

107/2016

(Pages : 6)

Maximum : 150 marks

Answer ALL questions in ENGLISH.

Time : 3 hours

- I. (a) Explain accounting equation and illustrate how the equation is unaffected after the occurrence of transactions. (5)
- (b) How would the following errors in the books of business affect the accounts of the same? Show corrective Journal entries. (5)
- | Amount | |
|--------|--|
| 3000 | posted to debit of stationary instead of to Mr. Raj in payment of his account. |
| 8000 | cost of repairing car shed, charged to buildings account. |
| 6000 | for goods sold, posted to the debit of charges. |
| 1000 | for wages to workmen for erecting the firm's new machinery, charged to wages account |
| 2000 | posted to charges for the purchase of a Safe |
- (c) Differentiate between Accounting Period concept and Matching concept. (5)
- (d) On 31st March 2015, the passbook showed the credit balance of Rs. 1,05,000
- (i) Cheques amounting to Rs. 27,500 were deposited in the bank but only cheques of Rs. 7500 had not been credited up to 31st March.
 - (ii) Cheques amounting to Rs. 35,000 were issued but cheque for Rs. 12,000 had not been presented for payment in the bank up to 31st March.
 - (iii) Bank had given the debit of Rs. 350 for sundry charges and also
 - (iv) Bank had received directly from customers Rs. 8,000 and dividend of Rs. 1,300 up to 31st March. Find out the balance as per cash book. (5)
- II. (a) Mr. Rahul bought a machinery on 1st January 2013 under hire purchase system from Raj Machines. Rs. 20,000 is paid on signing the agreement and the balance in 3 equal annual instalments of Rs. 24,000 each. Interest is charged at 20% per annum. Calculate the cash prize of the machine. (5)
- (b) What are the various methods of calculation of Goodwill? (10)

[P.T.O.]

III. (a) Differentiate between Capital Expenditure and Revenue Expenditure. (5)

(b) Mr. Rahim has three ledgers in use – a debtor's ledger, a creditor's ledger and a nominal ledger which are all kept on self balancing system. From the following particulars, prepare Debtor's Ledger Adjustment Account and Creditor's Ledger Adjustment Account as would appear in the nominal ledger for the month of March 2015. (10)

	Rs.
Balance of Sundry Creditors as on 1/03/2015	7,720
Balance of Sundry Debtors as on 1/03/2015	5,500
Credit Purchases	80,000
Bills Receivables from customers	5,000
Return outwards	100
Allowance received	800
Credit sales	1,00,000
Interest on customers' Accounts overdue for payment.	700
Collection from Debtors	58,000
Sales Return	1,200
Credit balances transferred from Purchase ledger to Sales ledger	150
Cash sales	4,000
Bills receivable dishonoured	1,400
Paid to Creditors	26,000
Bills payable accepted	4,000
Allowances to Customers	20
Bad debts written off	120
Debit balances transferred from Debtor's Ledger to Creditor's Ledger	500

IV. (a) A bill for Rs. 1,00,000 is drawn by M/s Menon & Co. on M/s Narayan & Co. and accepted by the latter payable at the State bank of India. Show what entries would be passed in the books of both the parties under each of the following circumstances.

- (i) If they retained the bill till the due date and then realized it on maturity.
- (ii) If they discounted it with their banker, Bank of India for Rs. 98,000,
- (iii) If they endorsed it over to their creditors Mathew & Sons in settlement of their debt Rs. 1,01,000.
- (iv) If they sent the same to their bankers for collection. (5)

(b) What are the objectives of providing depreciation? Consider the case of a Machinery purchased for Rs. 5,00,000 on 1st January 2012 and 10% depreciation on the reducing balance has been written off as depreciation for three years. Show how this account will appear in the ledger during the period? (10)

- V. (a) Calculate Prime Cost, Factory Cost, Cost of Production, Cost of sales and Profit from the following particulars;

	Rs.		Rs.
Direct materials	1,00,000	Depreciation;	
Direct wages	30,000	Factory plant	500
Wages of foreman	2,500	Office premises	1,250
Electric power	500	Consumable stores	2,500
Lighting; Factory	1,500	Manager's salary	5,000
Office	500	Director's fees	1,250
Storekeeper's wages	1,000	Office stationary	500
Oil and water	500	Telephone charges	125
Rent; Factory	5,000	Postage and telegrams	250
Office	2,500	Salesmen's salaries	1,250
Repairs and renewals;		Travelling expenses	500
Factory plant	3,500	Advertising	1,250
Office premises	500	Warehouse charges	500
Transfer to reserves	1,000	Sales	1,89,500
Discount on shares	500	Carriage outward	375
written off			
Dividend	2,000	Income tax	10,000

- (b) From the following trial balance of Kavitha Enterprises, Prepare Trading and Profit and Loss Account for the year ended 31st December 2015 and a Balance Sheet as on that date :

	Dr.	Cr.
Capital		60,000
Drawings	7,200	
Stock on 1 st January 2015	20,500	
Purchases	68,000	
Carriage inwards	1,500	
Sales		1,40,500
Sundry Debtors	23,500	
Sundry Creditors		14,300
Cash in hand	500	
Cash at bank	2,200	
Carriage outwards	1,700	
Salaries	16,000	
Factory rent	4,000	
Bills receivable	5,300	
Bills payable		4,200
Insurance	1,200	
Furniture	10,000	
Machinery	28,000	
Office rent	2,000	
Manufacturing wages	21,500	
Provision for doubtful debts		1,000
Manufacturing Expenses	1,500	
General Expenses	5,400	
	<u>2,20,000</u>	<u>2,20,000</u>

The following adjustments are required;

- (i) Stock on 31st December 2015 amounted to Rs. 27,000.
- (ii) Write off Rs. 500 as bad debts and maintain the provision for Doubtful Debts at 5% on sundry debtors.
- (iii) Unexpired insurance Rs. 300.
- (iv) Depreciate Machinery by 5% and furniture by 10%.
- (v) On 24th December 2015, a fire broke out and destroyed stock of the value of Rs. 10,000. The insurance company admitted the claim for loss of stock of the value of Rs. 6,000 only and paid the amount on 15th January 2016. (20)

VI. Mr. A does not maintain complete double entry books of accounts. From the following details determine the profit for the year and statement of affairs at the end of the year. Rs. 1,000 (cost) furniture was sold for Rs. 5,000 on 1.1.2015; 10% depreciation is to be charged on furniture.

Mr. A has drawn Rs. 1,000 per month. Rs. 2,000 was invested by Mr. A in 2015.

	01.01.2015	31.12.2015
Stock	40,000	60,000
Debtors	30,000	40,000
Cash	2,000	1,000
Bank	10,000	5,000 (O.D)
Creditors	15,000	25,000
Outstanding expense	5,000	8,000
Furniture (cost)	3,000	2,000

Bank balance on 1.1.2015 is as per cash book, but the bank overdraft on 31.12.2015 is as per bank statement. Rs. 2,000 cheques drawn in December 2015 have not been encashed within the year. (15)

VII. (a) A head office at Mumbai has a branch at Kochi. Goods are sent by the Head Office to its branch at cost which the branch sells both for cash and on credit. The following relate to the branch for the year 2015.

Stock at branch on 1.1.2015	24,000
Branch debtors on 1.1.2015	7,000
Furniture at branch on 1.1.2015	8,000
Goods sent to branch during the year	1,40,000
Cash sales during the year	82,000
Credit sales during the year	90,000
Cash received from debtors	83,000
Returns by debtors to branch	2,000

Discount allowed to debtors	1,000
Bad debts written off	500
Remittance to branch for expenses	7,000
Stock at branch on 31.12.2015	40,000
Branch debtors on 31.12.2015	10,500
Value of furniture on 31.12.2015	6,400

Prepare Kochi Branch Account to find out the profit at Branch. Also prepare Branch Debtors Account. Show the entries in Profit and Loss Account and Balance Sheet as on 31.12.2015. (10)

- (b) Hotel Taste Buds had two departments; Room service and Restaurant. Following is the Trial Balance of the hotel :

Income from Room Service		46,000
Income from Restaurant		32,000
Provisions	15,500	
Stock of provision in the beginning	1,020	
Cash in hand and at bank	10,000	
Capital		2,20,000
Customers debit balance	800	
Suppliers' accounts		9,800
Building (1/10 th is used for Restaurant)	2,10,000	
Provision for depreciation on buildings		24,000
Furniture and equipments	60,000	
General Expenses	27,410	
Interest		1,130
Interest accrued	200	
Income tax	400	
Life insurance premium	1,600	
Wages	6,000	
	<u>3,32,930</u>	<u>3,32,930</u>

Additional Info :

- (i) The servants in the Room Service Department had occupied a room worth Rs. 120 and took meals worth Rs. 60. Similarly Servants in the Restaurant Department had occupied a room worth Rs. 150 and took meals worth Rs. 90.
- (ii) Wages are charged in the proportion of 1/2 to the Room service department, 1/4th to restaurant department and remaining to the general profit and loss account.
- (iii) Increase provision for depreciation on building to Rs. 30,000.
- (iv) A sum of Rs. 800 representing accommodation Rs. 240 and meals Rs. 560 to be charged to proprietor of the hotel.

Prepare Final Accounts for the year ending 31st March 2015. (10)

VIII. From the following Trial Balance of Northern Railway Co. after the completion of Revenue Account for the half year ended 31 December 2015.

3½% Preference stock		3,00,000
Ordinary stock		5,00,000
4% Debenture stock		2,00,000
Lines open for Traffic	8,51,950	
Lines in course construction	5,000	
Lines not commenced	50	
Working stock (Engines, carriage etc.)	1,30,000	
Contributions to joint lines	50,000	
Premium on stock etc. sold		25,000
Purchase of great canal	5,000	
Cash at bank	5,000	
General stores, stock on hand	10,000	
Traffic Accounts due to company	10,000	
Due from other companies	1,000	
Sundry Outstanding Accounts	4,000	
Debts due to other companies		500
Sundry tradesmen		20,000
Fire Insurance fund		1,500
Superannuation Fund		5,000
Balance to credit of Revenue Account		20,000
	<u>10,72,000</u>	<u>10,72,000</u>

During the half year, there was an issue of Rs. 10,000 3½ preference stock at par, which was fully subscribed and paid up, also of Rs. 20,000 ordinary stock fully subscribed and paid up at a premium of 5%. The expenditure on lines open for traffic was Rs. 25,000, on the lines in course of construction Rs. 1,000 and on working Rs. 5,000.

Prepare Capital Account and Balance sheet.

(20)