

61156

Seat No. _____

First Year B. B. A. Examination

March / April – 2003

Principle & Practice of Accountancy

Time : **3** Hours]

[Total Marks : **100**

Instructions : (1) Figures to the **right** side of the question indicate its **full** marks.

(2) All calculations will be considered as **part** of the answer.

(3) Indicate **clearly** the question number attempted by you.

1 (a) Do as directed : (any **six**) **6**

(i) Contingent liabilities are shown in the financial statements as foot notes.

(Identify the concept, convention or principle)

(ii) Closing stock is always shown at cost due to the cost principle.

(State whether the statement is true or false and if false rectify the statement)

(iii) The deteriorating health of the M.D. of the company is not disclosed in the books of accounts because of _____ concept. (Fill in the gap)

(iv) Figures are rounded off to the nearest integers i.e. hundreds or thousands due to inaccuracy of accountants. (Correct the statement)

(v) Outstanding Rent account is a _____ type of account. (Fill in the gap)

(vi) Name the main branches of accounting.

(vii) Pass the journal entry for the following. Recovered from *Nayan* an old amount of Rs.300 which was written off as bad.

(viii) Give an exception to the principle of realisation.

(b) Attempt any **two** of the following : **4**

(i) Define Accounting. Which are the main types of accounts ?

(ii) Distinguish between Debit note and Credit note.

(iii) What is a Trial Balance ? State the objectives of preparing the trial balance.

2 (a) Enter the following transactions in the Purchase book, Sales book and Return books of *Shri Sharad* and show the ledger posting in *Sachin* and *Dravid's* accounts :

Balances on 1st March, 2003 :

Sachin Rs.10,000 (Cr.)

Dravid Rs.8,000 (Dr.)

2003

March-1 Purchased goods from *Sachin* of Rs.20,000 at a trade discount of 20%.

- March-4 Half the goods purchased from *Sachin* sold to *David* at a profit of 20%
- March-7 Purchased furniture from *Mongia* on Credit Rs.10,000
- March-10 *David* returned defective goods of Rs.480, which *Sharad* return to *Sachin*
- March-12 Purchased goods of Rs. 5,000 from *Atul* at 10% trade discount and 5% cash discount. Paid half the amount in cash.
- March-16 Sold to *Shrinath* goods of Rs. 5,000 for cash
- March-17 Paid to *Sachin* Rs. 6,000
- March-18 Received from *David* Rs. 5,000
- March-20 An order received from *Nehra* to supply goods of Rs. 8,000
- March-24 Sent goods to *Nehra* as per his order and paid Rs.40 for cartage on his behalf
- March-27 Sold goods to *Kumble* Rs. 8,000 at 10% trade discount.
- March-28 Returned defective furniture to *Mongia* Rs.1000.

OR

- (a) Enter the following transactions in three column **11**
cash book of *Shri Sharad* and find out the balances :

2003

January-1 Cash balance Rs.3,000

Bank overdraft Rs.7,500

- January-2 Since more money required in business. *Sharad* brought Rs.37,500 cash, out of which Rs.20,000 were paid into the bank.
- January-7 Goods worth Rs.15,000 purchased from *Nitin* at 10% Trade discount and 6% Cash discount. Half the amount paid by a cheque.
- January-17 Goods worth Rs.7500 were sold to *Dinesh* at 2% Cash discount, *Dinesh* in exchange gave a cheque in full settlement which was deposited in the bank.
- January-21 Paid Rs.1500 by a cheque towards rent and Rs.3000 in cash towards salary.
- January-23 The cheque received from *Dinesh* is dishonoured and in exchange he gave cash.
- January-25 Withdrew from bank Rs.7500 for office expense and Rs.1500 for personal use.
- January-30 A dividend on share of Rs.3800 collected by bank on behalf of *Sharad*, was credited in the pass book, while Rs.150 interest on overdraft and Rs.75 bank charges were debited. Pass these entries in cash book now.
- January-31 Paid sundry expenses Rs.400 by cash
- January-31 Cash balance of Rs.1500 was kept in hand and the balance paid into the bank.

2 (b) From the following particulars prepare Bank Reconciliation statement : 7

Bank balance as per pass book	10,000
(i) Cheque deposited into the bank but no entry was passed in the cash book	500
(ii) Cheque received but not sent to the bank	1,200
(iii) Credit side of the Bank column is cast short	200
(iv) Insurance Premium paid directly by the bank under the instruction of the account holder.	600
(v) Bank charges entered twice in cash book	20
(vi) Cheque issued but not presented to the bank for payment	500
(vii) Cheque received entered twice in cash book	1,000
(viii) Bills discounted dishonoured not recorded in cash book	5,000

OR

2 (b) Checking *Vimal's* Cash book with the Current a/c, Bank statement for the month of November, 2002. You find the following : 7

(i) The cash book showed an overdraft of Rs.4,500

- (ii) The payment side of the cash book had been undercast by Rs.150.
- (iii) A cheque for Rs.750 drawn on his savings account has been wrongly shown as drawn on current account.
- (iv) Cheques amounting to Rs.7000 drawn as entered in the cash book had not been presented till 30th Nov.
- (v) Bank charges of Rs.75 as per the bank statement had not been taken into the cash book.
- (vi) Dividends amounting to Rs.2,500 had been paid into the bank directly and not entered in the cash book.
- (vii) Cheques amounting to Rs.6000 sent to the bank for collection, though entered in the cash book had not been credited by the bank.

Prepare a Bank Reconciliation statement as on 30th November-2002.

- 3** The following is the trial balance of *Shri Vishesh* as **14** on 31-12-2002. Prepare Final Accounts from the information given as under :

Name of Account	Dr. Rs.	Cr. Rs.
Printing and stationary	500	–
Opening stock	30,000	–
Drawing and Capital	10,000	89,000
Purchases and Sales	60,000	1,20,000
Debtors and Creditors	55,000	37,000
Plant and Machinery	40,000	–

61156]

6

[Contd...

Building on lease (from 1-7-2002 for 5 years)	40,000	–
Repairs`	500	–
Goods returned	1000	500
Discount	220	600
Interest on Bank overdraft	80	–
Wages, Cartage and Octroi	5,200	–
Salesman's commission	600	–
Bad debt and Bad debt reserve	400	1,900
Salary	5,000	–
Insurance, Rates and Taxes	800	–
Cash and Bank balance	500	800
	2,49,800	2,49,800

Adjustments :

- (i) The closing stock is valued at Rs.20,000 and includes damaged goods worth Rs.4000 which is estimated to realise Rs.2000.
- (ii) Depreciate plant and machinery at 10%
- (iii) Calculate interest on capital at 6% and interest on drawings Rs.350
- (iv) Rs.100 is outstanding for salaries.
- (v) Insurance includes Rs.50 prepaid and Rs.100 for life insurance.
- (vi) Of the debtors Rs.1000 is to be written off on bad debts and provision at 5% on debtors is to be made for doubtful debts.

- (vii) On 1-9-2002 *Vishesh* brought his personal machine worth Rs.1000 in the business, but it has been credited to *Vishesh's* personal account and has been included in creditors.
- (viii) *Vishesh* has withdrawn goods of Rs.100 for personal use and goods worth Rs.500 is stolen.
- (ix) Goods worth Rs.1000 is burnt by fire against which the insurance company accepted a claim of Rs.800
- (x) Stock of stationary on 31-12-2002 is Rs.100.

4 (a) *Bharat & Co.* close their accounts on 31st, March every year. They purchased the machineries as follows : 7

- (i) Purchased the machineries costing Rs.2,40,000 on 1-7-2000.
- (ii) On 1-1-2001 some machines were purchased costing Rs.1,20,000
- (iii) On 1-1-2003 Purchased a new machine for Rs.2,40,000
- (iv) One machine costing Rs.1,20,000 which was purchased on 1-7-2000 was sold for Rs.46,000 on 1-4-2002.
- (v) They charge depreciation at $33\frac{1}{3}\%$ on written down value method.
- (vi) They have the practice to charge depreciation for the full year even if the machine is used for a part of the year.

Prepare machinery account in the books of *Bharat & Co.* for the three years 2000-2001, 2001-2002 and 2002-2003.

OR

- 4 (a) (i) Distinguish between fixed instalment method and 3
reducing balance method of depreciation.
- (ii) What is depreciation ? Explain briefly the 4
objects of providing depreciation.
- (b) An accountant while preparing his trial balance 7
finds that the debit exceeds by Rs.7,250. He places the
difference to a suspense account and prepare the final
accounts. In the next year the following mistakes were
discovered :
- (i) A sale of Rs.4,000 has been passed through the
purchase book. The entry in customer's account
is correctly recorded.
- (ii) Goods worth Rs.2,500 taken away by the proprietor
has been debited to Repairs account.
- (iii) A bill receivable from *Kamal* for Rs.1300 has been
dishonoured on maturity, but no entry is passed.
- (iv) Salary of Rs.650 paid to the clerk, *Mr. Jain* is
debited to his personal account.
- (v) A purchase of Rs.750 from *Raghu* has been
debited to his account. Purchase account is correctly
debited.
- (vi) A sum of Rs.2,250 written off as discount has not
been debited to discount account.

Draft journal entries for rectifying the above mistakes
and show suspense account.

OR

- (b) Rectify the following errors using Suspense Account wherever necessary. 7
- (i) *Premal* was paid cash Rs.2,800 but instead *Hemal's* account was debited by Rs.2000.
 - (ii) Wages amounting to Rs.7000 for installation of Machinery was debited to wages account unit
 - (iii) Returns inward and books for December was totalled short by Rs.1000
 - (iv) Purchase Return of Rs.1000 to *Ranbir* was not recorded at all.
 - (v) A purchase of Rs.670 had been posted to the creditor's account at 600.
 - (vi) Discount received Rs.1420 had been debited to discount allowed account.
 - (vii) An accrual of Rs.660 for telephone charges had been completely omitted.
- 5 (a) (i) How do Financial Accounts of Non-Trading concerns differ from those of Trading concern. 4
- (ii) Write note on Capital Expenditures and Revenue Expenditures. 3
- OR**
- 5 (a) Students reading room library showed the following position on 31st March, 2003 : 7

Liabilities	Rs.	Assets	Rs.
Capital Fund	15,00,000	Furniture	3,00,000
Unpaid expenses	10,000	Electric fittings	1,00,000
		Books	10,00,000
		10% Investment in ICICI banks	1,00,000
		Cash on hand	10,000
	15,10,000		15,10,000

The receipts and payments account for the year ended
31st March, 2003 is given below :

Receipts	Rs.	Payments	Rs.
To Balance B/F	10,000	By Electric charges	14,400
To Entrance fees (75% is to be capitalised)	60,000	By Postage and stationary	10,000
To Membership subscription	4,00,000	By Telepone charges	10,000
To sale of pasti	3,000	By Books purchases	1,20,000
To Hire of Lectures Hall	40,000	By Rent	1,60,000
To Interest on securities	16,000	By 10% investment in securities (1-10-2002)	1,60,000
		By unpaid expenses paid	10,000
		By Salaries	40,000
		By Balance C/F	4,600
	5,29,000		5,29,000

You are required to prepare Income and Expenditure account for the year ended 31st March, 2003 and a balance sheet as on 31st March, 2003, after making the following adjustments :

- (i) Membership subscription includes Rs.25,000 received in advance.
- (ii) Provide for outstanding rent Rs.8000 and salaries Rs.6000
- (iii) Books to be depreciated at 10% including additions. Electric fittings and Furniture are also to be depreciated at the same rate.

- 5 (b) *Mr. Parag* commenced business on 1-4-2002 with a capital of Rs.2,00,000. Soon, thereafter, he bought furniture for Rs.40,000. On 30th September, 2002 he borrowed from his brother *Mr. Chirag* at 12% interest p.a. (interest not yet paid) and introduced a further capital of his own amounting to Rs.30,000. He withdrew Rs.6000 P.M. for house hold expenses.

On 31st March, 2003 his position was as follows :

Cash on hand Rs.4000, Cash at bank Rs.52,000, Sundry Debtors Rs.96,000, Stock Rs.1,00,000, Bills Receivable Rs.32,000, Sundry Creditors Rs.10,000 and Owing for Rent Rs.3000.

Furniture is to be depreciated by 10%

Prepare a statement showing Profit or Loss for the year ending 31st March, 2003 and a balance sheet as on that date.

OR

- 5 (b) *Mrs. Parul* keeps her books of accounts on 7
single entry system. From the information given below prepare her final accounts for the year ended 31-3-2003 :

(I) Details about assets and liabilities as on :

Particulars	1-4-2002	31-3-2003
	Rs.	Rs.
Stock	70,000	15,000
Debtors	50,000	1,13,000
Creditors	60,000	1,07,000
Bills Receivable	20,000	42,000
Bills Payable	30,000	36,000
Machinery	1,20,000	?
Furniture	20,000	?

(II) Summary of Cash transactions during the year :

Dr.		Cr.	
Receipts	Rs.	Payments	Rs.
To Balance B/F	10,000	By Purchase	30,000
To Sales	1,10,000	By Salary	28,000
To Bills receivable	10,000	By Creditors	70,000
To Debtors	80,000	By Drawings	20,000
To Machinery	8,000	By 12% <i>Ami's</i> loan	

61156]

13

[Contd...

(on 1-12-2002 Book value on 1-4-2002 Rs.12000)		on 1-10-2002	50,000
		By Furniture on 1-1-2003	10,000
		By Misc. expenses	6,000
		By Balance C/F	4,000
	2,18,000		2,18,000

(III) Other transactions during the year :

Particulars	Rs.
Sales returns	10,000
Purchase returns	5,000
Bad debts	12,000
Discount allowed	3,000
Discount received	2,000

(IV) Adjustments :

- (i) Depreciate machinery by 5% and Furniture by 10%
- (ii) Provide 2% on debtors as doubtful debts.