

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 6

NOTE : Answer SIX questions including Question No.1 which is compulsory. All working notes should be shown distinctly.

1. Explain any four of the following :

- (i) Accrual concept
- (ii) Journal proper
- (iii) Self-balancing ledgers
- (iv) Account current
- (v) Accommodation bill
- (vi) Accounting equation.

(5 marks each)

2. (a) Distinguish between the following :

- (i) 'Capital expenditure' and 'revenue expenditure'.
- (ii) 'Operating lease' and 'finance lease'.

(4 marks each)

(b) What is 'loss of profit policy' ? How is the claim calculated under the loss of profit policy ?

(8 marks)

3. (a) Explain accounting treatment of joint-venture transactions in the separate set of books maintained for the purpose.

(8 marks)

(b) State, giving reasons, whether the following statements are true or false :

- (i) Cash book is both a subsidiary book as well as a part of the main books of account;
- (ii) Being invisible, the goodwill is a fictitious asset.

(4 marks each)

4. From the following receipts and issues of a material during the month of January, 2006, prepare stores ledger account according to 'FIFO method' :

2006

January 1	Received 500 units @ Rs.10 per unit.
January 5	Received 250 units @ Rs.11 per unit.
January 8	Issued 300 units.
January 10	Received 400 units @ Rs.12 per unit.
January 13	Issued 250 units.
January 20	Received 100 units @ Rs.11 per unit.
January 28	Issued 400 units.

On 1st January, 2006, the stock in hand was 200 units@ Rs.9 per unit.

(16 marks)

5. A sole proprietor does not maintain complete books of account. From the following information, prepare trading and profit and loss account for the year ended 31st March, 2006 and balance sheet as at that date :

	On 31-3-2005 (Rs.)	On 31-3-2006 (Rs.)
Debtors	90,000	1,25,000
Stock	49,000	66,000
Furniture	5,000	7,500
Creditors	30,000	22,500

Transactions during the year ended 31st March, 2006 :

	Rs.
Cash collected from debtors	3,04,000
Cash paid to creditors	2,20,000
Salaries	60,000
Rent	7,500
Office expenses	9,000

Drawings	15,000
Fresh capital introduced	10,000
Cash sales	7,500
Cash purchases	25,000
Discount received	3,500
Discount allowed	1,500
Returns inwards	5,000
Returns outwards	4,000
Bad debts	1,000
New furniture purchased	2,500

He had Rs.25,000 cash at the beginning of the year.

(16 marks)

6. Following was the balance sheet of a firm as at 31st March, 2006:

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
Creditors	2,04,800	Bank balance	11,000
P's loan account	60,000	Debtors	1,92,120
Q's loan account	24,000	Stock	1,28,000
P's current account	42,400	Machinery	57,200
Q's current account	5,000	Land	1,68,000
Capital accounts :		R's current account	19,880
P	1,20,000		
Q	80,000		
R	40,000		
	<u>5,76,200</u>		<u>5,76,200</u>

It was decided to dissolve the firm on that date. The assets (with the exception of bank balance) realised Rs.4,53,600. The firm had to pay Rs.3,000 for an outstanding bill not recorded in the books. R became insolvent and Rs.2,000 were realised from his estate. Prepare necessary ledger accounts in the books of the firm when –

(i) Partners' capitals were fixed; and

(ii) Garner vs. Murray rule was followed.

(16 marks)

7. (a) The trial balance of Sudhakar did not tally. The credit side exceeded by Rs.1,455. This amount was entered on the debit side of suspense account and the trial balance was made to tally. Later on, the following errors were discovered:
- (i) Goods worth Rs.1,250 were sold to Mahesh on credit. This was entered in the sales book, but was not posted.
 - (ii) Goods worth Rs.313 were returned by Ahmed. The amount was credited to his account, but was not recorded in the returns inwards book.
 - (iii) Manoj paid Rs.670, but his account was wrongly credited with Rs.607.
 - (iv) An amount of Rs.375 owed by Dinesh was omitted from the schedule of sundry debtors.
 - (v) The sales book was undercast by Rs.420.

Pass journal entries to rectify the above errors and show the suspense account.

(8 marks)

- (b) A firm which depreciates its machinery at 10% on diminishing balance method had on 1st April, 2005 Rs.9,72,000 to the debit of machinery account. During the year ended 31st March, 2006, a part of machinery purchased on 1st April, 2003 for Rs.80,000, was sold for Rs.45,000 on 1st October, 2005 and a new machinery at a cost of Rs.1,50,000 was purchased and installed on the same date, installation charges being Rs.8,000. On 31st March, 2006 before providing depreciation for the year 2005-06, the firm wanted to change the method of charging depreciation from diminishing balance method to straight line method with effect from 1st April, 2003, the rate of depreciation remaining the same as before. Show machinery account for the year ended 31st March, 2006 after incorporating the effect of the above transactions.

(8 marks)

8. Omni Corporation Ltd. has two branches - one at Jaipur and another at Lucknow. Goods are invoiced to branches at cost plus 50%. Branches remit all cash received to head office and all expenses are paid by the head office. From the following

: 5 :

particulars, prepare the necessary accounts on the 'stock and debtors system' to show the profit earned at Jaipur branch during the year ended 31st March, 2006 :

	<i>Rs.</i>
Stock on 1 st April, 2005	93,000
Debtors on 1 st April, 2005	68,000
Goods sent to branch, at cost	3,40,000
Sales at branch :	
Cash	2,50,100
Credit	3,10,000
Cash collected from debtors	3,04,000
Goods returned by branch to head office	12,000
Goods transferred from Lucknow branch to Jaipur branch	15,000
Shortage of stock at branch	4,500
Discount allowed to customers	2,000
Cash expenses at branch	54,000
	(16 marks)

— — o — —