

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8
Total number of printed pages : 9

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

1. (a) Explain any two of the following :

- (i) Matching concept
- (ii) *Del credere* commission
- (iii) Loss of profit policy
- (iv) Joint venture.

(5 marks each)

(b) State, with reasons in brief, whether the following statements are true or false. Attempt any five :

- (i) An expenditure intended to benefit the current period is a revenue expenditure.
- (ii) The receipts and payments account is a summary of all capital receipts and payments.
- (iii) Sale of office furniture should be credited to sales account.
- (iv) Goodwill is not a fictitious asset.
- (v) Capital = Net Assets.
- (vi) Wages paid for erection of machinery are debited to profit and loss account.
- (vii) The adjustment entry in respect of outstanding expenses is —
Debit – Outstanding expenses account.
Credit – Expenses account.

(2 marks each)

2. (a) Comment on *any two* of the following statements :

- (i) Sub-division of the journal has made the journal proper useless.
- (ii) Trial balance and balance sheet serve the same purpose.
- (iii) Single entry system is a defective system of accounting.

(4 marks each)

- (b) Re-write *any eight* of the following sentences after filling-up the blank space with appropriate word(s) so as to convey the correct meaning :

- (i) Machinery is a _____ asset.
- (ii) Going concern concept assumes that the business will be carried on for _____ period.
- (iii) _____ is the excess of assets over liabilities.
- (iv) Things of value owned by an economic enterprise are called its _____.
- (v) The expired cost is _____.
- (vi) Withdrawal of money by the owner is not an expense but a reduction of _____.
- (vii) Interest on drawings is _____ for the business.
- (viii) Subscriptions received in advance by a club are shown on the _____ side of the balance sheet.
- (ix) Joint venture account is of the nature of _____ account.

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- (x) In case of default in the payment of instalment, the balance in the vendor's account is transferred to _____ in the books of hire-purchaser.

(1 mark each)

3. (a) What are 'contra entries' in columnar cash book ? How are these recorded ?

(8 marks)

- (b) What do you understand by 'hire-purchase system' ? How does it differ from instalment payment system ?

(8 marks)

4. (a) From the following particulars, ascertain the balance as would appear in the bank pass book of Ram Prasad on 31st January, 2007. The cash book showed a credit balance of Rs.82,000 on that date :

Rs.

- | | |
|---|--------|
| (i) Cheques issued, but not presented for payment by 31 st January, 2007 | |
| 23,000 | |
| (ii) Cheques paid into bank, but not cleared by 31 st January, 2007 | 30,000 |
| (iii) Interest charged on overdraft appeared in the pass book only | 500 |
| (iv) Bank charges debited by bank, but not recorded in the cash book | 200 |
| (v) Interest on debentures collected by bank, but not recorded in the cash book | 6,000 |
| (vi) Bank paid insurance premium as per standing instructions, not yet | |

recorded in the cash book 2,200

(vii) A customer paid into the firm's bank account directly 10,000

(8 marks)

- (b) Leela, Sweta and Shyama are in partnership. They share profits in the ratio of 5 : 3 : 2. The following is their balance sheet as at 31st March, 2006 on which date they dissolve partnership :

Liabilities	Rs.	Assets	Rs.
Creditors	2,00,000	Premises	2,00,000
Loan account – Leela	50,000	Plant and machinery	1,50,000
Capital accounts :		Furniture	68,500
	Rs.	Stock	2,04,000
Leela	<u>2,50,000</u>	Debtors	<u>1,77,500</u>
Sweta	<u>75,000</u>		
Shyama	<u>2,25,000</u>		
	8,00,000		8,00,000

It was agreed to repay the amounts due to the partners as and when the assets were realized, viz., :

	Rs.
1 st May, 2006	1,50,000
1 st July, 2006	3,65,000
1 st September, 2006	2,35,000

Prepare a statement showing the distribution of cash using maximum loss method and write up the cash account.

(8 marks)

5. (a) On 1st April, 2004, Moon Ltd. purchased a plant for Rs.10,00,000. On 1st October, 2004, an additional plant was purchased costing Rs.5,00,000. On 1st October, 2005,

the plant purchased on 1st April, 2004 was sold off for Rs.4,00,000. On 1st October, 2006, a new plant was purchased for Rs.12,00,000 and the plant purchased on 1st October, 2004 was sold for Rs.4,20,000 on the same date.

Depreciation is to be provided at 10% per annum on the written down value on 31st March every year. Prepare the plant account for three years ended 31st March, 2007.

(8 marks)

(b) The books of account of Jawahar for the year ended 31st March, 2007 were closed with difference in the trial balance carried forward. Subsequently, the following errors were detected :

- (i) Rs. 1,500 being the total of discount column on the credit side of the cash book was not posted in general ledger.
- (ii) Closing stock was overstated by Rs.9,000 being casting error in the schedule of inventory.
- (iii) Returns outward book was undercast by Rs.150.
- (iv) A credit sale of Rs.870 was wrongly posted as 780 to the customer's account in the sale ledger.
- (v) Rs.6,000 being the cost of purchase of office furniture was entered in the purchase book.

Pass rectification entries, prepare suspense account and find out the effect of rectification of errors on profit as on 31st March, 2007.

(8 marks)

6. Ajay and Binoy are partners in a firm sharing profits and losses in the ratio of 2:1 respectively. On 31st March, 2006, their balance sheet stood as follows :

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
Bills payable	6,000	Cash at bank	90,000
Sundry creditors	90,000	Bills receivable	20,000
General reserve	42,000	Sundry debtors	1,00,000
Ajay's capital	2,82,000	Stock	1,60,000
Binoy's capital	2,40,000	Furniture	40,000
		Machinery	2,50,000
	6,60,000		6,60,000

On 1st April, 2006, a new partner Hari was admitted into the partnership on the following terms :

- (i) That Hari brings in cash Rs.60,000 as goodwill for his one-third share in future profits.
- (ii) That Hari brings such an amount that his capital will be one-third of total capital of the new firm.
- (iii) That the value of stock to be raised to Rs.1,68,000.
- (iv) That furniture and machinery be depreciated by 5% and 10% respectively.
- (v) That a provision for doubtful debts be created at 5% on sundry debtors.
- (vi) That the capital accounts of the partners be re-adjusted on the basis of their profit sharing ratio through their current accounts.

Prepare the necessary ledger accounts and the opening balance sheet of the new firm.

(16 marks)

7. From the following particulars relating to a charitable trust hospital, prepare the receipts and payments account for the year ended 31st March, 2007 and the balance sheet as on that date :

Income and Expenditure Account for the year ended 31st March, 2007

Rs.

Rs.

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To Medicines used	1,49,900	By Subscriptions	2,80,000
To Honorarium		By Donations	47,500
to doctors	60,000	By Interest on	
To Salaries	1,37,500	investment @ 11% p.a.	
	55,000		
To Printing and		By Proceeds from	Rs.
stationery	5,500	Charity Show	57,250
To Electricity and		Less : Expenses	3,900
	53,350		
water	2,375		
To Rent	30,000		
To Depreciation :			
Furniture	10,500		
Equipments	16,250		
To Surplus	23,825		
	4,35,850		4,35,850

Additional information :

	31.3.2006	31.3.2007
	(Rs.)	(Rs.)
(i) Subscriptions due	600	800
(ii) Subscriptions received in advance	320	500
(iii) Electricity and water outstanding	460	575
(iv) Stock of medicines	39,100	48,750
(v) Estimated value of equipments	58,000	69,500
(vi) Furniture at cost less depreciation	1,05,000	94,500
(vii) Land	—	50,000
	31.3.2006	31.3.2007
	(Rs.)	(Rs.)

(viii) Interest accrued on investments

	in 11% bonds costing	
	Rs.5,12,500 (face value	
	of Rs.5,00,000)	13,750
		13,750
(ix) Cash in hand	1,700	800
(x) Cash at bank	45,000	?

(16 marks)

8. The following is the schedule of balances on 31st March, 2007 extracted from the books of Dinesh :

<i>Particulars</i>	<i>Debit</i>	<i>Credit</i>
	(Rs.)	(Rs.)
Cash in hand	1,400	—
Cash at bank	2,600	—
Sundry debtors	86,000	—
Stock as on 1 st April, 2006	62,000	—
Furniture and fixtures	21,400	—
Office equipments	16,000	—
Buildings	60,000	—
Motor car	20,000	—
Sundry creditors	—	43,000
Loan	—	30,000
Provision for bad debts	—	3,000
Purchases	1,40,000	—
Purchases return	—	2,600
Sales	—	2,30,000
Sales return	4,200	—
Salaries	11,000	—
Rent for godown	5,500	—
Interest on loan	2,700	—
Rates and taxes	2,100	—
Discount allowed to debtors	2,400	—
Discount received from creditors	—	1,600
<i>Particulars</i>	<i>Debit</i>	<i>Credit</i>
	(Rs.)	(Rs.)
Freight on purchases	1,200	—
Carriage outwards	2,000	—

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Drawings	12,000	—
Printing and stationery	1,800	—
Electric charges	2,200	—
Insurance premium	5,500	—
General office expenses	3,000	—
Bad debts	2,000	—
Bank charges	1,600	—
Motor car expenses	3,600	—
Capital account	—	1,62,000
	4,72,200	4,72,200

Prepare the trading and profit and loss account for the year ended 31st March, 2007 and the balance sheet as on that date after making the following adjustments :

- (i) Provide depreciation on —
 - (a) Building @ 5%;
 - (b) Furniture and fixture @ 10%;
 - (c) Office equipments @ 15%; and
 - (d) Motor car @ 20%.
 - (ii) Value of stock at the close of the year was Rs.44,000.
 - (iii) Provision for bad debts is to be maintained at 5% of sundry debtors.
 - (iv) Insurance premium includes Rs.4,000 paid towards proprietor's life insurance policy and the balance of the insurance charges covers the period from 1st July, 2006 to 30th June, 2007.
- (16 marks)

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