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RB-4974

P. G. D. T. M. Examination

April / May - 2010

General Principles of Accountancy : Paper - IV

Time : 3 Hours]

[Total Marks : 70

Instructions :

(1)

नीचे दृशावेक निशानीवाणी विगतो उत्तरवडी पर अवश्य कपवी.
Fillup strictly the details of signs on your answer book.

Name of the Examination :
P. G. D. T. M.

Name of the Subject :
General Principles of Accountancy - 4

Subject Code No. : 4 9 7 4 Section No. (1, 2,.....): 1&2

Seat No. :

Student's Signature

- (2) Write both sections in **separate** answer books.
(3) Figures to the right indicate full marks.
(4) Show necessary calculation where it is required.
(5) Q.1 and Q.4 are **compulsory**.

SECTION - I

- 1 You are required to prepare the correct Receipts and Payments Account, Income and Expenditure Account and Balance Sheet on October 31, 2009 : **15**
Happy Club was registered in a city and the accountant prepared the following Receipts and Payments Account for the year ended October 31, 2009 and showed a deficit of Rs. 14,520.

Receipts	Rs.	Payments	Rs.
Subscriptions	62,130	Premises	30,000
Receipts (Fair)	7,200	Honorarium to Secretary	12,000
Variety show receipts (net)	12,810	Rent	2,400
Interest	690	Rates and taxes	3,780
Bar collection	22,350	Printing and Stationary	1,410
Cash spent more	1,000	Sundry expenses	5,350
Deficit	14,520	Wages	2,520
		Fair expenses	7,170
		Bar Purchases payments	17,310
		Repair	960
		New Car (less proceeds of old car - Rs. 9,000)	37,800
	1,20,700		1,20,700

The following additional information could be obtained :

	01.11.2008	31.10.2009
Cash in hand	450	—
Bank balances as per pass book	24,690	10,440
Cheques issued not presented for sundry expenses	270	90
Subscriptions due	3,600	2,940
Premises at cost	87,000	1,17,000
Accumulated depreciation on premises	56,400	—
Car at cost	36,570	46,800
Accumulated depreciation on car	30,870	—
Bar Stock	2,130	2,610
Creditors for bar purchases	1,770	1,290

- (i) Cash over spent represent honorarium to Secretary not withdrawn due to cash deficit.
 - (ii) His annual honorarium is Rs. 12,000
 - (iii) Depreciation on premises and car is to be provided at 5% and 20% on written down value.
- 2** (a) The Bank Account of Jay was balanced on 31st March 2010. It showed an overdraft of Rs. 3,000. The bank statement by Jay showed a credit balance of Rs. 4,54,050. Prepare a Bank Reconciliation Statement taking the following into account.
- (i) Cheques issued but not presented for payment till 31.3.2010 Rs. 12,000.
 - (ii) Cheques deposited but not collected by bank till 31.3.2010 Rs. 40,000.
 - (iii) Interest on term loan - Rs. 14,000 debited by bank on 31.3.2010 but not accounted in Jay's books.
 - (iv) Bank charges - Rs. 950 was debited by bank during March 2010 but accounted in the books of Jay on 4.4.2010.
 - (v) An amount of Rs. 5,00,000 representing collecting of Jay's cheque was wrongly credited to the account of Jay by the bank in their bank statement.

- (b) State the nature (capital or revenue) of the following expenditures which were incurred by Satyam & Co. during the year ending 30th June, 2009.
- (i) Rs. 350 was spent on repairing a second hand machine which was purchased on 8th July, 1996 and Rs. 200 was paid on carriage and freight in connection with its acquisition.
 - (ii) A sum of Rs. 500 was paid as compensation to two employees who were retrenched.
 - (iii) Rs. 150 was paid in connection with carriage on goods purchased.
 - (iv) Rs. 20,000 customs duty is paid on import of machinery for modernisation of the factory production during the current year and Rs. 6,000 is paid on import duty for purchase of raw materials.
 - (v) Rs. 18,000 interest had accrued during the year on term loan obtained and utilised for the construction of factory building and purchase of machineries; however, the production has not commenced till the last date of the accounting year.
 - (vi) Rs. 8200 spent on repairs before using a second hand car purchased recently, to put it in usable condition.

OR

- 2** Rectify the following errors by way of Journal Entries with the help of Suspense Account in the books of the concern :
- (i) Returns inwards Book for December was short-totalled by Rs. 1000.
 - (ii) Rs. 7,810 being cash paid to Sita was debited to Gita as Rs. 7,010.
 - (iii) Rs. 15,000 worth of furniture purchased on credit was debited to Purchases Account.

- (iv) A purchase made for Rs. 5000 was posted to the Purchases account as Rs. 500.
- (v) Wages paid for the erection of machinery amounting to Rs. 1,700 was debited to Wages Account.
- (vi) Goods purchased for proprietor's use for Rs. 10,000 was debited to Purchases Account.
- (vii) A sum of Rs. 9,000 written off from machinery has not been posted to Depreciation Account.
- (viii) Rs. 900 received from Micky has been debited to Minny.
- (ix) Rs. 9,150 received from Hari Prasad was debited to his account.
- (x) Purchase returns worth Rs. 1,980 to Shri Ram Mohan were not recorded in the books.

- 3** On 1st January, 2005 AB Ltd. purchased two machines I and II, costing Rs. 50,000 each and provided depreciation @ 10% p.a. on Straight Line Method basis. At the end of 2008, the company decided to change the method of depreciation from Straight Line Method to Written Down Value Method retrospectively, the rate of depreciation remaining the same. Prepare Machinery Account upto 2008. **10**

OR

- 3** Write short notes on any **four** of the following : **10**
- (i) Accounting Cycle
 - (ii) Advantages of accounting
 - (iii) Dual aspect concept
 - (iv) Matching Concept
 - (v) Going Concern concept
 - (vi) Deferred Revenue Expense

SECTION - II

- 4 From the following Trial Balance and additional information, prepare Trading, Profit and Loss Appropriation Account of Mr. B and Mr. C (who are sharing profits in the ratio of 3:2) for the year ended 31st March, 2010 as at that date : 15

Particulars	Dr. (Rs.)	Cr. (Rs.)
Capital/Drawing (Mr B)	4,000	68,000
Capital/Drawing (Mr C)	6,000	1,02,000
Plant and Machinery	1,10,000	—
Sales/Purchases	84,000	1,65,000
Returns	5,000	4,000
Bad Debts/Bad Debts Recovered	5,000	26,450
Freight Inward	5,000	—
Freight Outward.....	7,000	—
Discount	2,000	1,000
Commission.....	4,000	3,000
Rent.....	3,000	4,000
Interest.....	2,500	3,000
Office and Administration Expenses	6,000	—
Selling and Administration Expenses	11,650	—
Creditors/Debtors	2,00,000	2,02,000
Bills payable/Bills Receivable	10,000	5,600
Loan	20,000	50,000
Investments	54,350	—
Opening Stock	54,000	—
Cash in hand	5,000	—
Cash at Dena Bank	45,550	—
Bank Overdraft at Canara Bank	—	20,000
Wages and Salaries	1,000	—
Advertising Expenditure	9,000	—
	<u>6,54,050</u>	<u>6,54,050</u>

Additional Information :

- (i) Closing Stock at market price as at 31st March, 2010 was Rs. 80,000. However its cost was Rs. 1,00,000.
- (ii) Provide for depreciation on Plant and Machinery @ 10% p.a.
- (iii) Transfer 5% of Net Profit to General Reserve.
- (iv) Provide interest on capital @ 6% p.a.
- (v) Charge Interest on Drawings @ 9% p.a.
- (vi) B is entitled to a salary of Rs. 3,500 p.a.
- (vii) C is entitled to a commission of Rs. 3,250.
- (viii) Write off 1/5th of the advertising expenditure.
- (ix) Create a provision for doubtful debts @ 5% on debtors.
- (x) Manager is entitled to a commission of 5% of net profit after charging his commission.

- 5 From the following information, prepare the Profit and Loss Appropriation Account of Tan, Man and Dhan for the year ended 31.3.2010. 10

The Capital and Current Accounts of the partners is as under :

Partners	Capital (1.4.2009)	Current (1.4.2009)	Drawings (31.3.2009)
Tan	6,000	2,000 (Cr.)	4,000
Man	10,000	1,000 (Cr.)	4,800
Dhan	16,000	1,000 (Cr.)	4,800

- (i) Interest is credited @ 6% p.a. on capital and is charged on drawings at the same rate. Interest is neither credited nor charged on the balances of current accounts.
- (ii) Each partner took at the end of each quarter 25% of his drawings.
- (iii) Tan and Man were to be credited with salaries of Rs. 2,400 and Rs. 1,600 p.a. respectively.
- (iv) On 1.10.2009 Tan paid in an additional Rs. 2,000 as capital and R withdrew Rs. 2,000 from capital.
- (v) The net profit before charging interest on capital and partners' salaries and before interest on drawings had been credited was Rs. 19,600.
- (vi) Profits and losses were shared among Tan, Man and Dhan in the ratio of 5:4:3 respectively.

OR

- 5 Rabbit and Tortoise are in partnership practising as Chartered Accountants under the name and style RT and Co. sharing profits and losses equally. They close their accounts as on 31st March. The following was their Balance Sheet as on 31.3.2010 : 10

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Partners' Capitals : Rabbit	41,500		Motor Car		50,000
Partners' Capitals : Tortois	41,500	83,000	Adding machine		4,000
Audit fees collected in advance		2,000	Typewriter		10,000
Clients Accounts		4,000	Furniture		12,000
Provision for Liabilities for expenses outstanding fees		1,000 10,000	Outstanding fees		10,000
			Library books		5,000
			Cash at Bank		2,000
			Cash in hand		7,000
		1,00,000			1,00,000

The following is the summary of their cash transactions for the year ended 31st March 2010.

Receipts	Rs.	Rs.	Payments	Rs.	Rs.
Opening Bank and cash balance		9,000	Motor car expenses		12,000
Audit Fees		1,60,000	Establishment expenses		35,000
Fees for other series		1,00,000	Printing and stationery		1,000
Miscellaneous Income		1,000	Postage and Telegram		1,000
			Subscription for journals		1,000
			Library Books		5,000
			Calculating machine		10,000
			Travelling and Conveyance		3,000
			Membership fees		500
			Drawings: Rabbit	40,000	
			Drawings: Tortoise	40,000	80,000
			Disbursement on Client's Account		3,000
			Cash in hand		5,000
			Cash at Bank		1,13,500
		2,70,000			2,70,000

The following particulars are available :

- (i) Depreciation to be provided on;
 - (a) Motor car @ 20%
 - (b) Office Machinery @ 10%
 - (c) Books @ 20% and
 - (d) Furnitures @ 15%
- (ii) Fees receivable Rs. 12,000
- (iii) Outstanding liabilities for expenses Rs. 2,000

You are required to prepare Profit and Loss Account and the Balance Sheet for the period.

6 Write short notes : (any two) **10**

- (i) Types of Computers
- (ii) Disclosure requirements for AS-2 Valuation of Inventories.
- (iii) Reasons for disclosure of Accounting Policies.
