

Time: 3 hrs.

M.M.90

General instructions: All the questions must be attempted in serial order. Working notes should be given neatly with the solutions.

Q1. Why are following parties interested in accounting information?

(a) Management, b) Employees (2)

Q2. What do you mean by accounting standards? Who is responsible for preparing Accounting standards in India? (2)

Q3. Write any three merits of Accrual basis of accounting . (3)

Q4. Explain the Business Entity concept and Money measurement concept. (4)

Q5. Calculate value of Opening Stock from the following information:

Cash sales ` 80,000; credit sales ` 3,30,000; sales return ` 10,000; Purchases ` 2,48,000; Purchase return ` 8,000; carriage inwards ` 16,000; closing stock ` 72,000; Rate of gross profit is 40% on sales. (5)

Q6. Write any five limitations of computerized Accounting system. (5)

Q7. A commenced business on 1st April, 2017 with a capital of ` 30,000. On 31st March, 2018 his assets were ` 50,000 and liabilities were ` 10,000. Find out his closing capital and profits earned during the year. (3)

Q8. Prepare an Accounting Equation on the basis of the following transactions:

(a) Started business with cash ` 70,000.

(b) Credit purchase of goods ` 18,000.

(c) Payment made to creditors in full settlement ` 17,500.

(d) Purchase of machinery on credit from Mahesh ` 20,000.

(e) Paid salaries ` 2,500.

(f) Depreciation on machinery ` 2,000 (3)

Q9. Journalize the following transactions:

(a) A fire occurred in the store and goods worth ` 10,000 were damaged. The stock was not insured.

b) Proprietor took away the goods worth ` 1,000 for his personal use and paid Income Tax ` 4,000 by cheque.

(f) Cheque of Jatinder of ` 2,000 deposited, returned dishonored. (3)

Q10. (a) What do you mean by Balance Sheet Equation?

(b) From the following transactions, Prepare accounting equation:

- (1) Commenced business with cash..... ` 3,00,000.
- (2) Purchased goods for cash..... ` 80,000.
- (3) Purchased machinery on credit..... ` 1,25,000.
- (4) Purchased old car for personal use for ` 1,00,000. (6)

Q11. (A) What is the difference between Revenue reserve and Capital Reserve? (2)

(B) On 1st July, 2014 a machine was purchased for ` 9, 50,000. An amount of ` 20,000 were spent for carrying this machine to the place of its installation and an amount of ` 30,000 were spent on its installation and other incidental expenses. On 31st Dec.2015 this machine was sold at a loss of ` 10,000. Another machine was purchased for ` 5, 00,000 on the same day. Prepare machinery account for 2014, 2015 and 2016 assuming the calendar year to be the accounting year. Depreciation is to be charged at 12% p.a. on written down value. (6)

Q12. Prepare a Bank Reconciliation Statement from the following particulars:

(a) On 31.3.2018, the cash book showed a credit bank balance of ` 2,000.

(b) Out of the total cheques amounting to ` 10,000 drawn, cheques aggregating ` 3,000 were encashed in March, cheques aggregating ` 4,000 were encashed in April and the rest have not been presented at all.

(c) Out of the total cheques amounting to ` 5,000 deposited, cheques aggregating ` 1,500 were credited in March, Cheques aggregating ` 2,000 were credited in April, and the rest have not been collected at all.

(d) The bank has debited ` 500 on account of interest on overdraft and ` 100 as bank charges.

(e) The bank has credited ` 700 on account of interest collected on securities. (6)

Q13. Enter the following transactions in a cash book with cash and bank columns:

| 2018 | | ` |
|--------|---|-------|
| Jan.1 | Cash in hand..... | 800 |
| Jan.1 | Bank Overdraft..... | 5,700 |
| Jan.5 | Received a cheque from Ram and deposited into bank. | 3,250 |
| Jan.7 | Ram's cheque returned dishonoured. | |
| Jan.9 | Cheque received from Hari..... | 250 |
| Jan.10 | Hari's cheque was endorsed in favour of Mukesh. | |
| Jan.31 | Bank Charges..... | 25 |

(3)

Q14. X, a retailer, has not kept proper books of accounts but it has been possible to obtain the following details:

| | Previous year (`) | Current year (`) |
|-----------------------|-------------------|------------------|
| Trade creditors..... | 6,270 | 5,890 |
| Loan from Naresh..... | 5, 000 | 5,000 |
| Stock..... | 12,350 | 11,980 |

| | | |
|--------------------|--------|-------|
| Cash in hand..... | 570 | 650 |
| Shop fittings..... | 7,250 | 7,800 |
| Trade debtors..... | 5 ,280 | 4,560 |
| Bank Balance..... | 3,990 | 4,130 |

Calculate net profit for the year after noting that:

- (a) Shop fittings are to be depreciated by ` 780.
- (b) X has drawn ` 100 per week for his own use.
- (c) Included in the trade creditors is an irrecoverable balance of ` 270.
- (d) Interest at 5% p.a. is due on the loan from Naresh but has not been paid for the year. (6)

Q15. (A) Differentiate between Bill of exchange and Promissory note. (3)

(B) On 1st July 2017 A drew a bill for ` 1,000 on B payable after three months. After one month A endorsed this bill to his creditor C, who immediately discounted this bill with his bankers, at 6% p.a. On the due date the bill was dishonored and the bank had to pay ` 40 as noting charges. You are required to show journal entries in the books of A, B and C. (6)

Q16. (A) What do you mean by rectification of errors? (1)

(B) Correct the following errors by opening a Suspense account:

- (a) The sales book has been cast ` 1,000 short.
- (b) Goods worth ` 1,500 returned by Green & co. have not been recorded anywhere.
- (c) Goods purchased worth ` 2,500 have been posted to the debit of the supplier, Gupta & Co.
- (d) Furniture purchased from Gulab & Co. worth ` 10,000 has been entered in Purchases day Book.
- (e) Cash received from Amit ` 2,500 have not been posted in his account. (6)

Q17. From the following Trial Balance prepare Trading A/c, Profit & Loss A/c and Balance Sheet as on 31st March, 2017

| Name of the Account | ` | ` |
|-----------------------|--------|--------|
| Opening stock | 2,000 | - |
| Purchases and sales | 10,500 | 16,400 |
| Debtors and Creditors | 2,400 | 1,200 |
| Plant and Machinery | 4,000 | - |
| Bank | 1,000 | - |
| B/R, B/P | 2,000 | 3,000 |
| Capital | - | 23,600 |
| Wages | 5,000 | - |

| | | |
|------------------|---------------|---------------|
| Returns | 400 | 500 |
| Buildings | 15,000 | - |
| Carriage Inward | 150 | - |
| Discount | 400 | - |
| Office Expenses | 800 | - |
| Office expenses | 200 | - |
| Salaries & Wages | 700 | - |
| Repairs | 50 | - |
| Bad Debts | 100 | - |
| Total | 44,700 | 44,700 |

Additional information:

(a) Closing stock on 31st March, 2017 was valued at ₹ 2,500.

(b) Allow interest on capital at 6% p.a.

(c) Provide 5% for doubtful debts.

(d) Charge depreciation on machinery at 8% p.a.

(e) Outstanding wages ₹ 600.

(f) Salaries prepaid ₹ 100.

(15)