,000
5.	Draft deposited in bank but not credited till 31 <sup>st</sup> March, 2022	12,75,000
6.	Bills for collection credited by bank but no advice received by the company	9,45,000
7.	Bank charges charged by bank not entered in cash book	2,85,000
8.	Transport subsidy received from the state government directly by the bank not advised to the company	17,50,000

(5 Marks)

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**PNB**

- (c) The Profit and Loss account of Ram showed a net profit of ₹ 5,75,000 after considering the closing stock of ₹ 2,55,000 on 31<sup>st</sup> March 2022. Subsequently the following information was obtained from scrutiny of the books.
- (i) Purchases for the year included ₹ 10,500 paid for electrical fittings of the shop.
  - (ii) Ram gave goods worth of ₹ 25,000 as free samples for which no entry was made.
  - (iii) Invoices for goods amounting to ₹ 1,85,000 have been entered on 29<sup>th</sup> March 2022 but were not included in the stock.
  - (iv) Sales amounting to ₹ 2,05,000 were dispatched on 27<sup>th</sup> March but were included in sales of April, 2022.
  - (v) Goods costing ₹ 55,000 were sent on sale or return basis in March 2022 at a margin of profit of  $33\frac{1}{3}\%$  on cost. Approval was given in April 2022 but these were considered as sales in March, 2022.

Calculate the value of stock on 31<sup>st</sup> March 2022 and the adjusted net profit for the year ended 2022. (5 Marks)

3. (a) Akbar & Sons of Surat consigned 500 toys to Amar & Sons of Ahmadabad at a cost of ₹ 800 each. Consignor paid freight ₹ 8,000 and insurance ₹ 2,500. During transit, 30 toys were totally damaged. Amar & Sons took delivery of remaining toys and paid ₹ 14,100 as local taxes. Amar & Sons sent a bank draft to Akbar & Sons for ₹ 80,000 as advance payment and later sent an account sale showing that 400 toys had been sold at ₹ 1,500 each. Amar & Sons incurred expenses on godown rent amounting to ₹ 3,500. Amar & Sons was entitled to commission of 6%. One of the credit customers could not pay for 10 toys and nothing was recovered from insurers due to a defect in the policy.

You are required to prepare Consignment Account of Amar & Sons Account in the books of Akbar & Sons. (10 Marks)

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(b) Journalise the following transactions in the books of Karthik :

- (i) Karthik accepted a bill to Balu for ₹ 3,500 discharged by a cash payment of ₹ 1,500 and a new bill for the balance plus ₹ 75 for interest.
- (ii) Gopal acceptance for ₹ 4,500 which was endorsed by Karthik to Mohan was dishonoured. Mohan paid ₹ 50 as noting charges. Bill was withdrawn against cheque.
- (iii) Doshi retires a bill for ₹ 2,500 drawn on him by Karthik for ₹ 25 discount.
- (iv) Karthik's acceptance to Prem for ₹ 6,500 discharged by Prem. Ashok's acceptance to Karthik for a similar amount.

(5 Marks)

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

- (i) Seeta and Geeta are two partners in the firm, have drawn the following amounts from the firm during the year ended 31<sup>st</sup> March 2023 :

Date	Amount	Drawn By
01.04.2022	53,000	Seeta
14.09.2022	20,000	Geeta
20.11.2022	35,000	Seeta
16.01.2023	25,000	Seeta
31.03.2023	22,000	Geeta

Interest is charged @12% p.a. on all drawings. Calculate interest chargeable from each partner by using average due date system.

For calculation of average due date Consider 1<sup>st</sup> April, 2022 as base date and 1 year = 365 days.

(5 Marks)

**OR**

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- (ii) Meera Enterprises sales goods on 'sales or return basis' to few customers. All such transactions are booked as actual sales. On 31<sup>st</sup> March 2022 the trade receivable balance stood at ₹ 1,10,000 which included ₹ 10,000 goods sent on approval against which no intimation was received during the year. These goods were sent out at 25% over and above cost price to Mr. Arun.

Mr. Arun sent intimation of acceptance for ₹ 6,000 goods on 15<sup>th</sup> April 2022 and balance goods returned.

Make the adjustment entries and show how these items will appear in the Balance Sheet on 31<sup>st</sup> March, 2022. Also show the entries to be made during April, 2022. Value of closing inventories as on 31<sup>st</sup> March, 2022 was ₹ 70,000.

(5 Marks)

4. (a) 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 ₹	Payments	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
	1,28,500		1,28,500

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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)

- (b) X and Y were partners in a firm, sharing profit and losses in the ratio of 3 : 2. They admit Z for  $\frac{1}{6}$ th share in profits and guaranteed that his share of profits will not be less than 50,00,000. Total profits of the firm for the year ended 31<sup>st</sup> March, 2022 were 1,80,00,000.

Calculate share of profit for each partner when :

- (i) Guarantee is given by firm  
(ii) Guarantee is given by A and B equally. (5 Marks)

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5. A, B and C were trading in partnership sharing profits and losses in the proportion of 4:3:3. The balances in the books of the firm as on 31<sup>st</sup> December, 2022 subject to final adjustment were as under:

	Debit	Credit
	Amount	Amount
	₹	₹
Capital Accounts		
A		2,25,000
B		1,12,500
C		1,35,000
Current Account		
A	36,000	
B	54,000	
C	54,000	
Land and Building	1,80,000	
Furniture and Fixtures	33,750	
Stock	2,81,250	
Debtors	45,000	
Bank Account	90,000	
Profit for the year before charging interest		2,34,000
Creditors		67,500
Total	7,74,000	7,74,000

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**PNB**

Regarding Goodwill may be made separately, instead of through Revaluation Account C died on 30<sup>th</sup> June, 2022. The Partnership deed provided that:

- (a) Interest was credited on Capital Account of Partners as @ 12% per annum on the balance at the beginning of the year.
- (b) On the death of partner
  - (i) Goodwill was to be valued at three years purchase of average annual profits of three years up to the death, after deducting interest on capital employed at 10% p.a. and a fair remuneration for each of the partners.
  - (ii) Fixed assets were to be valued by an independent valuer and all other assets and liabilities to be taken at book value, and
- (c) Whenever necessary, profit or loss should be apportioned on a time basis. You ascertain that:
  - (i) Profit for three years, before charging partners' interest were:

2019	2,52,000
2020	2,83,500
2021	2,70,000

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**PNB**

(ii) The independent valuation on the date of death revealed:

Land and Building            ₹ 2,25,000

Furniture and Fixtures       ₹ 22,500

(iii) For valuation of goodwill a fair remuneration for each of the partners would be ₹ 56,250 per annum and that the capital employed in the business to be taken as ₹ 5,85,000 throughout.

It was agreed between the partners that :

- (1) Goodwill was not be shown as an asset of the firm as on 31<sup>st</sup> December, 2022. Therefore, adjustment for goodwill was to be made in Capital Accounts.
- (2) The amount due to C's Estate was to remain as loan with the firm carrying interest at 12% p.a.
- (3) A and B would share profits equally from the date of death of C.
- (4) Depreciation on revised value of assets would be ignored.

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( 11 )

**PNB**

You are required to prepare:

- (A) Partners' Capital Account and Current Account; and  
(B) Balance Sheet of the firm as on 31<sup>st</sup> December, 2022.

Working should be done correct to the nearest rupee.

(20 Marks)

6. (a) BP Limited issued a prospectus inviting applications for 1,20,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share payable as follows :

On Application — ₹ 3 per share

On Allotment — ₹ 5 per share (including premium)

On First and Final Call — ₹ 4 per share

Applications were received for 3,60,000 equity shares. Applications for 80,000 shares were rejected and the money refunded. Shares allotted to remaining applications as follows:

Category	No. of shares Applied	No. of shares Allotted
I	1,60,000	80,000
II	1,20,000	40,000

**PNB**

**P.T.O.**

( 12 )

**PNB**

Excess money received with applications was adjusted towards sums due on Allotment and the balance amount returned to the applicants. All calls were made duly received except the final call by a shareholder belonging to Category I who has applied for 680 shares. His shares were forfeited. The forfeited shares were reissued at ₹ 13 per share fully paid-up.

Pass necessary journal entries for the above transactions in the books of BP Ltd. Open call in arrears account whenever required.

(15 Marks)

(b) What are the importance of Journal?

(5 Marks)

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**PNB**

SEAL

Foundation XXXXXXXXXX  
Paper - 1  
Principles and Practice  
of Accounting

RTS

14/12/2022  
7:00 P.M.

DEC 2022

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, 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** :
- The financial statements are not prepared on the assumption that an enterprise is a going concern and will continue its operation for the foreseeable future.
  - Periodic inventory system is a method of ascertaining inventory by taking an actual physical count.
  - The provision for discount on creditors is often not provided in keeping with the principle of conservatism.
  - If the errors are detected after preparing trial balance, then all the errors are rectified through suspense account.
  - Both revenue and capital nature transactions are recorded in the Receipts and Payments Account.
  - A fixed charge generally covers all the assets of the company including future one. (6 × 2 = 12 Marks)
- (b) Differentiate between Provisions and Contingent Liabilities. (4 Marks)

RTS

P.T.O.

SEAL



(2)

**RTS**

- (c) A purchased a machinery for ₹ 1,30,000 on 1<sup>st</sup> April, 2019 and paid ₹ 20,000 for freight & installation charges. On 1<sup>st</sup> October, 2021 another machine was purchased for 50,000 and sold old machinery for ₹ 1,00,000. The machine purchased on 1<sup>st</sup> October, 2021 was installed on 1<sup>st</sup> January, 2022.

Under existing practice, the company is charging depreciation @ 20% p.a. on the original cost. However, from 1<sup>st</sup> April, 2021 it decided to adopt WDV method and charge depreciation @15% p.a. You are required to prepare Machinery Account from 1<sup>st</sup> April, 2019 to 31<sup>st</sup> March, 2022. (4 Marks)

2. (a) The cash book of Mr. Karan shows ₹ 2,60,400 as the balance of bank as on 31<sup>st</sup> December, 2021 but you find that it does not agree with the balance as per the bank pass book. On analysis, you found the following discrepancies :
- (i) On 15<sup>th</sup> December, 2021 the payment side of the cash book was overcast by ₹ 10,000.
  - (ii) A Cheque for ₹ 1,18,000 issued on 6<sup>th</sup> December, 2021 was not taken in the bank Column.
  - (iii) On 20<sup>th</sup> December, 2021 the debit balance of ₹ 8,460 as on the previous day, was brought forward as credit balance in the cash book.
  - (iv) Of the total cheques amounting to ₹ 12,370 drawn in the last week of December 2021, cheques aggregating ₹ 9,360 were encashed in December, 2021.
  - (v) Dividends of ₹ 35,000 collected by the bank and fire insurance premium of ₹ 7,900 paid by the bank were not recorded in the cash book.
  - (vi) A Cheque issued to a creditor of ₹ 1,75,000 was recorded twice in the cash book.
  - (vii) Bill for collection amounting to ₹ 53,000 credited by the bank on 21<sup>st</sup> December, 2021 but no advice was received by Mr. Karan till 31<sup>st</sup> December, 2021.
  - (viii) A Customer, who received a cash discount of 3% on his account of ₹ 60,000 paid a cheque on 10<sup>th</sup> December, 2021. The cashier erroneously entered the gross amount in the bank column of the cash book.

You are required to prepare the bank reconciliation statement as on 31<sup>st</sup> December, 2021. (10 Marks)

**RTS**

( 3 )

**RTS**

(b) Before preparation of the Trial Balance, the following errors were found in the books of Hare Rama & Sons. Give the necessary entries to correct them.

- (i) Minor Repairs made to the building amounting to ₹ 1,850 were debited to the Building Account.
- (ii) An amount of ₹ 3,000 due from Shayam Lal, which had been written off as bad debts in the previous year, recovered in the current year, and had been posted to the personal Account of Shayam Lal.
- (iii) Furniture purchased for office use amounting to ₹ 20,000 has been entered in the purchase day book.
- (iv) Goods purchased from Ram Singh amounting to ₹ 8,000 have remained unrecorded so far.
- (v) College fees of proprietor's son, ₹ 15,000 debited to the Audit fees Account.
- (vi) Receipt of ₹ 4,500 from Meet Kumar credited to the Pinki Rani.
- (vii) Goods amounting to ₹ 6,200 had been returned by a customer and were taken in to inventory, but no entry was made in the books.
- (viii) ₹ 1500 paid for wages to workmen for making office furniture had been charged to wages account.
- (ix) Salary paid to a clerk ₹ 12,000 has been debited to his personal Account.
- (x) A purchase of goods from Raghav amounting to ₹ 20,000 has been wrongly entered through the sales book. (10 Marks)

3. (a) T draws on J a bill of exchange for ₹ 1,80,000 on 1<sup>st</sup> April, 2022 for 3 months. J accepts the bill and sends it to T, who gets it discounted from his banker for ₹ 1,72,800. T immediately remits ₹ 57,600 to J. On the due date, T, being unable to remit the amount due, accepts a bill for ₹ 2,52,000 for three months, which is discounted by J from his banker for ₹ 2,40,660. J sends ₹ 40,440 to T. Before the maturity of the bill, T becomes bankrupt and his estate paying fifty paise in a rupee. Give the journal entries in the books of T and J. (15 Marks)

**RTS**

P.T.O.

(4)

**RTS**

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

(i) The following are the transactions that took place between G and H during the period from 1<sup>st</sup> October, 2021 to 31<sup>st</sup> March, 2022 :

2021		Amount (₹)
Oct. 1	Balance due to G by H	4,500
Oct. 18	Goods sold by G to H	3,750
Nov. 16	Goods sold by H to G (invoice dated November, 26)	6,000
Dec. 7	Goods sold by H to G (invoice dated December, 17)	5,250
2022		
Jan. 3	Promissory note given by G to H, at three months	7,500
Feb. 4	Cash paid by G to H	1,500
Mar. 21	Goods sold by G to H	6,450
Mar. 28	Goods sold by H to G (invoice dated April, 8)	4,050

Draw up an account current up to March 31<sup>st</sup>, 2022 to be rendered by G to H, charging interest at 10% per annum.

Interest is to be calculated to the nearest rupee.

(5 Marks)

Or

(ii) A trader allows his customers, credit for one week only, beyond which he charges interest@ 12% per annum. D, a customer buys goods as follows :

Date of Transaction	Amount (₹)
January 2, 2022	60,000
January 28, 2022	55,000
February 17, 2022	70,000
March 4, 2022	42,000

D settles his account on 31<sup>st</sup> March, 2022. Calculate the amount of interest payable by D, using average due date method. Assume 9<sup>th</sup> January, 2022 as the base date.

(5 Marks)

**RTS**

( 5 )

**RTS**

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

Their Balance Sheet as at 31<sup>st</sup> March, 2022 is as follows :

Liabilities	Amount (₹)	Assets	Amount (₹)
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
	<u>3,00,000</u>		<u>3,00,000</u>

On 1<sup>st</sup> April, 2022 they decided to admit Z into the partnership giving him 1/5<sup>th</sup> 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, ₹ 2400 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 ₹ 1200 only.

**RTS**

P.T.O.

(6)

**RTS**

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.

(10 Marks)

(b) The Income and Expenditure Account of the Young Boys Club for the year 2022 is as follows :

Expenditure	Amount (₹)	Income	Amount (₹)
To Salaries	3,750	By Subscription	8,500
To General Expenses	1,500	By Entrance Fees	250
To Audit fees	250	By Contribution for	
To Secretary's Honorarium	1,000	Annual Dinner	1,000
To Stationery and Printing	450	By Annual sports	
To Annual Dinner expenses	1,500	meet receipts	750
To Interest and Bank Charges	150		
To Dépreciation	400		
To Surplus	1,500		
	<hr/> 10,500 <hr/>		<hr/> 10,500 <hr/>

**RTS**

(7)

**RTS**

This Account has been prepared after the following adjustments :

	Amount (₹)
Subscription outstanding on 31 <sup>st</sup> December, 2021	700
Subscription received in advance on 31 <sup>st</sup> December, 2021	550
Subscription received in advance on 31 <sup>st</sup> December, 2022	370
Subscription outstanding on 31 <sup>st</sup> December, 2022	750

Salaries outstanding at the beginning and at the end of 2022 were respectively ₹ 600 and ₹ 450. General Expenses include insurance prepaid to the extent of ₹ 150. Audit fee for 2022 is still unpaid. During 2022 audit fee for 2021 was paid amounting to ₹ 200.

The club owned a freehold lease of ground valued at ₹ 20,000. The club had sports equipment on 1<sup>st</sup> January, 2022 valued at ₹ 2600. At the end of the year, after depreciation, the balance of equipment amounted to ₹ 3,600. In 2021, the club raised a bank loan of ₹ 5,000, This was outstanding throughout 2022. On 31<sup>st</sup> December, 2022 cash in hand amounted to ₹ 1600.

You are required to prepare :

- (i) Receipts and Payments Account for 2022
- (ii) Balance Sheet as on 31<sup>st</sup> December, 2022
- (iii) Balance Sheet as on 31<sup>st</sup> December, 2021.

(10 Marks)

**RTS**

P.T.O.

(8)

**RTS**

5. (a) 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)

- (b) R and S are partners in a firm with a capital of 14,00,000 and 12,00,000 respectively. During the year ended on 31<sup>st</sup> March, 2022 firm earned a profit of ₹ 6,50,000. Assuming that the normal rate of return is 20%. Calculate the amount of Goodwill of the firm by using
- Capitalization method
  - Super Profit method, if the goodwill is valued at 6 years purchase of super profits.

(5 Marks)

**RTS**

(9)

**RTS**

(c) The balance sheet of S on 1<sup>st</sup> April, 2021 was as follows :

Particulars	Amount (₹)	Particulars	Amount (₹)
Trade Payables	6,50,000	Furniture and Fixtures	6,50,000
Expenses Payable	75,000	Vehicle	2,75,000
Capital	22,00,000	Trade Receivable	11,00,000
		Cash at Bank	4,75,000
		Inventories	4,25,000
	<u>29,25,000</u>		<u>29,25,000</u>

During 2021–22, his profit and Loss Account revealed a net profit of ₹ 6,70,000. This was after allowing for the following :

- (i) Commission paid to selling agent ₹ 65,000
- (ii) Discount received from creditors ₹ 75,000
- (iii) Purchased a vehicle of ₹ 50,000 on 31<sup>st</sup> March, 2022
- (iv) Depreciation on Furniture and Fixtures @ 10% and on Vehicle @ 20%
- (v) A provision for doubtful debts @ 3% of the trade receivables as at 31<sup>st</sup> March, 2022

But while preparing the Profit and Loss Account he had forgotten to provide for

- (1) prepaid expenses ₹ 15,000 and
- (2) outstanding commission ₹ 35,000.

**RTS**

**P.T.O.**



( 10 )

**RTS**

His current assets and liabilities on 31<sup>st</sup> March, 2022 were: Inventories ₹ 6,50,000. Trade Receivables 13,00,000 (before provision for doubtful debts), cash at Bank 5,50,000 and Trade Payables ₹ 1,46,000.

During the year he introduced further capital of ₹ 3,00,000 into the business.

You are required to prepare the balance sheet as at March 31, 2022. (10 Marks)

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 re-issued to Mr. L as fully paid up at a discount of ₹ 1 per share.

Pass necessary journal entries in the books of PQR Limited. Also prepare balance sheet and notes to accounts of the company. (15 Marks)

- (b) "The cost of Property, Plant and Equipment comprises of any cost directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in a manner intended by the enterprise". Give any five examples of such 'directly attributable costs'. (5 Marks)

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**RTS**

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

QEM

MAY 2022

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, 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**:
- A claim that an enterprise is pursuing through legal process, where the outcome is uncertain, is a Contingent Liability.
  - At the end of the accounting year, all the nominal accounts of the ledger book are balanced.
  - The specific due date excludes the addition of grace days to arrive at the due date.
  - Any amount spent for replacement of worn out part of a machine is capital expenditure.
  - Debentures Suspense Account appears on the Liability side of the Balance Sheet of a Company.
  - If the errors are detected after preparing trial balance, then all the errors are rectified through suspense account.

(6 × 2 = 12 Marks)

QEM

P.T.O.

( 2 )

**QEM**

(b) Briefly explain the following Concepts of Accounting :

(4 Marks)

- (i) Money Measurement Concept
- (ii) Periodicity Concept.

(c) One of your clients Mr. X asked you to finalize his account for the year ended 31<sup>st</sup> March, 2022. As a basis for audit, Mr. X furnished you with the following statement :

	Dr.	Cr.
X's Capital		4,668
X's Drawings	1,692	
Leasehold Premises	2,250	
Sales		8,250
Due from customers		1,590
Purchases	3,777	
Purchase Return	792	
Loan from Bank		768
Trade Expense	2,100	
Trade Payable	1,584	
Bills Payable	300	
Salaries and Wages	1,800	
Cash at Bank	678	
Opening Inventory		792
Rent and Rates	1,389	
Sales Return		294
	16,362	16,362

The closing inventory was ₹ 1,722. Mr. X claims that he has recorded every transaction correctly as the trial balance is tallied. Check the accuracy of the above trial balance and give reasons for the errors, if any. (4 Marks)

**QEM**

( 3 )

**QEM**

2. (a) The Machinery Account of a Factory showed a balance of ₹ 95 Lakhs on 1<sup>st</sup> April, 2020. The Books of Accounts of the Factory are closed on 31<sup>st</sup> March every year and Depreciation is written off @ 10% per annum under the Diminishing Balance Method. On 1<sup>st</sup> September, 2020 a new machine was acquired at a cost of ₹ 14 Lakhs and ₹ 44,600 was incurred on the same day as installation charges for erecting the machine. On 1<sup>st</sup> September, 2020 a machine which had cost ₹. 21,87,000 on 1<sup>st</sup> April, 2018 was sold for ₹ 3,75,000. Another machine which had cost ₹ 21,85,000 on 1<sup>st</sup> April, 2019 was scrapped on 1<sup>st</sup> September, 2020 and it realized nothing.

Prepare the Plant and Machinery Account for the year ended 31<sup>st</sup> March, 2021. Allow the same rate of depreciation as in the past and calculate depreciation to the nearest multiple of a rupee. Also show all the necessary working notes.

(10 Marks)

- (b) Zed Enterprises furnishes the following information for the year ended 31<sup>st</sup> March, 2021.

Particulars	Amount (₹)
Value of Stock as on 1 <sup>st</sup> April, 2020	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:

- (i) At the time of valuing stock on 31<sup>st</sup> March, 2020 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 31<sup>st</sup> March, 2021 for ₹ 6,40,000.
- (ii) Except for the above transaction, the Rate of Gross Profit during the year was 1/3<sup>rd</sup> on cost.

Ascertain the value of Stock as on 31<sup>st</sup> March, 2021.

(5 Marks)

**QEM**

P.T.O.

(4)

**QEM**

- (c) From the following particulars, prepare a Bank Reconciliation Statement on 31<sup>st</sup> March, 2021:

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)

3. (a) M of Mumbai sent on consignment, goods valued ₹ 4,00,000 to A of Agra on 1<sup>st</sup> March, 2020. He incurred the expenditure of ₹ 48,000 on freight and insurance. M's accounting year closes on 31<sup>st</sup> December. A was entitled to a commission of 5% on gross sales plus a del-credere commission of 3%. A took delivery of the consignment by incurring expenses of ₹ 12,000 for the goods consigned.

On 31/12/2020, A informed on phone that he had sold all the goods for ₹ 6,00,000 by incurring selling expenses of ₹ 8,000. He further informed that only ₹ 5,92,000 had been realized and rest was considered irrecoverable, and would be sending the cheque in a day or so for the amount due along with the accounts sale.

On 5/1/2021, M received the cheque for the amount due from A and incurred bank charges of ₹ 1,040 for collecting the cheque. The amount was credited by the bank on 9/1/2021.

Write up the consignment account finding out the profit/loss on the consignment and A's account in the books of M.

(10 Marks)

**QEM**

( 5 )

**QEM**

- (b) P sends out goods on approval to few customers and includes the same in the Sales Account. On 31.3.2021, the Trade receivables balance stood at ₹ 3,00,000 which included ₹ 21,000 goods sent on approval against which no intimation was received during the year. These goods were sent out at 25% over and above cost price and were sent to Mr. A ₹ 12,000 and Mr. B ₹ 9,000.

Mr. A sent intimation of acceptance on 30<sup>th</sup> April and Mr. B returned the goods on 10<sup>th</sup> April, 2021.

Make the adjustment entries and show how these items will appear in the Balance Sheet on 31<sup>st</sup> March, 2021. Also show the entries to be made during April, 2021. Value of closing inventories as on 31<sup>st</sup> March, 2021 was ₹ 1,80,000.

(5 Marks)

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

- (i) The following particulars are sent by Mr. A to Mr. K:

Date	Particulars	Amount (₹)
15/7/2021	Balance due from Mr. K	6,000
20/8/2021	Sold goods to Mr. K	10,000
25/8/2021	Goods returned by Mr. K	1,600
15/9/2021	Cheque paid by Mr. K	6,400
20/10/2021	Cash received from Mr. K	4,000

Prepare an Account Current as sent by Mr. A to Mr. K as on 31<sup>st</sup> October, 2021 by means of product method charging interest @ 8% per annum. Round off the amounts to the nearest rupee.

(5 Marks)

**OR**

**QEM**

**P.T.O.**

(6)

**QEM**

(ii) Mr. X gives the following particulars in respect of business carried on by him:

Particulars	Amount (₹)
Capital Invested in business	9,00,000
Market rate of interest on investment	8%
Rate of risk return on capital invested in business	3%
Remuneration per annum from alternative employment of proprietor if he was not engaged in business	36,000

The business earned profits of ₹ 2,40,000, ₹ 2,16,000 and ₹ 3,00,000 in the years 2018, 2019 and 2021 respectively but made a loss of ₹ 36,000 in the year 2020.

Compute the value of Goodwill on the basis of 6 years' purchase of super profits of the business, calculated on the basis of average profit of last four years.

(5 Marks)

4. (a) The following is the Receipts and Payments Account of Mumbai Club for the year ended March 31, 2021:

**Receipt and Payment Account of Mumbai Club**

Receipts	Amount (₹)	Payments	Amount (₹)
Cash in hand	20,000	Ground man's Fcc	75,000
Balance at Bank as per Pass Book:		Purchase of Equipments	1,55,000
Saving Account	1,93,000	Rent of Ground	25,000
Current Account	60,000	Club night expenses	38,000
Bank Interest	5,000	Printing and Office Expenses	30,000
Donations and Subscriptions	2,50,000	Repairs to Equipment	50,000
Entrance fees	18,000	Honorarium to Secretary (2019-20)	40,000
Contribution to Club night	10,000	Balance at Bank as per Pass Book:	
Sale of Equipment	8,000	Saving Account	2,04,000
Bar Room receipts	20,000	Current Account	20,000
Proceeds from club night	78,000	Cash in hand	25,000
	6,62,000		6,62,000

**QEM**

(7)

**QEM**

You are given the following additional information (All figures are in ₹)

	01.04.20	31.03.21
Subscription due	15,000	10,000
Amount due for printing etc.	10,000	8,000
Cheques unrepresented being payment for repairs	30,000	25,000
Interest not yet entered in the Pass book	—	2,000
Estimated value of machinery and equipment.	80,000	1,75,000

For the year ended March 31, 2021, the honorarium to the Secretary is to be increased by a total of ₹ 20,000 and Ground man is to receive a bonus of ₹ 20,000. Prepare the Income and Expenditure Account for period ended 31<sup>st</sup> March, 2021 and the Balance Sheet as at that date.

(10 Marks)

- (b) X, Y and Z are partners sharing profits and losses in the ratio of 1:2:3. Their Balance Sheet as on 31<sup>st</sup> March, 2021 was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
<u>Capitals:</u>		Building	2,50,000
X	1,75,000	Machinery	3,37,500
Y	2,50,000	Debtors	3,25,000
Z	4,00,000	Stock	4,00,000
General Reserve	3,00,000	Bank	62,500
Trade Creditors	2,50,000		
Total	13,75,000	Total	13,75,000

**QEM**

P.T.O.



( 8 )

**QEM**

Z retired from business on 1<sup>st</sup> April, 2021 on the following terms:

- (i) Building to be appreciated by 25%.
- (ii) X and Y to bring in additional capital of ₹ 5,00,000 each.
- (iii) Machinery to be depreciated by 10%.
- (iv) Stock is revalued at ₹ 3,72,250.
- (v) Provision for Doubtful Debts to be created at 4%.
- (vi) Goodwill was to be valued at 3 Years' purchase of average profits of past 3 years. The profits of past 3 years were ₹ 2,75,000, ₹ 2,50,000 and ₹ 1,95,000 respectively.
- (vii) Goodwill was not to be raised in the Books of Accounts.
- (viii) Balance payable to Z was to be paid immediately.

Prepare Revaluation Account, Bank Account and Partners' Capital Accounts after giving effect to Z's retirement. Also show the valuation of Goodwill and pass a Journal Entry for adjustment of Goodwill.

(10 Marks)

**QEM**

( 9 )

**QEM**

5. The following is the trial balance of Mr. B for the year ended 31<sup>st</sup> March, 2021:

Particulars	Dr.	Particulars	Cr.
Opening Stock:		Sundry Creditors	1,75,000
Raw Material	5,25,000	Purchase Return	17,500
Finished Goods	2,62,500	Capital	3,50,000
Purchase of Raw Material	17,50,000	Bills Payable	84,000
Land & Building	3,50,000	Long Term Loan	7,00,000
Loose Tools	1,05,000	Provision for bad and doubtful debts	7,000
Plant and Machinery	1,05,000	Sales	29,75,000
Investments	87,500	Bank Overdraft	80,500
Cash in Hand	70,000		
Cash at Bank	17,500		
Furniture and Fixtures	52,500		
Bills Receivables	52,500		
Sundry Debtors	1,40,000		
Drawings	70,000		
Salaries	70,000		
Coal and Fuel	52,500		
Factory rent and rates	70,000		
General Expenses	14,000		
Advertisement	17,500		
Sales Return	35,000		
Bad Debts	14,000		
Direct Wages (Factory)	2,80,000		
Power	1,05,000		
Interest paid	24,500		
Discount allowed	10,500		
Carriage inwards	52,500		
Carriage outwards	24,500		
Commission paid	17,500		
Dividend paid	14,000		
	43,89,000		43,89,000

**QEM**

P.T.O.

( 10 )

**QEM**

Additional Information:

- (i) Stock of finished goods at the end of the year was ₹ 3,50,000.
- (ii) A provision for doubtful debts is to be created @ 5% on Sundry Debtors. Provide Depreciation on building ₹ 3,500 and Machinery ₹ 10,500.
- (iii) Accrued commission is ₹ 43,750. Interest has accrued on investment ₹ 52,500.
- (iv) Salary Outstanding is ₹ 7,000 and Prepaid Interest is ₹ 5,250.

You are required to prepare Manufacturing, Trading and Profit & loss account for the year ended 31<sup>st</sup> March, 2021 and Balance Sheet as at that date.

(20 Marks)

6. (a) A Limited issued 20,000 Equity shares of ₹ 10 each at a premium of 10%, payable ₹ 2 on application; ₹ 4 on allotment (including premium); ₹ 2 on first call and balance on the final call. All the shares were fully subscribed. Mr. M who held 2000 shares paid full remaining amount on first call itself. The final call which was made after 4 months from the first call was fully paid except a shareholder having 200 shares and one another shareholder having 100 shares. They paid their due amount after 3 months and 4 months respectively along with interest on calls in arrears. Company also paid interest on calls in advance to Mr. M. The Company maintains Calls in Arrear and Calls in Advance A/c. Give journal entries to record these transactions. Show workings of Interest calculation. (Ignore dates).

(15 Marks)

- (b) What is petty cash book? Write it's any two advantages.

(5 Marks)

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**QEM**

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

HQV

DEC 2021

Ans.  
13/12  
5.30 PM

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, 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**:
- Any amount spent to minimize the working expenses is revenue expenditure.
  - Expenses incurred on the repairs for the first time on purchase of an old building are capital expenditure.
  - The provision for bad debts is debited to sundry debtors account.
  - Non-participating preference shareholders enjoy voting rights.
  - There is no entry passed by the consignee in his books for the remaining stock of goods lying with him.
  - Discount column of the cash book is never balanced.

(6 × 2 = 12 Marks)

HQV

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(2)

**HQV**

(b) The following are the details of the spare parts of an Oil Mill:

1-1-2021	Opening Inventory	Nil
1-1-2021	Purchases	10 units @ ₹ 300 per unit
15-1-2021	Issued for consumption	5 units
1-2-2021	Purchases	20 units @ ₹ 400 per unit
15-2-2021	Issued for consumption	10 units
20-2-2021	Issued for consumption	10 units

Find out the value of Inventory as on 31-3-2021, if the company follows Weighted Average Method. (4 Marks)

(c) Explain the followings:

- (i) Accrual Basis of Accounting
- (ii) Amortisation
- (iii) Contingent Assets
- (iv) Contingent Liabilities

(4 Marks)

2. (a) From the following information, draw up a Trial Balance in the books of Shri M as on 31<sup>st</sup> March, 2021:

Particulars	Amount (₹.)	Particulars	Amount (₹.)
Capital	1,40,000	Purchases	36,000
Discount Allowed	1,200	Carriage Inward	8,700
Carriage Outwards	2,300	Sales	60,000

**HQV**



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**HQV**

Return Inward	300	Return Outwards	700
Rent and Taxes	1,200	Plant and Machinery	80,700
Stock on 1 <sup>st</sup> April 2020	15,500	Sundry Debtors	20,200
Sundry Creditors	12,000	Investments	3,600
Commission Received	1,800	Cash in Hand	100
Cash at Bank	10,100	Motor Cycle	34,600
Stock on 31 <sup>st</sup> March 2021	20,500		

(5 Marks)

- (b) On 1st January, 2019 Kohinoor Transport Company purchased a Bus for ₹. 8,00,000. On 1st July, 2020 this bus was damaged due to fire and was completely destroyed and ₹. 6,00,000 were received by a cheque from the Insurance Company in full settlement on 1<sup>st</sup> October, 2020. On 1<sup>st</sup> July, 2020 another Bus was purchased by the company for ₹. 10,00,000.

The Company charges Depreciation @ 20% per annum under the WDV Method. Calculate the amount of depreciation for the year ended 31<sup>st</sup> March 2021 and gain or loss on the destroyed Bus.

(5 Marks)

- (c) According to the cash-book of G, there was a balance of ₹ 4,45,000 in his bank on 30<sup>th</sup> June, 2021. On investigation you find that :
- Cheques amounting to ₹ 60,000 issued to creditors have not been presented for payment till the date.
  - Cheques paid into bank amounting to ₹1,10,500, out of which cheques amounting to ₹ 55,000 only collected by the bank up to 30<sup>th</sup> June 2021.
  - A dividend of ₹ 4,000 and rent amounting to ₹ 60,000 received by the bank and entered in the pass-book but not recorded in the cash book.

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( 4 )

**HQV**

- (iv) Insurance premium (up to 31<sup>st</sup> December, 2021) paid by the bank ₹ 2,700 not entered in the cash book.
- (v) The payment side of the cash book had been under cast by ₹ 500.
- (vi) Bank charges ₹ 150 shown in the pass book had not been entered in the cash book.
- (vii) A bill payable of ₹ 20,000 had been paid by the bank but was not entered in the cash book and bill receivable for ₹ 6,000 had been discounted with the bank at a cost of ₹ 100 which had also not been recorded in cash book.

You are required:

- (1) To make the appropriate adjustments in the cash book, and
- (2) To prepare a statement reconciling it with the bank pass book.

(10 Marks)

3. (a) On 12<sup>th</sup> May, 2020 A sold goods to B for ₹. 36,470 and drew upon the later two bills one for ₹. 16,470 at one month and the other for ₹. 20,000 at three months. B accepted both the bills.

On 5<sup>th</sup> June, 2020 A sent both the bills to his banker for collection on the due dates. The first bill was duly met. But due to some temporary financial difficulties, B failed to honour the second bill on the due date and the bank had to pay ₹ 20 as noting charges.

However, on 16<sup>th</sup> August, 2020 it was agreed between A and B that B would immediately pay ₹. 8,020 in cash and accept a new bill at 3 months for ₹. 12,480 which included interest for postponement of the part payment of the dishonoured bill. A immediately sent new acceptance to its bank for collection on the due date. On 1<sup>st</sup> October, 2020 B approached A offering ₹. 12,240 for retirement of his acceptance. A accepted the request.

You are required to pass journal entries of all the above transactions in the books of A.

(10 Marks)

**HQV**

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**HQV**

- (b) Mr. Grow and Mr. Green had the following mutual dealings. They desired to settle their account on the average due date:

<b>Purchases by Grow from Green:</b>	<b>₹</b>
6 <sup>th</sup> January, 2021	60,000
2 <sup>nd</sup> February, 2021	28,000
31 <sup>st</sup> March, 2021	20,000
<b>Sales by Grow to Green:</b>	
6 <sup>th</sup> January, 2021	66,000
9 <sup>th</sup> March, 2021	24,000
20 <sup>th</sup> March, 2021	5,000

You are asked to ascertain the average due date taking base date as 6<sup>th</sup> January 2021.

(5 Marks)

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

- (i) From the following details, prepare an account current, as sent by A to B on 30<sup>th</sup> June, 2021 by means of product method charging interest @ 6% p.a.:

2021	Particulars	Rs.
January 1	Balance due from B	600
January 11	Sold goods to B	520
January 18	B returned goods	125
February 11	B paid by cheque	400
February 14	B accepted a bill drawn by A for one month	300
April 29	Goods sold to B	615
May 15	Received cash from B	700

(5 Marks)

**OR**

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P.T.O.



(6)

**HQV**

- (ii) A, B and C are partners in a firm. On 1<sup>st</sup> April, 2019, their fixed capital stood at ₹. 50,000, ₹. 25,000 and ₹. 25,000 respectively.

As per the provisions of partnership deed :

- (1) C was entitled for a salary of ₹. 5000 p.a.
- (2) All the partners were entitled to interest on capital at 5% p.a.
- (3) Profits and losses were to be shared in the ratio of Capitals of the partners.

Net Profit for the year ended 31<sup>st</sup> March, 2020 of ₹. 33,000 and 31<sup>st</sup> March, 2021 of ₹ 45,000, was divided equally without providing for the above adjustments.

You are required to pass an adjustment journal entry to rectify the above errors.

(5 Marks)

4. (a) The Income and Expenditure Account of the Women Club for the Year ended on December 31, 2021 is as follows:

Expenditure	₹	Income	₹
To Salaries	47,500	By Subscription	75,000
To General Expenses	5,000	By Entrance Fees	2,500
To Audit Fee	2,500	By Contribution for Annual Dinner	10,000
To Secretary's Honorarium	10,000	By Annual Sports Meet Receipts	7,500
To Stationary and Printing	4,500		
To Annual Dinner Expenses	15,000		
To Interest and Bank charges	1,500		
To Depreciation	3,000		
To Surplus	6,000		
	95,000		95,000

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(7)

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This account had been prepared after the following adjustments:

	₹
Subscription outstanding at the end of 2020	6,000
Subscription received in advance on 31 <sup>st</sup> December, 2020	4,500
Subscription received in advance on 31 <sup>st</sup> December, 2021	2,700
Subscription outstanding on 31 <sup>st</sup> December, 2021	7,500

Salaries outstanding at the beginning and end of the year 2021 were respectively ₹ 4,000 and ₹ 4,500. General Expenses include insurance prepaid to the extent of ₹ 600. Audit fee for the year 2021 is as yet unpaid. During the year 2021 audit fee for the year 2020 was paid amounting to ₹ 2,000.

The Club owned a freehold lease of ground valued at ₹1,00,000. The club had sports equipment on 1<sup>st</sup> January, 2021 valued at ₹ 26,000. At the end of the year 2021, after depreciation, this equipment amounted to ₹27,000. In the year 2020, the Club had raised a bank loan of ₹ 20,000. This was outstanding throughout the year 2021. On 31<sup>st</sup> December, 2021 cash in hand was ₹16,000.

You are required to:

Prepare the Receipts and Payments Account for the year ended on December 31, 2021 and the Balance Sheet as on that date.

(10 Marks)

- (b) A and B are partners, sharing profits and losses in the proportion of 3/4<sup>th</sup> and 1/4<sup>th</sup>. As at 31<sup>st</sup> March, 2021, following is the Balance Sheet of A and B:

**Balance Sheet as at 31<sup>st</sup> March, 2021**

Liabilities	(₹)	Assets	(₹)
Capital accounts:		Cash in hand	1,15,000
A	2,85,000	Cash at bank	1,10,000
B	1,55,000	Sundry debtors	1,60,000
Creditors	<u>3,75,000</u>	Stock	2,00,000

**HQV**

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General reserve	60,000	Bills receivable	30,000
		Land and building	2,50,000
		Office furniture	10,000
	<u>8,75,000</u>		<u>8,75,000</u>

They agreed to take C into Partnership on 1<sup>st</sup> April, 2021 on the following terms :

- (i) Goodwill is to be valued at ₹. 2,00,000. C is unable to bring cash for his share of goodwill. So, it was decided that due credit for goodwill be given to A and B for their sacrifice in favour of C through C's current account.
- (ii) C pays ₹. 1,40,000 as his capital for 1/5th share in the future profits.
- (iii) Stock and Furniture be reduced by 10%.
- (iv) A provision @ 5% for doubtful debts be created on debtors.
- (v) Land and building be appreciated by 20%.
- (vi) Capital Accounts of the partners be readjusted on the basis of their profit-sharing arrangement and any excess or deficiency is to be transferred to their Current Accounts.

Prepare Revaluation Account and Partners Capital Accounts.

(10 Marks)

5. (a) Pass the Journal entries to rectify the following errors detected during preparation of the Trial Balance :

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

(5 Marks)

**HQV**

(9)

**HQV**

(b) On 31<sup>st</sup> March, 2021 the Trial Balance of Mr. Black was as follows:

Particulars	Debit (₹.)	Particulars	Credit (₹.)
Stock on 1/4/2020:		Sundry Creditors	1,50,000
Raw Materials	2,10,000	Bills Payables	75,000
Work-in-Progress	95,000	Sale of scrap	25,000
Finished Goods	1,55,000	Commission received	4,500
Sundry Debtors	2,40,000	Provision for doubtful debts	16,500
Carriages on Purchases	15,000	Capital account	10,00,000
Bills Receivables	1,50,000	Sales	16,72,000
Wages	1,30,000	Bank overdraft	85,000
Salaries	1,00,000		
Telephone and Postage	10,000		
Repairs to office furniture	3,500		
Cash at Bank	1,70,000		
Office Furniture	1,00,000		
Repairs to Plant	11,000		
Purchases	8,50,000		
Plant and Machinery	7,00,000		
Rent	60,000		
Lighting	13,500		
General Expenses	15,000		
	30,28,000		30,28,000

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The following additional information is available:

Stocks on 31<sup>st</sup> March, 2021 were:

Raw materials	₹ 1,62,000
Finished goods	₹ 1,81,000
Work-in-progress	₹ 78,000

Salaries and wages unpaid for the year ended 31<sup>st</sup> March, 2021 were respectively, ₹ 9,000 and ₹ 20,000. Machinery is to be depreciated by 10% and office furniture by 7½%. A provision for doubtful debts is to be maintained @ 1% of sales. Rent is to be charged as to 3/4 to factory and 1/4 to office. Lighting is to be charged as to 2/3 to factory and 1/3 to office.

Prepare the Manufacturing Account, Trading Account and Profit and Loss Account for the year ended on 31<sup>st</sup> March, 2021.

(15 Marks)

6. (a) Fashion Garments Ltd invited applications for issuing 10,000 Equity Shares of ₹10 each. The amount was payable as follows: -
- |                               |   |                 |
|-------------------------------|---|-----------------|
| (i) On Application            | - | Rs. 1 per share |
| (ii) On Allotment             | - | Rs. 2 per share |
| (iii) On First call           | - | Rs. 3 per share |
| (iv) On Second and Final Call | - | Rs. 4 per share |

The issue was fully subscribed. Ram to whom 100 shares were allotted, failed to pay the allotment money and his shares were forfeited immediately after the allotment. Shyam to whom 150 shares were allotted, failed to pay the first call. His shares were also forfeited after the first call. Afterwards the second and final call was made. Mohan to whom 50 shares were allotted failed to pay the second and final call. His shares were also forfeited. All the forfeited shares were re-issued at ₹. 9 per share fully paid -up.

Pass necessary Journal entries in the books of Fashion Garments Ltd.

(15 Marks)

- (b) Discuss the following:
- |      |   |
|------|---|
| (i)  | What do you mean by principal books of accounts?                  |
| (ii) | What are the rules of posting of journal entries into the Ledger? |

(5 Marks)

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**HQV**

Roll No. ....

**Foundation (New Syllabus)**

**Paper - 1**

**JUL 2021**

Total No. of Questions – 6

**Principles and Practice  
of Accounting**

Total No. of Printed Pages – 11

Time Allowed – 3 Hours

Maximum Marks – 100

## **NEX**

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. Wherever necessary, suitable assumptions may be made and disclosed by way of a note.

**Marks**

1. (a) State with reasons, whether the following statements are **True** or **False:** **6×2  
=12**
- (i) Goods sold on approval or return basis are not recorded as credit sales initially when they are sent out.
- (ii) A Company is not allowed to issue shares at a discount to the public in general.

**NEX**

**P.T.O.**

- (iii) Warehouse rent paid for storage of finished inventory should be included in the cost of finished inventory.
- (iv) A person holding preference shares of a company cannot hold equity shares of the same company.
- (v) Business of partnership comes to an end on death of a partner.
- (vi) Cash book is a subsidiary book as well as a principal book.
- (b) Discuss the basic considerations in distinguishing between capital and revenue expenditure. 4
- (c) The balance of Machinery Account of a firm on 1<sup>st</sup> April, 2020 was ₹ 28,54,000. Out of this, a plant having book value of ₹ 2,16,000 as on 1<sup>st</sup> April, 2020 was sold on 1<sup>st</sup> July, 2020 for ₹ 82,000. On the same date a new plant was purchased for ₹ 4,58,000 and ₹ 22,000 was spent on its erection. On 1<sup>st</sup> November, 2020 a new machine was purchased for ₹ 5,60,000. Depreciation is written off @ 15% per annum under the diminishing balance method. Calculate the depreciation for the year ended 31<sup>st</sup> March, 2021. 4
2. (a) Mr. Ratan was unable to agree the Trial Balance last year and wrote off the difference to the Profit and Loss Account of that year. Next year, he appointed a Chartered Accountant who examined the old books and found the following mistakes: 10
- (i) Purchase of a scooter was debited to conveyance account ₹ 30,000. Mr. Ratan charges 10% depreciation on scooter.
- (ii) Purchase account was over cast by ₹ 1,00,000.

(3)

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Marks

- (iii) A credit purchase of goods from Mr. X for ₹ 20,000 was entered as sale.
- (iv) Receipt of cash from Mr. Anand was posted to the account of Mr. Bhaskar ₹ 10,000.
- (v) Receipt of cash from Mr. Chandu was posted to the debit of his account, ₹ 5,000.
- (vi) ₹ 5,000 due by Mr. Ramesh was omitted to be taken to the Trial Balance.
- (vii) Sale of goods to Mr. Ram for ₹ 20,000 was omitted to be recorded.
- (viii) Amount of ₹ 23,950 of purchase was wrongly posted as ₹ 25,930.

Suggest the necessary rectification entries.

- (b) From the following information, ascertain the Cash Book balance of Mr. Bajaj as on 31<sup>st</sup> March, 2021: 5
- (i) Debit balance as per Bank Pass Book ₹ 3,500.
  - (ii) A cheque amounting to ₹ 2,500 deposited on 15<sup>th</sup> March, but the same was returned by the Bank on 24<sup>th</sup> March for which no entry was passed in the Cash Book.
  - (iii) During March, two bills amounting to ₹ 2,500 and ₹ 500 were collected by the Bank but no entry was made in the Cash Book.
  - (iv) A bill for ₹ 5,000 due from Mr. Balaji previously discounted for ₹ 4,800 was dishonored. The Bank debited the account, but no entry was passed in the Cash Book.
  - (v) A Cheque for ₹ 1,500 was debited twice in the cash book.

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P.T.O.



(4)

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(c) From the following information, calculate the historical cost of closing **5**

inventories using adjusted selling price method :

Purchase during the year – ₹ 5,00,000

Sales during the year – ₹ 7,50,000

Opening Inventory – Nil

Closing Inventory at selling price – ₹ 1,00,000

3. (a) Ramesh lent ₹ 1,50,000 to Deepak on 1<sup>st</sup> January, 2016 at the rate of **5**

12% per annum. The loan is repayable as under :

(i) ₹ 10,000 on 1<sup>st</sup> January, 2017

(ii) ₹ 20,000 on 1<sup>st</sup> January, 2018

(iii) ₹ 30,000 on 1<sup>st</sup> January, 2019

(iv) ₹ 40,000 on 1<sup>st</sup> January, 2020

(v) ₹ 50,000 on 1<sup>st</sup> January, 2021

You are required to determine the average due date for settling all the above installments by a single payment and compute interest.

(b) ABC Limited supplied goods on sale or return basis to customers. **5**

Goods are to be returned within 15 days from the date of dispatch, failing which it is treated as sales. The books of ABC Limited are closed on 31<sup>st</sup> March, 2021. The particulars of the same are as under :

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Date of Dispatch	Party Name	Amount	Remarks
10.03.2021	PQR	25,000	No information till 31.03.2021
12.03.2021	DEF	15,000	Returned on 16.03.2021
15.03.2021	GHI	40,000	Goods worth ₹ 8,000 Returned on 20.03.2021
20.03.2021	DEF	10,000	Goods Retained on 24.03.2021
25.03.2021	PQR	22,000	Goods Retained on 28.03.2021
30.03.2021	XYZ	35,000	No information till 31.03.2021

You are required to prepare the following accounts in the books of ABC Limited :

- (i) Goods on Sale or return, sold and returned day books
- (ii) Goods on sales or return total account

- (c) Max Chemical Works consigned 700 boxes of medicines to Raja Medical Stores at an invoice price of ₹ 1,68,000 which was 20% above the actual cost price and paid ₹ 14,000 for Insurance and freight. In the course of transit, 50 boxes were lost and the transporter paid ₹ 22,000 for the loss. The Consignee took the delivery of the remaining boxes and incurred ₹ 9,750 for carriage. The Consignee sold 500 boxes for ₹ 1,60,000 and incurred ₹ 6,000 for selling expenses. The Consignee is entitled to a commission of 6% on gross sales. 10

Show the Consignment Account.

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P.T.O.

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Marks

4. (a) Karuna decided to start business of fashion garments under the name of M/s. Designer Wear on 1<sup>st</sup> April, 2020. She had a saving of about ₹ 10,00,000. She invested ₹ 3,00,000 out of her savings and borrowed equal amount from Bank. She purchased a commercial space for ₹ 5,00,000 and further spent ₹ 1,00,000 on its renovation to make it ready for business.

10

Loan and interest repaid by her in the first year are as follows:

30 <sup>th</sup> June, 2020	–	₹ 15,000 principal + ₹ 9,000 interest
30 <sup>th</sup> September, 2020	–	₹ 15,000 principal + ₹ 8,550 interest
31 <sup>st</sup> December, 2020	–	₹ 15,000 principal + ₹ 8,100 interest
31 <sup>st</sup> March, 2021	–	₹ 15,000 principal + ₹ 7,650 interest

In view of further capital requirement, she transferred ₹ 2,00,000 from her saving bank account to the bank account of the business. She paid security deposit of ₹ 7,000 for telephone connection. Furniture of ₹ 10,000 was purchased. All payments were made by cheque and all receipts in cash were deposited in the bank.

At the end of the year, her business showed the following results :

Particulars	Amount	Particulars	Amount
Total Sales	20,00,000	Total Purchase	17,00,000
Electricity Expenses paid	40,000	Telephone Charges	50,000
Cartage Outwards	60,000	Travelling Expenses	45,000
Entertainment Expenses	5,000	Maintenance Expenses	25,000
Misc. Expenses	15,000	Electricity Expenses	20,000
		Payable	

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Marks

Other Information :

- (i) She withdrew ₹ 5,000 by cheque each month for her personal expenses.
- (ii) Depreciation on building @ 5% p.a. and on furniture @ 10% p.a.
- (iii) Closing stock in hand as on 31<sup>st</sup> March, 2021: ₹ 5,50,000

Prepare trading account, profit and loss account for the year ended 31-3-2021 and Balance Sheet as on that date.

- (b) Summary of Receipts and Payments of AMA Society for the year ended 31<sup>st</sup> March, 2021 are as follows: 10

Receipts	Amount	Payments	Amount
Subscription Received	5,00,000	Payment for Medicine Supply	3,00,000
Donation Raised for meeting revenue expenditure	1,50,000	Honorarium to Doctors	1,00,000
Interest on Investments @ 9% p.a.	90,000	Salaries	2,80,000
Charity Show Collection	1,25,000	Sundry Expenses	10,000
		Equipment Purchase	1,50,000
		Charity Show Expenses	15,000

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Additional Information :

Particulars	01.04.2020	31.03.2021
Subscription due	15,000	22,000
Subscription received in advance	12,000	7,000
Stock of medicine	1,00,000	1,50,000
Amount due for medicine supply	90,000	1,30,000
Value of equipment	2,10,000	3,00,000
Value of building	5,00,000	4,80,000
Cash Balance	80,000	90,000
Opening Balance of Capital Fund	18,03,000	

You are required to prepare :

- (i) Income and Expenditure Account for the year ended 31<sup>st</sup> March, 2021.
- (ii) Balance Sheet as on 31<sup>st</sup> March, 2021

5. (a) From the following information prepare the Purchase Book of M/s. Shyam & Company : 5

(i) Purchased from Red & Company on credit :

– 10 pair of black shoes @ ₹ 800 per pair

– 5 pair of brown shoes @ 900 per pair

Less : Trade Discount @ 10%

(ii) Purchased Computer from M/s. Rahul Enterprises on credit for ₹ 40,000.

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(iii) Purchased from Blue & Company in cash :

- 5 pair of black shoes @ ₹ 700 per pair
- 15 pair of brown shoes @ 100 per pair

Less : Trade Discount @ 15%

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

5

(i) Rama, Krishna and Raghu shared profits and losses in the ratio of 5: 3: 2. They took out a Joint Life Policy in 2017 for ₹ 50,000, a premium of ₹ 3,000 being paid annually on 10<sup>th</sup> June. The surrender value of the policy on 31<sup>st</sup> December of various years was as follows :

2017	-	Nil
2018	-	₹ 900
2019	-	₹ 2,000
2020	-	₹ 3,600

Rama retired on 15<sup>th</sup> April, 2021 and the policy was surrendered.

You are required to prepare Joint Life Policy Account from 2017 to 2021 (assuming the Policy Account is maintained at surrendered value basis).

OR

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(ii) PQR Limited's Profit and Loss account for the year ended 31<sup>st</sup> March, 2021 includes the following information :

(1) Liability for Income Tax	– ₹ 40,000
(2) Retained Profit	– ₹ 2,00,000
(3) Proposed Dividend	– ₹ 20,000
(4) Increase in Provision for Doubtful Debts	– ₹ 25,000
(5) Bad Debts written off	– ₹ 20,000

State which one of the items above is – (a) transfer to provisions; (b) transfer to reserves; and (c) neither related to provisions nor reserves.

(c) It was provided under the Partnership Agreement between Ram, Laxman and Bharat that in the event of death of a partner, the survivors would have to purchase his share in the firm on the following terms : 10

- (i) Goodwill is to be valued at 3 year's purchase of simple average profits of last 4 completed years.
- (ii) Outstanding amount due to the representative of a deceased partner shall be paid in 4 equal half yearly installments commencing 6 months after the death plus interest @ 5% p.a. on the outstanding dues.

They shared profit and loss in the ratio 9:4:3.

Ram died on 30<sup>th</sup> September 2020 and Partner's Capital account balances on that date were : Ram - ₹ 21,600, Laxman - ₹ 12,800 and Bharat - ₹ 7,200. Ram's current account on 30<sup>th</sup> September, 2020 after crediting his share of profit to that date, however showed a debit balance of ₹ 1,920.

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Firm profits were for the year ended

– 31 <sup>st</sup> March, 2017	– ₹ 70,400
– 31 <sup>st</sup> March, 2018	– ₹ 56,320
– 31 <sup>st</sup> March, 2019	– ₹ 48,160
– 31 <sup>st</sup> March, 2020	– ₹ 17,408

Show Ram's Capital Account and Executor's Account (of Ram) till full payment is made to Ram's Executor.

6. (a) X Limited invited applications for issuing 75,000 equity shares of ₹ 10 each at a premium of ₹ 5 per share. The total amount was payable as follows :

- ₹ 9 per share (including premium) on application and allotment
- Balance on the First and Final Call

Applications for 3,00,000 equity shares were received. Applications for 2,00,000 equity shares were rejected and money refunded. Shares were allotted on pro-rata basis to the remaining applicants. The first and final call was made. The amount was duly received except on 1,500 shares applied by Mr. Raj. His shares were forfeited. The forfeited shares were re-issued at a discount of ₹ 4/- per share.

Pass necessary journal entries for the above transactions in the books of X Limited.

- (b) What are the advantages of Subsidiary Books ? 5

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NEX