

## QEM

Roll No. ....

Total No. of Printed Pages : 12

Total No. of Questions : 6

Maximum Marks : 100

Time allowed : 3 Hours

### INSTRUCTIONS TO CANDIDATES

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

Question No. 1 is compulsory.

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

Working notes should form part of the respective answers.

(a) State **with reasons**, whether the following statements are **True or False**:

- (i) A claim that an enterprise is pursuing through legal process, where the outcome is uncertain, is a Contingent Liability.
- (ii) At the end of the accounting year, all the nominal accounts of the ledger book are balanced.
- (iii) The specific due date excludes the addition of grace days to arrive at the due date.
- (iv) Any amount spent for replacement of worn out part of a machine is capital expenditure.
- (v) Debentures Suspense Account appears on the Liability side of the Balance Sheet of a Company.
- (vi) If the errors are detected after preparing trial balance, then all the errors are rectified through suspense account.

(6 × 2 = 12 Marks)

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SEAL

(2)

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(4 Marks)

(b) Briefly explain the following Concepts of Accounting :

- (i) Money Measurement Concept
- (ii) Periodicity Concept.

(c) One of your clients Mr. X asked you to finalize his account for the year ended 31<sup>st</sup> March, 2022. As a basis for audit, Mr. X furnished you with the following statement :

	Dr.	Cr.
X's Capital		4,668
X's Drawings	1,692	
Leasehold Premises	2,250	
Sales		8,250
Due from customers		1,590
Purchases	3,777	
Purchase Return	792	
Loan from Bank		768
Trade Expense	2,100	
Trade Payable	1,584	
Bills Payable	300	
Salaries and Wages	1,800	
Cash at Bank	678	
Opening Inventory		792
Rent and Rates	1,389	
Sales Return		294
	16,362	16,362

The closing inventory was ₹ 1,722. Mr. X claims that he has recorded every transaction correctly as the trial balance is tallied. Check the accuracy of the above trial balance and give reasons for the errors, if any. (4 Marks)

**QEM**

(3)

**QEM**

- (a) The Machinery Account of a Factory showed a balance of ₹ 95 Lakhs on 1<sup>st</sup> April, 2020. The Books of Accounts of the Factory are closed on 31<sup>st</sup> March every year and Depreciation is written off @ 10% per annum under the Diminishing Balance Method. On 1<sup>st</sup> September, 2020 a new machine was acquired at a cost of ₹ 14 Lakhs and ₹ 44,600 was incurred on the same day as installation charges for erecting the machine. On 1<sup>st</sup> September, 2020 a machine which had cost ₹. 21,87,000 on 1<sup>st</sup> April, 2018 was sold for ₹ 3,75,000. Another machine which had cost ₹ 21,85,000 on 1<sup>st</sup> April, 2019 was scrapped on 1<sup>st</sup> September, 2020 and it realized nothing.

Prepare the Plant and Machinery Account for the year ended 31<sup>st</sup> March, 2021. Allow the same rate of depreciation as in the past and calculate depreciation to the nearest multiple of a rupee. Also show all the necessary working notes.

(10 Marks)

- (b) Zed Enterprises furnishes the following information for the year ended 31<sup>st</sup> March, 2021.

Particulars	Amount (₹)
Value of Stock as on 1 <sup>st</sup> April, 2020 <i>Open</i>	28,00,000
Purchases during the year	1,38,40,000
Manufacturing Expenses during the year	28,00,000
Sales during the year	2,08,80,000

The following further information is also provided:

- (i) At the time of valuing stock on 31<sup>st</sup> March, 2020 a sum of ₹ 2,40,000 was written off for a particular item which was originally purchased for ₹ 8,00,000. This item was sold during the year ended 31<sup>st</sup> March, 2021 for ₹ 6,40,000.
- (ii) Except for the above transaction, the Rate of Gross Profit during the year was 1/3<sup>rd</sup> on cost.

Ascertain the value of Stock as on 31<sup>st</sup> March, 2021.

(5 Marks)

**QEM**

P.T.O.

(4)

**QEM**

- (c) From the following particulars, prepare a Bank Reconciliation Statement on 31<sup>st</sup> March, 2021:

Particulars	Amount (₹)
Bank balance as per Pass Book	25,00,000
Bills discounted dishonored not recorded in Cash Book	12,50,000
Cheque received entered twice in Cash Book (-)	25,000
Bank charges entered twice in Cash Book (-)	5,000
Insurance premium paid directly by Bank under standing instruction(+)	1,50,000
Cheque issued but not presented to Bank for payment (+)	12,50,000
Cheque received, but not sent to Bank (-)	28,00,000
Cheque deposited in Bank, but no entry passed in the Cash Book	12,50,000
Credit side of the Bank column cast short	5,000

(5 Marks)

3. (a) M of Mumbai sent on consignment, goods valued ₹ 4,00,000 to A of Agra on 1<sup>st</sup> March, 2020. He incurred the expenditure of ₹ 48,000 on freight and insurance. M's accounting year closes on 31<sup>st</sup> December. A was entitled to a commission of 5% on gross sales plus a del-credere commission of 3%. A took delivery of the consignment by incurring expenses of ₹ 12,000 for the goods consigned.

On 31/12/2020, A informed on phone that he had sold all the goods for ₹ 6,00,000 by incurring selling expenses of ₹ 8,000. He further informed that only ₹ 5,92,000 had been realized and rest was considered irrecoverable, and would be sending the cheque in a day or so for the amount due along with the accounts sale.

On 5/1/2021, M received the cheque for the amount due from A and incurred bank charges of ₹ 1,040 for collecting the cheque. The amount was credited by the bank on 9/1/2021.

Write up the consignment account finding out the profit/loss on the consignment and A's account in the books of M.

(10 Marks)

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(5)

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- (b) P sends out goods on approval to few customers and includes the same in the Sales Account. On 31.3.2021, the Trade receivables balance stood at ₹ 3,00,000 which included ₹ 21,000 goods sent on approval against which no intimation was received during the year. These goods were sent out at 25% over and above cost price and were sent to Mr. A ₹ 12,000 and Mr. B ₹ 9,000.

Mr. A sent intimation of acceptance on 30<sup>th</sup> April and Mr. B returned the goods on 10<sup>th</sup> April, 2021.

Make the adjustment entries and show how these items will appear in the Balance Sheet on 31<sup>st</sup> March, 2021. Also show the entries to be made during April, 2021. Value of closing inventories as on 31<sup>st</sup> March, 2021 was ₹ 1,80,000.

(5 Marks)

- (c) Attempt any ONE of the following two sub-parts i.e. either (i) or (ii):

- (i) The following particulars are sent by Mr. A to Mr. K:

Date	Particulars	Amount (₹)
15/7/2021	Balance due from Mr. K	6,000
20/8/2021	Sold goods to Mr. K	10,000
25/8/2021	Goods returned by Mr. K	1,600
15/9/2021	Cheque paid by Mr. K	6,400
20/10/2021	Cash received from Mr. K	4,000

11  
30  
31  
72

16 → July  
30 → SEP  
31 → AUG  
31 → OCT  
108

15  
31  
46

Prepare an Account Current as sent by Mr. A to Mr. K as on 31<sup>st</sup> October, 2021 by means of product method charging interest @ 8% per annum. Round off the amounts to the nearest rupee.

(5 Marks)

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(ii) Mr. X gives the following particulars in respect of business carried on by him:

Particulars	Amount (₹)
Capital Invested in business	9,00,000
Market rate of interest on investment	8%
Rate of risk return on capital invested in business	3%
Remuneration per annum from alternative employment of proprietor if he was not engaged in business	36,000

The business earned profits of ₹ 2,40,000, ₹ 2,16,000 and ₹ 3,00,000 in the years 2018, 2019 and 2021 respectively but made a loss of ₹ 36,000 in the year 2020. Compute the value of Goodwill on the basis of 6 years' purchase of super profits of the business, calculated on the basis of average profit of last four years. (5 Marks)

4. (a) The following is the Receipts and Payments Account of Mumbai Club for the year ended March 31, 2021:

**Receipt and Payment Account of Mumbai Club**

Receipts	Amount (₹)	Payments	Amount (₹)
Cash in hand	20,000	Ground man's Fee	75,000
Balance at Bank as per Pass Book:		Purchase of Equipments	1,55,000
Saving Account	1,93,000	Rent of Ground	25,000
Current Account	60,000	Club night expenses	38,000
Bank Interest ✓	5,000	Printing and Office Expenses ✓	30,000
Donations and Subscriptions ✓	2,50,000	Repairs to Equipment ✓	50,000
Entrance fees	18,000	Honorarium to Secretary (2019-20) ✓	40,000
Contribution to Club night	10,000	Balance at Bank as per Pass Book:	
Sale of Equipment	8,000	Saving Account	2,04,000
Bar Room receipts	20,000	Current Account	20,000
Proceeds from club night	78,000	Cash in hand	25,000
	6,62,000		6,62,000

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You are given the following additional information (All figures are in ₹)

	01.04.20	31.03.21
Subscription due	15,000	10,000
Amount due for printing etc.	10,000	8,000
Cheques unpresented being payment for repairs	30,000	25,000
Interest not yet entered in the Pass book	—	2,000
Estimated value of machinery and equipment	80,000	1,75,000

For the year ended March 31, 2021, the honorarium to the Secretary is to be increased by a total of ₹ 20,000 and Ground man is to receive a bonus of ₹ 20,000. Prepare the Income and Expenditure Account for period ended 31<sup>st</sup> March, 2021 and the Balance Sheet as at that date.

(10 Marks)

- (b) X, Y and Z are partners sharing profits and losses in the ratio of 1:2:3. Their Balance Sheet as on 31<sup>st</sup> March, 2021 was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
<u>Capitals:</u>		Building	2,50,000
X	1,75,000	Machinery	3,37,500
Y	2,50,000	Debtors	3,25,000
Z	4,00,000	Stock	4,00,000
General Reserve	3,00,000	Bank	62,500
Trade Creditors	2,50,000		
Total	13,75,000	Total	13,75,000

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Z retired from business on 1<sup>st</sup> April, 2021 on the following terms:

- (i) Building to be appreciated by 25%.
- (ii) X and Y to bring in additional capital of ₹ 5,00,000 each.
- (iii) Machinery to be depreciated by 10%.
- (iv) Stock is revalued at ₹ 3,72,250.
- (v) Provision for Doubtful Debts to be created at 4%.
- (vi) Goodwill was to be valued at 3 Years' purchase of average profits of past 3 years. The profits of past 3 years were ₹ 2,75,000, ₹ 2,50,000 and ₹ 1,95,000 respectively.
- (vii) Goodwill was not to be raised in the Books of Accounts.
- (viii) Balance payable to Z was to be paid immediately.

Prepare Revaluation Account, Bank Account and Partners' Capital Account after giving effect to Z's retirement. Also show the valuation of Goodwill and pass a Journal Entry for adjustment of Goodwill.

(10 Marks)

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5. The following is the trial balance of Mr. B for the year ended 31<sup>st</sup> March, 2021:

Particulars	Dr.	Particulars	Cr.
Opening Stock:		Sundry Creditors	1,75,000
Raw Material	5,25,000	Purchase Return	17,500
Finished Goods	2,62,500	Capital	3,50,000
Purchase of Raw Material	17,50,000	Bills Payable	84,000
Land & Building	3,50,000	Long Term Loan	7,00,000
Loose Tools	1,05,000	Provision for bad and doubtful debts	7,000
Plant and Machinery	1,05,000	Sales	29,75,000
Investments	87,500	Bank Overdraft	80,500
Cash in Hand	70,000		
Cash at Bank	17,500		
Furniture and Fixtures	52,500		
Bills Receivables	52,500		
Sundry Debtors	1,40,000		
Drawings	70,000		
Salaries	70,000		
Coal and Fuel	52,500		
Factory rent and rates	70,000		
General Expenses	14,000		
Advertisement	17,500		
Sales Return	35,000		
Bad Debts	14,000		
Direct Wages (Factory)	2,80,000		
Power	1,05,000		
Interest paid	24,500		
Discount allowed	10,500		
Carriage inwards	52,500		
Carriage outwards	24,500		
Commission paid	17,500		
Dividend paid	14,000		
	43,89,000		43,89,000

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Additional Information:

- (i) Stock of finished goods at the end of the year was ₹ 3,50,000.
- (ii) A provision for doubtful debts is to be created @ 5% on Sundry Debtors. Provide Depreciation on building ₹ 3,500 and Machinery ₹ 10,500.
- (iii) Accrued commission is ₹ 43,750. Interest has accrued on investment ₹ 52,500.
- (iv) Salary Outstanding is ₹ 7,000 and Prepaid Interest is ₹ 5,250.

You are required to prepare Manufacturing, Trading and Profit & loss account for the year ended 31<sup>st</sup> March, 2021 and Balance Sheet as at that date.

(20 Marks)

6. (a) A Limited issued 20,000 Equity shares of ₹ 10 each at a premium of 10%, payable ₹ 2 on application; ₹ 4 on allotment (including premium); ₹ 2 on first call and balance on the final call. All the shares were fully subscribed. Mr. M who held 2000 shares paid full remaining amount on first call itself. The final call which was made after 4 months from the first call was fully paid except a shareholder having 200 shares and one another shareholder having 100 shares. They paid their due amount after 3 months and 4 months respectively along with interest on calls in arrears. Company also paid interest on calls in advance to Mr. M. The Company maintains Calls in Arrear and Calls in Advance A/c. Give journal entries to record these transactions. Show workings of Interest calculation. (Ignore dates).

(15 Marks)

- (b) What is petty cash book? Write it's any two advantages.

(5 Marks)

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