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)

61156] 1 [Contd...
(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:

(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 Dravid at a profit of 20%

March-7  Purchased furniture from Mongia on Credit Rs.10,000

March-10 Dravid 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 Dravid 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 cash book of Shri Sharad and find out the balances:

2003
January-1   Cash balance Rs.3,000
Bank overdraft Rs.7,500

61156] 3 [Contd...
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:

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:

(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.

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

<table>
<thead>
<tr>
<th>Name of Account</th>
<th>Dr. Rs.</th>
<th>Cr. Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Printing and stationary</td>
<td>500</td>
<td>-</td>
</tr>
<tr>
<td>Opening stock</td>
<td>30,000</td>
<td>-</td>
</tr>
<tr>
<td>Drawing and Capital</td>
<td>10,000</td>
<td>89,000</td>
</tr>
<tr>
<td>Purchases and Sales</td>
<td>60,000</td>
<td>1,20,000</td>
</tr>
<tr>
<td>Debtors and Creditors</td>
<td>55,000</td>
<td>37,000</td>
</tr>
<tr>
<td>Plant and Machinery</td>
<td>40,000</td>
<td>-</td>
</tr>
</tbody>
</table>

61156] 6 [Contd...
Building on lease 40,000 -
(from 1-7-2002 for 5 years)
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.

61156] 7 [Contd...
(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.

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

(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.


OR

61156] 8 [Contd...
4 (a) (i) Distinguish between fixed instalment method and reducing balance method of depreciation.

(ii) What is depreciation? Explain briefly the objects of providing depreciation.

(b) An accountant while preparing his trial balance 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

61156]
(b) Rectify the following errors using Suspense Account wherever necessary.

(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.

(ii) Write note on Capital Expenditures and Revenue Expenditures.

OR

5 (a) Students reading room library showed the following position on 31st March, 2003:

61156] 10 [Contd...
<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Rs.</th>
<th>Assets</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Fund</td>
<td>15,00,000</td>
<td>Furniture</td>
<td>3,00,000</td>
</tr>
<tr>
<td>Unpaid expenses</td>
<td>10,000</td>
<td>Electric fittings</td>
<td>1,00,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Books</td>
<td>10,00,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10% Investment in ICICI banks</td>
<td>1,00,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cash on hand</td>
<td>10,000</td>
</tr>
<tr>
<td></td>
<td><strong>15,10,000</strong></td>
<td></td>
<td><strong>15,10,000</strong></td>
</tr>
</tbody>
</table>

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

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

(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 household 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

Mrs. Parul keeps her books of accounts on 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:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>1-4-2002</th>
<th>31-3-2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock</td>
<td>70,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Debtors</td>
<td>50,000</td>
<td>1,13,000</td>
</tr>
<tr>
<td>Creditors</td>
<td>60,000</td>
<td>1,07,000</td>
</tr>
<tr>
<td>Bills Receivable</td>
<td>20,000</td>
<td>42,000</td>
</tr>
<tr>
<td>Bills Payable</td>
<td>30,000</td>
<td>36,000</td>
</tr>
<tr>
<td>Machinery</td>
<td>1,20,000</td>
<td>?</td>
</tr>
<tr>
<td>Furniture</td>
<td>20,000</td>
<td>?</td>
</tr>
</tbody>
</table>

(II) Summary of Cash transactions during the year:

<table>
<thead>
<tr>
<th>Dr.</th>
<th>Rs.</th>
<th>Cr.</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts</td>
<td></td>
<td>Payments</td>
<td></td>
</tr>
<tr>
<td>To Balance B/F</td>
<td>10,000</td>
<td>By Purchase</td>
<td>30,000</td>
</tr>
<tr>
<td>To Sales</td>
<td>1,10,000</td>
<td>By Salary</td>
<td>28,000</td>
</tr>
<tr>
<td>To Bills receivable</td>
<td>10,000</td>
<td>By Creditors</td>
<td>70,000</td>
</tr>
<tr>
<td>To Debtors</td>
<td>80,000</td>
<td>By Drawings</td>
<td>20,000</td>
</tr>
<tr>
<td>To Machinery</td>
<td>8,000</td>
<td>By 12% Ami's loan</td>
<td></td>
</tr>
</tbody>
</table>
(I) Other transactions during the year :

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales returns</td>
<td>10,000</td>
</tr>
<tr>
<td>Purchase returns</td>
<td>5,000</td>
</tr>
<tr>
<td>Bad debts</td>
<td>12,000</td>
</tr>
<tr>
<td>Discount allowed</td>
<td>3,000</td>
</tr>
<tr>
<td>Discount received</td>
<td>2,000</td>
</tr>
</tbody>
</table>

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