

Roll No. ....

NOV 2018

Total No. of Questions – 6 **Foundation (New Syllabus)**

Total No. of Printed Pages – 8

**Paper - 1**

Time Allowed – 3 Hours

**Principles and Practice  
of Accounting**

Maximum Marks – 100

**DSNQ**

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 and answers in Hindi, his/her answers in Hindi will not be valued.

Question No. 1 is compulsory.

Candidates are required to answer any **four** questions from the remaining **five** questions.

Working notes should form part of your answer.

**Marks**

1. (a) State with reasons, whether the following statements are true or false : **6×2**  
(i) Overhauling expenses for the engine of motor car to get better fuel efficiency is revenue expenditure. **=12**  
(ii) Depreciation is a non-cash expense and does not result in any cash outflow.  
(iii) Fees received for Life Membership is a revenue receipt as it is of recurring nature.  
(iv) If Closing Stock appears in the Trial Balance :  
The closing inventory is then not entered in Trading Account. It is shown only in the balance sheet.  
(v) Inventory Turnover Ratio is also known as Stock Turnover Ratio.  
(vi) If del-credere commission is paid to consignee, the loss of bad debts is to be borne by the consignor.
- (b) Discuss the limitations which must be kept in mind while evaluating the Financial Statements. **4**
- (c) A Plant & Machinery costing ₹ 10,00,000 is depreciated on straight line assuming 10 year working life and zero residual value, for four years. At the end of the fourth year, the machinery was revalued upwards by ₹ 40,000. The remaining useful life was reassessed at 8 years. Calculate Depreciation for the fifth year. **4**

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2. (a) The following mistakes were located in the books of a concern after its books were closed and a Suspense Account was opened in order to get the Trial Balance agreed : 10
- (i) Sales Day Book was overcast by ₹ 1,000.
  - (ii) A sale of ₹ 5,000 to X was wrongly debited to the Account of Y.
  - (iii) General expenses ₹ 180 was posted in the General Ledger as ₹ 810.
  - (iv) A Bill Receivable for ₹ 1,550 was passed through Bills Payable Book. The Bill was given by P.
  - (v) Legal Expenses ₹ 1,190 paid to Mrs. Neetu was debited to her personal account.
  - (vi) Cash received from Ram was debited to Shyam ₹ 1,500.
  - (vii) While carrying forward the total of one page of the Purchases Book to the next, the amount of ₹ 1,235 was written as ₹ 1,325.
- Find out the nature and amount of the Suspense Account and pass entries (including narration) for the rectification of the above errors in the subsequent year's books.
- (b) Define the term "Royalty" and give any four examples for the same. 5
- (c) Attempt any **one** of the following two sub-parts i.e. Either (i) or (ii). 5
- (i) From the following particulars prepare an account current, as sent by Mr. AB to Mr. XY as on 31<sup>st</sup> October, 2018 by means of product method charging interest @ 5% p.a.

| Date                       | Particulars           | (₹)   |
|----------------------------|-----------------------|-------|
| 1 <sup>st</sup> July       | Balance due from XY   | 1,500 |
| 20 <sup>th</sup> August    | Sold goods to XY      | 2,500 |
| 28 <sup>th</sup> August    | Goods returned by XY  | 400   |
| 25 <sup>th</sup> September | XY paid by cheque     | 1,600 |
| 20 <sup>th</sup> October   | Received cash from XY | 1,000 |

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- (ii) Mr. Ganesh sends out goods on approval to few customers and includes the same in the Sales Account. On 31.03.2018, the Trade Receivables balance stood at ₹ 75,000 which included ₹ 6,500 goods sent on approval against which no intimation was received during the year. These goods were sent out at 30% over and above cost price and were sent to –

Mr. Adhitya ₹ 3,900 and Mr. Bakkiram ₹ 2,600.

Mr. Adhitya sent intimation of acceptance on 25<sup>th</sup> April, 2018 and Mr. Bakkiram returned the goods on 15<sup>th</sup> April, 2018.

Make the adjustment entries and show how these items will appear in the Balance Sheet as on 31<sup>st</sup> March, 2018. Show also the entries to be made during April, 2018. Value of Closing Inventories as on 31<sup>st</sup> March, 2018 was ₹ 50,000.

3. (a) Dinesh, Ramesh and Naresh are partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. Their Balance Sheet as on 31<sup>st</sup> March, 2018 is as below :

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| Liabilities               | (₹)           | Assets               | (₹)           |
|---------------------------|---------------|----------------------|---------------|
| Trade Payables            | 22,500        | Land & Buildings     | 37,000        |
| Outstanding Liabilities   | 2,200         | Furniture & Fixtures | 7,200         |
| General Reserve           | 7,800         | Closing stock        | 12,600        |
| <u>Capital Accounts :</u> |               | Trade Receivables    | 10,700        |
| Dinesh   15,000           |               | Cash in hand         | 2,800         |
| Ramesh   15,000           |               | Cash at Bank         | 2,200         |
| Naresh <u>10,000</u>      | 40,000        |                      |               |
|                           | <b>72,500</b> |                      | <b>72,500</b> |

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The partners have agreed to take Suresh as a partner with effect from 1<sup>st</sup> April, 2018 on the following terms :

- (i) Suresh shall bring ₹ 8,000 towards his capital.
- (ii) The value of stock to be increased to ₹ 14,000 and Furniture & Fixtures to be depreciated by 10%.
- (iii) Reserve for bad and doubtful debts should be provided at 5% of the Trade Receivables.
- (iv) The value of Land & Buildings to be increased by ₹ 5,600 and the value of the goodwill be fixed at ₹ 18,000.
- (v) The new profit sharing ratio shall be divided equally among the partners.

The outstanding liabilities include ₹ 700 due to Ram which has been paid by Dinesh. Necessary entries were not made in the books.

Prepare (i) Revaluation Account, (ii) Capital Accounts of the partners, (iii) Balance Sheet of the firm after admission of Suresh.

- (b) Mr. Fazhil is a proprietor in business of trading. An abstract of his Trading and P & L account is as follows :

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Trading and P & L A/c for the year ended 31<sup>st</sup> March, 2018.

| Particulars  | (₹)       | Particulars         | (₹)       |
|--|-----------|---------------------|-----------|
| To Cost of Goods sold  | 22,00,000 | By Sales            | 45,00,000 |
| To Gross Profit C/d  | ?         |                     |           |
|  | ?         |                     | 45,00,000 |
| To Salaries paid   | 12,00,000 | By Gross Profit B/d | ?         |
| To General Expenses  | 6,00,000  | By Other Income     | 45,000    |
| To Selling Expenses  | ?         |                     |           |
| To Commission to Manager (On Net profit before charging such commission) | 1,00,000  |                     |           |
| To Net Profit  | ?         |                     |           |
|  | ?         |                     | ?         |

Selling expenses amount to 1% of total Sales.

You are required to compute the missing figure.

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4. (a) Raj of Gwalior consigned 15,000 kgs of Ghee at ₹ 30 per kg to his agent Siraj at Delhi. He spent ₹ 5 per kg as freight and insurance for sending the Ghee at Delhi. On the way 100 kgs. of Ghee was lost due to the leakage (which is to be treated as normal loss) and 400 kgs. of Ghee was destroyed in transit. ₹ 9,000 was paid to consignor directly by the Insurance company as Insurance claim.

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Siraj sold 7,500 kgs. at ₹ 60 per kg. He spent ₹ 33,000 on advertisement and recurring expenses.

You are required to calculate :

- (i) The amount of abnormal loss.
  - (ii) Value of stock at the end and
  - (iii) Prepare Consignment account showing profit or loss on consignment, if Siraj is entitled to 5% commission on sales.
- (b) Prepare a bank reconciliation statement from the following particulars as on 31<sup>st</sup> March, 2018.

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| Particulars  | (₹)       |
|--|-----------|
| Debit balance as per bank column of the cash book  | 18,60,000 |
| Cheque issued to creditors but not yet presented to the Bank for payment                   | 3,60,000  |
| Dividend received by the bank but not entered in the Cash book                             | 2,50,000  |
| Interest allowed by the Bank   | 6,250     |
| Cheques deposited into bank for collection but not collected by bank up to this date       | 7,70,000  |
| Bank charges not entered in Cash Book  | 1,000     |
| A cheque deposited into bank was dishonored, but no intimation received                    | 1,60,000  |
| Bank paid house tax on our behalf, but no intimation received from bank in this connection | 1,75,000  |

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5. (a) You are provided with the followings :

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**Balance Sheet as on 31<sup>st</sup> March, 2017**

| Liabilities                         | (₹)             | Assets                   | (₹)             |
|-------------------------------------|-----------------|--------------------------|-----------------|
| Capital Fund                        | 1,06,200        | Building                 | 1,50,000        |
| Subscription received<br>in Advance | 6,000           | Outstanding Subscription | 3,800           |
| Outstanding Expenses                | 14,000          | Outstanding Locker Rent  | 2,400           |
| Loan                                | 40,000          | Cash in Hand             | 20,000          |
| Sundry Creditors                    | 10,000          |                          |                 |
| <b>Total</b>                        | <b>1,76,200</b> | <b>Total</b>             | <b>1,76,200</b> |

**The Receipts and Payment account for the year ended  
on 31<sup>st</sup> March, 2018**

| Receipts                              | (₹)           | Payments                  | (₹)           |
|---------------------------------------|---------------|---------------------------|---------------|
| To Balance b/d                        |               | <u>By Expenses :</u>      |               |
| Cash in Hand                          | 20,000        | For 2017                  | 12,000        |
| <u>To Subscriptions :</u>             |               | For 2018                  | <u>20,000</u> |
| For 2017                              | 2,000         | By Land                   | 40,000        |
| For 2018                              | 21,000        | By Interest               | 4,000         |
| For 2019                              | <u>1,000</u>  | By Miscellaneous Expenses | 4,700         |
| To Entrance Fees                      | 38,000        | By Balance c/d            |               |
| To Locker Rent                        | 7,000         | Cash in Hand              | 18,300        |
| To Sale proceeds of old<br>newspapers | 1,000         |                           |               |
| To Miscellaneous Income               | 9,000         |                           |               |
|                                       | <b>99,000</b> |                           | <b>99,000</b> |

You are required to prepare Income and Expenditure account for the year ended 31<sup>st</sup> March, 2018 and a Balance Sheet as at 31<sup>st</sup> March, 2018 (Workings should form part of your answer).

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(7)

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(b) With the following ratios and further information given below, you are required to prepare a Trading account and Profit & Loss account and a Balance Sheet of Sri Ganesh :

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- (i) Gross Profit Ratio = 25%
- (ii) Net Profit / Sales = 20%
- (iii) Stock Turnover Ratio = 10
- (iv) Net Profit / Capital = 1/5
- (v) Capital to Total other Liabilities = 1/2
- (vi) Fixed Assets / Capital = 5/4
- (vii) Fixed Assets / Total Current Assets = 5/7
- (viii) Fixed Assets = ₹ 10,00,000
- (ix) Closing Stock = ₹ 1,00,000

6. (a) Give necessary journal entries for the forfeiture and re-issue of shares :

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- (i) X Ltd. forfeited 300 shares of ₹ 10 each fully called up, held by Ramesh for non-payment of allotment money of ₹ 3 per share and final call of ₹ 4 per share. He paid the application money of ₹ 3 per share. These shares were re-issued to Suresh for ₹ 8 per share.
- (ii) X Ltd. forfeited 200 shares of ₹ 10 each (₹ 7 called up) on which Naresh had paid application and allotment money of ₹ 5 per share. Out of these, 150 shares were re-issued to Mahesh as fully paid up for ₹ 6 per share.
- (iii) X Ltd. forfeited 100 shares of ₹ 10 each (₹ 6 called up) issued at a discount of 10% to Dimple on which she paid ₹ 2 per share. Out of these, 80 shares were re-issued to Simple at ₹ 8 per share and called up for ₹ 6 per share.

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- (b) Pure Ltd. issues 1,00,000 12% Debentures of ₹ 10 each at ₹ 9.40 on 1<sup>st</sup> January, 2018. Under the terms of issue, the Debentures are redeemable at the end of 5 years from the date of issue. **5**

Calculate the amount of discount to be written-off in each of the 5 years.

- (c) Karan purchased goods from Arjun, the average due date for payment in cash is 10.08.2018 and the total amount due is ₹ 1,75,800. How much amount should be paid by Karan to Arjun, if total payment is made on following dates and interest is to be considered at the rate of 15% p.a. **5**

(i) On average due date

(ii) On 28<sup>th</sup> August, 2018.

(iii) On 29<sup>th</sup> July, 2018

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