



Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

Where considered necessary, suitable assumptions may be made and clearly indicated in the answer.

Answer Question No. 1 and any five from Question No. 2, 3, 4, 5, 6, 7 and 8.

SECTION - A

1. (a) Choose the correct alternative:

[1 × 12 = 12]

- (i) As per AS-1, which of the following is not a Fundamental Accounting Assumptions?
- Conservatism
 - Going Concern
 - Consistency
 - Accrual
- (ii) If a fixed amount is withdrawn on the first day of every month of calendar year by a partner in partnership firm, then for what period the interest on the total amount of drawings will be calculated?
- 4.5 months
 - 5.5 months
 - 6.5 months
 - 7.5 months
- (iii) Del credere commission is allowed to consignee
- for making cash sales.
 - For making credit sales.
 - for making extra sales.
 - for undertaking risk of bad debts.
- (iv) Which of the following is not part of financial statements?
- Trading and Profit & Loss Account
 - Balance Sheet
 - Trial balance
 - Cash Flow Statement
- (v) Which of the following accounting records serves both as Journal as well as ledger?
- Cash Book
 - Purchase Book
 - Sales Book
 - Bills Receivable Book



- (vi) Accounting standard in India are issued by
- Government of India
 - Reserve Bank of India
 - The Institute of Chartered Accountants of India
 - National Financial reporting Authority of India
- (vii) Receipts and Payments account is a
- Nominal Account
 - Real Account
 - Personal Account
 - Artificial Personal Account
- (viii) Outward Invoice issued is a source document of
- Purchase Book
 - Sales Book
 - Return Inward Book
 - Return Outward Book
- (ix) Which of the following account is mainly prepared at the time of dissolution of the firm
- Revaluation A/c
 - Goodwill A/c
 - Realization A/c
 - Memorandum Revaluation A/c
- (x) Advertisement expenses are apportioned among departments in the proportion of
- sales of each department
 - purchases of each department
 - no. of units sold by each department
 - cost of sales of each department
- (xi) If any stock is taken by a co-venturer, it will be treated as
- an income of the joint venture.
 - an expense of the joint venture.
 - to be ignored from joint venture.
 - it will be treated in the personal books of the co-venturer.
- (xii) Contingent liability would appear
- on the liability side of the Balance Sheet.
 - on the assets side of the Balance Sheet.
 - nowhere in the books of accounts.
 - as a note in Balance Sheet.



(b) State True or False **[1 × 7 = 7]**

- (i) As per full disclosure principle, the financial statements should disclose all irrelevant information.
- (ii) Realisation account is a real account.
- (iii) Cash discount is recorded in the books of original entry.
- (iv) Assets are classified into fixed and current assets as per cost principle.
- (v) In absence of partnership deed the profit or loss should be distributed among partners in their capital ratio.
- (vi) Expenses incurred by branch out of petty cash balance are debited to branch account by the head office.
- (vii) One of the objectives achieved by providing depreciation is saving cash resources for future replacement of assets.

(c) Fill in the blanks **[1 × 6 = 6]**

- (i) The _____ discount is never entered in the books of accounts.
- (ii) A bill of exchange drawn on 12th April, 2023 for four months, the date of maturity will be _____.
- (iii) The parties of joint venture are called _____.
- (iv) _____ is the amount by which minimum rent exceeds the actual royalty.
- (v) At the time of goods sent to consignee, the proforma invoice is prepared by _____.
- (vi) The relation between Consignee and Consignor is that of _____.

SECTION – B

2. (a) The Trial Balance of a concern has agreed but the following mistakes were discovered after the preparation of final Accounts.

- (i) No adjustment entry was passed for an amount of ₹ 2,000 relating to outstanding rent.
- (ii) Purchase book was overcast by ₹ 1,000.
- (iii) ₹ 4,000 depreciation of Machinery has been omitted to be recorded in the book.
- (iv) ₹ 600 paid for purchase of stationary has been debited to Purchase A/c.
- (v) Sales books was overcast by ₹ 1,000.
- (vi) ₹ 5,000 received in respect of Book Debt had been credited to Sales A/c.

Analyse the effect of the above errors in Profit and Loss Account & Balance Sheet.



- (b) Sunil owed Anil ₹ 80,000. Anil draws a bill on Sunil for that amount for 3 months on 1st April. Sunil accepts it and returns it to Anil. On 15th April, Anil discounts it with Citi Bank at a discount of 12% p.a. On the due date the bill was dishonoured, the bank paid noting charges ₹ 100. Anil settles the bank's claim along with noting charges in cash. Sunil accepted another bill for 3 months for the amount due plus interest of ₹ 3,000 on 1st July. Before the new bill become due, Sunil retires the bill with a rebate of ₹ 500. Show journal entries in books of Anil. [8+7=15]

3. Following is the Trial Balance as on 31st March, 2022 of Bajrang Traders:

Particulars	Debit (₹)	Credit (₹)
Stock on 01.04.2021	1,35,000	
Purchases and Sales	28,50,000	46,25,000
Returns	35,000	22,500
Carriage Inwards	24,000	
Carriage Outwards	33,000	
Wages	1,25,000	
Salaries	3,52,000	
Printing and Stationery	6,500	
Insurance Premium	15,000	
Repairs	11,000	
Discounts Allowed	30,500	
Discounts Received		15,500
Bad Debts	28,000	
Provision for Bad Debts		35,000
Advertisement	38,000	
Interest on Investment		42,000
Drawings	2,10,000	
Investment	8,00,000	
Furniture and Fixtures	3,50,000	
Office Equipment	2,45,000	
Building	15,00,000	
Sundry Debtors and Creditors	6,90,000	4,55,000
Establishment Expenses	35,000	
Capital		31,05,000
Cash at Bank	7,24,000	
Cash in Hand	63,000	
Total	83,00,000	83,00,000

Additional Information:

- (i) Closing Stock of goods amounted to ₹ 1,85,000 and of stationery amounted to ₹ 1,500.



- (ii) Depreciation to be charged on Building @ 10%; On Office Equipment @ 15%; and On Furniture and Fixtures @ 10%.
- (iii) Insurance Premium paid on 1st July, 2021 for one year.
- (iv) Write off further as bad debts ₹ 5,000 and maintain a provision for bad debts of 5% on debtors.
- (v) Provision made for discount on debtors @ 2%.
- (vi) Goods costing ₹ 12,500 used for given free samples to customers.
- (vii) Goods costing ₹ 25,000 were sent on approval basis to a customer for ₹ 40,000 on 26th March, 2022. This was recorded as actual sales but approval did not receive till 31st March, 2022.
- (viii) Outstanding salaries were for one month.
- (ix) Investment made at 7.50% interest per annum on 1st May, 2021.

You are required to prepare Trading Account and Profit & Loss Account for the year ended 31st March, 2022 and a Balance Sheet as on that date. [15]

4. (a) A, B and C are partners in a firm sharing profits and losses as 3 : 2 : 1. Their Balance Sheet as on 31st March, 2021 was as follows:

(₹ in Lakh)

Liabilities	Amount (₹)	Assets	Amount (₹)
Partners' Capital A/c:		Land and Building	210
A	145	Plant and Machinery	255
B	110	Stock	125
C	75	Debtors	95
General Reserve	165	Bills Receivable	25
Partners' Loan:		Cash in Hand	3
A	30	Cash at Bank	37
B	20		
Sundry Creditors	205		
	750		750

B died on 1st August, 2021. His account is to be settled under the following terms:

- (i) Goodwill will be valued at 3 years purchase of last four accounting years average profit. Profits were: 2017-18 ₹ 135 Lakh, 2018-19 ₹ 145 Lakh, 2019-20 ₹ 131 Lakh and 2020-21 ₹ 165 Lakh.
- (ii) Land and Building will be valued at ₹ 250 Lakh and Plant and Machinery will be valued at ₹ 240 Lakh.
- (iii) For the purpose of calculating B's share in the profits of 01.04.2021 to 31.07.2021, the profits for the year 2020-21 will be taken as base.



(iv) Interest on Partners' Loan will be calculated @ 6% per annum.
(v) A sum of ₹50 Lakh to be paid immediately to B's Executor and the balance to be paid on 1st December, 2021 together with interest @ 10% per annum.
You are required to pass necessary journal entries to record the above transactions and amount payable to B's Executor's Account.

(b) What do mean by Limited Liability partnership? Discuss its features. [10 + 5 = 15]

5. (a) Prepare a Branch account in the books of Head Office from the following particulars for the year ended 31st March, 2022 assuming that H.O. supplied goods at cost plus 25%.

Particulars	Amount (₹)	Particulars	Amount (₹)
Stock on 1.4.2021 (IP.)	12,500	Bad Debts	2,000
Debtors on 1.4.2021	5,000	Allowances to customers	1,000
Petty Cash on 1.4.2021	1,000	Returns Inwards	1,000
Goods sent to branch (IP.)	40,000	Cheques sent to Branch for expenses:	
Goods return to H.O. (IP.)	5,000	Rates & Taxes	3,000
Cash Sales	12,000	Salaries	8,000
Cash received from debtors	30,000	Misc. Exp.	1,000
		Stock on 31.03.2022 (IP.)	15,000
		Debtors on 31.03.2022	4,000
		Petty Cash on 31.03.2022	1,000

(b) What is the difference between bad debt and doubtful debt? How will you account for provision for doubtful debt? [10 + 5 = 15]

6. (a) Write a Short Note on: Garner vs. Murray Rule

(b) Sunny purchased a machine on Hire Purchase System. The total cost price of the machine was ₹15,00,000 payable 20% down and four annual instalments of ₹4,20,000, ₹3,90,000, ₹3,60,000 and ₹3,30,000 at the end of the 1st year, 2nd year, 3rd year and 4th year respectively. Calculate the interest included in each year's instalment assuming that the sales were made at the beginning of the year. Prepare Machinery A/c and Hire Vendor A/c. Assume Depreciation @ 10% p.a. under SLM.

[5 + 10 = 15]



7. (a) M Ltd. sold goods to a US Company for US \$ 1,00,000 on 10.01.2022 and realized the due on 30.06.2022. Y Ltd. closes the books of accounts on 31st March every year. Exchange rates were as follows:

Date	Rate (₹)
10.01.2022	79.20
31.03.2022	86.10
30.06.2022	84.30

Analyse the impact of change in the exchange rate on the reporting date and on the settlement date and comment on their treatment as per AS 11.

- (b) The following is the Income and Expenditure Account of Beta Club for the year ended 31st March, 2021:

Income and Expenditure Account for the year ended 31st March, 2021

	₹		₹
To Salaries	19,500	By Subscription	68,000
To Rent	4,500	By Donation	5,000
To Printing	750		
To Insurance	500		
To Audit Fees	750		
To Games & Sports	3,500		
To Subscriptions written off	350		
To Miscellaneous Expenses	14,500		
To Loss on sale of Furniture	2,500		
To Depreciation:			
Sports Equipment	6,000		
Furniture	3,100		
To Excess of income over expenditure	17,050		
	73,000		73,000

Additional information:

	31-03-2020	31-03-2021
	₹	₹
Subscription in arrears	2,600	3,700
Advance Subscriptions	1,000	1,500
Outstanding expenses:		
Rent	500	800
Salaries	1,200	350
Audit Fee	500	750
Sports Equipment less depreciation	25,000	24,000
Furniture less depreciation	30,000	27,900
Prepaid Insurance	—	150



Book value of furniture sold is ₹ 7,000. Entrance fees capitalized ₹ 4,000. On 1st April, 2020 there was no cash in hand but Bank Overdraft was for ₹ 15,000. On 31st March, 2021 cash in hand amounted to ₹ 850 and the rest was Bank balance. Prepare the Receipts and Payments Account of the Club for the year ended 31st March, 2021. [7 + 8 = 15]

8. (a) (i) Advise the management on the amount of borrowing cost to be capitalized as per AS 16 based on the following information.

	₹
Expenditure incurred till 31.03.2021	10,00,000
Interest cost capitalized for the financial year 2020-21 @ 13%	52,000
Amount borrowed till 31.03.2021	4,00,000
Assets transferred to construction during 2021-22	2,00,000
Cash payment during 2021-22	1,50,000
Progress payment received	7,00,000
New borrowing during 2021-22 @ 13%	4,00,000

- (ii) Star Co. Ltd. furnishes you the following information for the year ended 31.3.2022: Depreciation for the year ended 31.3.2022 (under straight line method) = ₹ 250 lakhs Depreciation for the year ended 31.3.2022 (under written down value method) = ₹ 200 lakhs Excess of depreciation for the earlier years calculated under straight line method over written down value method is ₹ 500 lakhs.

The Company wants to change its method of claiming depreciation from straight line method to written down value method. Advise the management as to how the depreciation should be disclosed in the Financial Statement for the year ended 31.3.2022.

- (b) (i) Suggest two approaches of accounting for government grant.
- (ii) X Ltd. received a grant of ₹ 2 crores from the Central Government for the purpose of a special Machinery during 2018-19. The cost of Machinery was ₹ 20 crores and had a useful life of 9 years. During 2022-23, the grant has become refundable due to non-fulfilment of certain conditions attached to it. Assuming the entire grant was deducted from the cost of Machinery in the year of acquisition. Recommend the accounting treatment to be followed in the year 2022-23. [(4 + 5) + (2 + 4) = 15]