

Model Question Paper Financial Accounting - I (MSF1A1)

- Answer all 74 questions.
- Marks are indicated against each question.

Total Marks : 100

1. Which of the following is a statement that shows 'what an organization owes and what it owns' at any given point of time?
 - (a) Balance sheet
 - (b) Cash flow statement
 - (c) Trading account
 - (d) Profit and Loss account
 - (e) Funds flow statement.

(1 mark)

2. Which of the following concepts states that in order to determine the profits or losses accrued in an accounting period, the expenses must relate to the goods or services sold during the period?
 - (a) Matching concept
 - (b) Going concern concept
 - (c) Accounting period concept
 - (d) Time period concept
 - (e) Revenue recognition concept.

(1 mark)

3. Which of the following is **not** a revenue reserve?
 - (a) General reserve
 - (b) Investment allowance reserve
 - (c) Dividend equalization reserve
 - (d) Capital redemption reserve
 - (e) Revaluation reserve.

(1 mark)

4. Which of the following errors **affects** the agreement of a trial balance?
 - (a) Mistake in balancing an account
 - (b) Omitting to record a transaction entirely in the subsidiary books
 - (c) Recording of a wrong entry in the subsidiary book
 - (d) Recording a correct entry in wrong subsidiary book
 - (e) Posting an entry on the correct side but in the wrong account.

(1 mark)

5. Who among the following external users of financial statements **does not** belong to public group?
 - (a) Investors
 - (b) Academicians
 - (c) Researchers
 - (d) Analysts
 - (e) Customers.

(1 mark)

6. Accounting equivalence concept is also known as
 - (a) Matching concept
 - (b) Accounting period concept
 - (c) Duality concept
 - (d) Consistency concept
 - (e) Realization concept.

(1 mark)

7. The impact on assets, profit and total liabilities of a firm, on account of salary paid will be

	Assets	Profit	Total Liabilities
(a)	No effect	Decreases	Decreases
(b)	Decreases	No effect	Decreases
(c)	Decreases	Decreases	Decreases
(d)	Increases	No effect	Increases
(e)	Decreases	Increases	Decreases.

(1 mark)

8. The theme of the difference or the inherent superiority of the US GAAP over the Indian Accounting

Standards needs to be evaluated on which of the following parameters?

- I. Reporting versus disclosure.
- II. Form versus substance.
- III. Accounting versus analysis.
- IV. Globalization versus localization.

- (a) Both (I) and (II) above
- (b) Both (I) and (III) above
- (c) (I), (II) and (III) above
- (d) (I), (III) and (IV) above
- (e) All (I), (II), (III) and (IV) above.

(1 mark)

9. Accounting Standard 12 issued by the Accounting Standard Board is applicable to

- (a) Valuation of Inventory
- (b) Amalgamation
- (c) Government Grants
- (d) Construction Contracts
- (e) Cash Flow Statements.

(1 mark)

10. A cheque deposited, but not collected should be deducted when preparing a bank reconciliation statement starting with a/an

- I. Favorable balance of cash book.
- II. Overdraft of pass book.
- III. Favorable balance of pass book.

- (a) Only (I) above
- (b) Only (II) above
- (c) Only (III) above
- (d) Both (I) and (II) above
- (e) Both (II) and (III) above.

(1 mark)

11. Which of the following items is to be added while preparing a bank reconciliation statement starting with the favorable balance of pass book?

- (a) An amount directly deposited in the bank is not entered in cash book
- (b) Cheques issued are not presented for payment up to the date of bank reconciliation statement
- (c) Interest credited in the pass book is not entered in the cash book
- (d) Cheques deposited are dishonored but the dishonor not entered in cash book
- (e) Interest on fixed deposit entered in pass book as per instructions is not entered in cash book.

(1 mark)

12. Which of the following is **true** if goods purchased are Rs.10,000, trade discount received is Rs.280 and cash discount received is Rs.20?

- (a) Cash account is credited with Rs.9,700 and discount received account is credited with Rs.20
- (b) Cash account is credited with Rs.9,700 and discount received account is debited with Rs.20
- (c) Cash account is credited with Rs.9,720 and discount received account is debited with Rs.20
- (d) Cash account is credited with Rs.9,720 and discount received account is credited with Rs.20
- (e) Cash account is credited with Rs.9,700 and discount received account is credited with Rs.300.

(1 mark)

13. Harika Ltd., introduced the imprest system of petty cash book, the amount of imprest being Rs.2,500. The petty cash transactions during the month of December, 2008 were as under:

Particulars	Rs.
Postage	425
Wages	682
Office cleaning	248
Stationery	435
Conveyance	391

The amount of cash balance in the petty cash book as on December 31, 2008 was

- (a) Rs.2,181
- (b) Rs. 319
- (c) Rs.2,500
- (d) Rs. 638

(e) Rs.2,000. (1 mark)

14. Which of the following **does not** come under retirement benefit, as stated by the Accounting Standard-15?

- (a) Provident fund
- (b) Gratuity
- (c) Leave encashment benefit on retirement
- (d) Superannuation/pension
- (e) Leave travel concession.

(1 mark)

15. Which of the following is **false** with reference to royalties?

- (a) The balance in the shortworkings account appears on the assets side of lessee's balance-sheet
- (b) In the books of the lessee, the shortworking account shows debit balance
- (c) In a sub-lease, the lessee transfers a part of the right acquired by him to the sub-lessee
- (d) In a sub-lease, royalties suspense account does not record the shortworking that exists between the lessee and the sub-lessee
- (e) In a sub-lease, royalties will be paid on the basis of the combined output of both the primary lessee and the sub-lessee.

(1 mark)

16. Which of the following is **true** with reference to bills of exchange?

- (a) When a bill sent for collection by bank is dishonored, the drawer will credit bank a/c
- (b) At the time of renewal of bill interest a/c is credited in the books of the drawee
- (c) Accommodation bills are drawn, accepted and endorsed for some consideration
- (d) Refusal by the acceptor to make payment of the bill on due date is called dishonor
- (e) When a bill is endorsed, the drawer credits the drawee's a/c.

(1 mark)

17. Who among the following opens deficiency account if his estate is not sufficient to repay the debt?

- (a) Insolvent drawer
- (b) Insolvent drawee
- (c) Insolvent endorsee
- (d) Insolvent seller
- (e) Insolvent maker.

(1 mark)

18. Which of the following is **not** a characteristic of promissory note?

- (a) It must be in writing
- (b) It contains an unconditional promise to pay
- (c) The maker must be a certain person
- (d) It can be made payable to bearer
- (e) The amount payable must be certain.

(1 mark)

19. Under trading method of maintaining branch accounts, the excess of invoice price over the cost price of the goods sent to branch is credited to

- (a) Goods sent to branch account
- (b) Branch account
- (c) Branch adjustment account
- (d) Branch stock reserve account
- (e) Branch stock account.

(1 mark)

20. The most suitable method of inventory valuation for items like perishable food products is

- (a) First-In First-Out
- (b) Specific Identification
- (c) Weighted average
- (d) Perpetual
- (e) Periodic.

(1 mark)

21. Owner's equity at the end of the year was Rs.98,000. During the year, the owner contributed Rs.15,000 towards additional capital and withdrew Rs.8,500 for his personal use. If the firm had a net profit of Rs.16,500 for the year, the owner's equity at the beginning of the year was

- (a) Rs.1,08,500
- (b) Rs.1,06,500

- (c) Rs. 92,000
- (d) Rs. 75,000
- (e) Rs.1,21,000. (1 mark)

22. The process whereby the company uses existing accounts receivable as collateral for a loan is known as

- (a) Factoring
- (b) Pledging
- (c) Discounting
- (d) Hedging
- (e) Arbitrating. (1 mark)

23. Which of the following asset is to be valued at the lower of cost and net realizable value?

- (a) Patent rights
- (b) Inventories
- (c) Investments
- (d) Sundry debtors
- (e) Bills receivables. (1 mark)

24. Cost of conversion is equal to

- (a) Direct material plus direct wages plus production overhead
- (b) Direct wages plus all types of overhead
- (c) Direct wages plus direct expenses plus production overhead
- (d) Direct material plus direct wages plus direct expenses plus production overhead
- (e) Direct material plus direct wages plus all types of overhead. (1 mark)

25. The portion of the acquisition cost of the fixed asset yet to be allocated is known as

- (a) Written down value
- (b) Accumulated value
- (c) Realizable value
- (d) Salvage value
- (e) Residual value. (1 mark)

26. Ramya Ltd., took on lease a mine for a term of four years. The royalty is payable at a rate of 10% on sales subject to a minimum rent of Rs.16,000 payable equally over the term of lease. The sales during the year 2007-08 amounted to Rs.30,000. The amount paid to landlord for the year 2007-08 was

- (a) Rs. 3,000
- (b) Rs.16,000
- (c) Rs. 4,000
- (d) Rs.13,000
- (e) Rs.30,000. (1 mark)

27. Which of the following depreciation methods is generally used for petroleum and other mining companies?

- (a) Units-of-Production method
- (b) Sum-of-the-Years' Digits method
- (c) Diminishing balance method
- (d) Straight-line method
- (e) Weighted average method. (1 mark)

28. Aayush Ltd., having its head office at Kolkata has a branch at Hyderabad. Goods are sent to branch at cost plus 50%. The following details are furnished:

Particulars	Rs.
Opening stock at branch at invoice price	12,00,000
Opening debtors	4,00,000
Goods sent to branch at invoice price	36,00,000
Cash sales	12,60,000
Credit sales	24,00,000
Cash received from debtors	22,00,000
Goods returns by branch	1,80,000
Stock shortage at branch	1,20,000
Bad debts	30,000

Branch Expenses	90,000
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If company maintains branch accounts under stock and debtors system, the gross profit shown in Branch Adjustment account is

- (a) Rs. 8,40,000
- (b) Rs.11,40,000
- (c) Rs.12,20,000
- (d) Rs.12,60,000
- (e) Rs.15,00,000.

(2marks)

29. The following is the data pertaining to Jagan Enterprises as on March 31, 2008:

Particulars	Rs.
Gross profit	1,32,000
Closing stock	37,500
Salaries	43,000
Other expenses	36,500
Fixed assets	3,00,000
Sundry debtors	22,500
Sundry creditors	16,000
Cash and bank	26,500
Capital	3,00,000
Short term loan	18,000

The firm has the practice of charging depreciation on the fixed assets at the rate of 10% on book value. The total of the assets side of the Balance Sheet as on March 31, 2008 was

- (a) Rs.3,69,000
- (b) Rs.3,34,000
- (c) Rs.3,56,500
- (d) Rs.3,71,500
- (e) Rs.2,96,500.

(2marks)

30. If royalties is less than minimum rent, the balance of royalty account at the end of the year has to be transferred to

- (a) Capital Reserve account
- (b) Profit & Loss account
- (c) Royalty suspense account
- (d) Profit & Loss appropriation account
- (e) Landlord's account.

(1 mark)

31. Consider the following data pertaining to credit purchases made by Zodiac Ltd., a dealer in electronic goods, for the month of December 2008:

Date	Particulars	No. of units	Rate per unit (Rs.)	Trade Discount
December 01	Black & White TVs	50	3,000	10%
December 01	Colour TVs	10	6,000	10%
December 09	Tape Recorders	10	1,000	10%
December 09	Two-in-one	10	1,500	10%
December 19	Audio Cassettes	100	30	5%

On December 22, 2008, the company purchased from Indian Stationers on credit for office use 10 dozens of carbon papers at the rate of Rs.35 per dozen and 10 dozens of ball pens at the rate of Rs.25 per dozen.

At the time of making payment on December 31, 2008, the suppliers have allowed a cash discount of 10% on the above purchases.

The total of purchase book for the month of December 2008, was

- (a) Rs.2,14,350
- (b) Rs.2,38,000
- (c) Rs.1,92,915
- (d) Rs.2,38,600
- (e) Rs.2,14,740.

(2marks)

32. If the debit balance in the furniture account has been taken as Rs.5,650 instead of Rs.5,850, then this

type of error is called

- (a) Error of complete omission
- (b) Error of principle
- (c) Error of partial omission
- (d) Compensating error
- (e) Error of commission.

(1 mark)

33. The feature of straight line method of depreciation is that

- (a) The amount of depreciation increases every year while the rate of depreciation decreases
- (b) The amount of depreciation and the rate of depreciation remain same every year
- (c) The amount of depreciation decreases while the rate of depreciation remains the same
- (d) The amount of depreciation and the rate of depreciation increase every year
- (e) The amount of depreciation increases while rate of depreciation remains the same.

(1 mark)

34. Outstanding expenses appearing in the trial balance should be

- (a) Debited to Profit and Loss account as an expense
- (b) Debited to Profit and Loss Appropriation account as an appropriation
- (c) Shown as current liability in the balance sheet
- (d) Shown as current asset in the balance sheet
- (e) Reduced from related expense in the Profit and Loss account.

(1 mark)

35. Which of the following is **not** an example of revenue expenditure?

- (a) Insurance premium
- (b) Taxes and legal expenses
- (c) Depreciation on machinery
- (d) Discount allowed
- (e) Installation charges of machinery.

(1 mark)

36. In the event of fire, if the claim admitted is less than the amount of stock destroyed then the difference should be shown in the

- (a) Debit side of the Profit and Loss account
- (b) Credit side of the Profit and Loss account
- (c) Asset side of the balance sheet
- (d) Liabilities side of the balance sheet
- (e) Asset side under the head 'miscellaneous expenditure'.

(1 mark)

37. Seesam Manufacturers Ltd., purchased a machinery of Rs.9,00,000 on April 1, 2004. The company was charging depreciation @ 20% p.a. on diminishing balance method. The company purchased another machinery on April 1, 2005 at a cost of Rs.70,000. On April 1, 2007, the company decided to change the method of depreciation from diminishing balance method to straight line method @ 10% p.a. on original cost, with effect from April 1, 2007. It purchased another machinery for Rs.80,000 on October 01, 2007 and spent Rs.6,700 for installation. The company sold its machinery which was purchased on April 1, 2005 for Rs.40,000 on March 31, 2008. The balance of machinery account as on April 1, 2008 was

- (a) Rs.1,01,335
- (b) Rs.5,94,500
- (c) Rs.4,53,165
- (d) Rs.5,05,600
- (e) Rs.5,40,000.

(2marks)

38. Income tax provision relating to previous year is charged/transferred to

- (a) Debit side of the current year Profit and Loss account
- (b) Credit side of the current year Profit and Loss account
- (c) Debit side of the current year Profit and Loss Appropriation account
- (d) Credit side of the current year Profit and Loss Appropriation account
- (e) Liabilities side of the balance sheet.

(1 mark)

39. Depreciation on fixed assets of foreign branches should be translated using the

- (a) Closing rate
- (b) Average rate

- (c) Rate at which the concerned fixed asset has been converted
- (d) Weighted average rate
- (e) Forward rate.

(1 mark)

40. The total of debit column of trial balance of a company is Rs.90,600 and that of the credit column is Rs.69,800. Subsequently the following errors are discovered:

Particulars	Correct Amount (Rs.)	Amount which appears in trial balance (Rs.)
Carriage outwards	2,000	1,000 (credit column)
Interest from investments	4,500	4,300 (debit column)
Returns outwards	7,500	7,500 (debit column)

The total of the correct trial balance is

- (a) Rs.92,600
- (b) Rs.81,800
- (c) Rs.80,800
- (d) Rs.79,800
- (e) Rs.72,000.

(1 mark)

41. Anishta Ltd., furnished the following information as on March 31, 2008:

Particulars	Rs.
Paid-up equity share capital of 15,000 shares of Rs.100 each	15,00,000
Fixed assets	9,20,000
Current assets	8,61,000
Reserves and surplus	50,000

The sundry creditors were one-fourth of total liabilities owed to outsiders. The sundry creditors of Anishta Ltd., as on March 31, 2008 were

- (a) Rs. 57,750
- (b) Rs. 2,81,000
- (c) Rs. 9,20,000
- (d) Rs.13,19,000
- (e) Rs. 2,31,000.

(2marks)

42. As on December 31, 2008, the overdraft of Mr. Murali as per bank pass book is Rs.28,750. The pass book balance did not agree with the balance as per cash book. On scrutiny, the following omissions and commissions were noticed:

- Mr. Srinivas, a tenant, directly deposited an amount of Rs.2,300 into the bank account towards rent and the same is not accounted in the cash book.
- A cheque for Rs.1,500 received from Mr. Raghu entered in cash book, but not sent to bank for collection up to December 31, 2008.

The bank balance as per cash book is

- (a) Rs.29,550 (debit)
- (b) Rs.29,550 (credit)
- (c) Rs.31,050 (credit)
- (d) Rs.25,000 (debit)
- (e) Rs.30,000 (debit).

(1 mark)

43. XYZ Ltd., furnishes the following details:

Value of machinery as on April 01, 2005	Rs.30,000
Rate of depreciation	25%
Method of depreciation	Written down value

The total amount of accumulated depreciation charged in respect of the Machinery up to March 31, 2008 was

- (a) Rs.17,344
- (b) Rs.16,875

- (c) Rs. 4,219
- (d) Rs.12,656
- (e) Rs.13,125.

(1 mark)

44. Consider the following data pertaining to a Godrej Ltd., for the month of December 2008:

Date	Receipts (Qty)	Rate per unit (Rs.)	Issues (Qty)
December 2	12	6,600	–
December 6	18	7,400	–
December 12	–	–	9
December 31	–	–	16

If the company maintains both the First-In First-Out and Weighted average inventory valuation method, the difference in the value of closing inventory between First-In-First-Out and Weighted average method as on December 31, 2008 was

- (a) Rs.1,600
- (b) Rs.1,500
- (c) Rs.3,200
- (d) Rs.3,000
- (e) Rs.2,500.

(2marks)

45. If goods are returned by a customer to branch, the entry to be passed in the books of Head Office is

- (a) Debit Returns Inward a/c, Credit Branch Stock a/c
- (b) Debit Branch stock a/c, Credit Branch Debtors a/c
- (c) Debit Branch Debtors a/c, Credit Branch Stock a/c
- (d) Debit Branch Stock a/c, Credit Returns Inwards a/c
- (e) Debit Branch Debtors a/c, Credit Returns Inwards a/c.

(1 mark)

46. Murali, a sole proprietor, maintains a three columnar cash book to record his business transactions. Consider the following data pertaining to his business for the month of December 2008:

Date	Particulars	Rs.
December 1	Opening cash on hand	50,000
1	Balance at bank	7,00,000
5	Cheque received from a customer and deposited on the same day (after allowing a discount of Rs.2,500)	1,00,000
5	Paid to supplier by cheque (after receiving a discount of: Rs.10,000)	2,00,000
12	Salaries paid to staff in cash	40,000
13	Received a cheque from Daulat Ram, a customer (who owed Rs.30,000 and was allowed a discount @ 1%)	29,700
14	Paid M/s. Bharani and Co. in full settlement of their dues of Rs.53,000	52,500
30	Paid to Rama & Bros. (as against Rs.75,000) in full and final settlement	72,500

The amount of bank balance as on January 1, 2009 was

- (a) Rs.5,02,000
- (b) Rs.5,04,700
- (c) Rs.7,00,000
- (d) Rs.8,27,000
- (e) Rs. 50,000.

(2marks)

47. Moon Ltd., has the practice of creating provision for doubtful debts @ 8% on debtors. The balance of provision for doubtful debts on April 01, 2007 and March 31, 2008 was Rs.24,000 and Rs.36,000, respectively. During the year 2007-08, the amount collected from debtors was Rs.60,50,000. Credit sales during the year were

- (a) Rs.60,50,000
- (b) Rs.66,00,000
- (c) Rs.62,00,000
- (d) Rs.64,50,000

(e) Rs.60,62,000.

(1 mark)

48. Raghav Enterprises depreciates its machinery on straight line method @ 10% p.a. The firm decided to change the method of depreciation from straight line method to diminishing balance method @ 20% p.a. on book value, with effect from July 1, 2008. On October 1, 2008 a machine whose book value was Rs.15,000 on July 1, 2006 was sold for Rs.8,000. (The accounting year of Raghav Enterprises starts from July 1, every year and ends on June 30 the following year). The amount of profit/loss on sale of machinery was

- (a) Rs.3,400 (loss)
- (b) Rs.3,400 (profit)
- (c) Rs.4,300 (loss)
- (d) Rs.4,300 (profit)
- (e) Rs.3,000 (loss).

(2marks)

49. On April 01, 2007 Sunny Ltd., showed a balance of Rs.5,600 to the credit of Provision for bad and doubtful debts. On March 31, 2008, the Sundry Debtors showed a balance of Rs.2,50,400. Out of the total debtors, the status of the following debtors is as follows:

- Sinha Rs.3,800 - identified as bad debt and is to be written off.
- Gupta Rs.9,000 - expected to realize only 80%.
- Patel Rs.8,000 - expected to realize only 60%.
- Iyer Rs.5,500 - filed insolvency petition and the recovery chances are remote.

All other debts as on the date of finalization of accounts are estimated to be good. The amount transferred to Profit & Loss account from provision for bad debts account was

- (a) Rs.14,300
- (b) Rs.10,500
- (c) Rs. 8,700
- (d) Rs.13,800
- (e) Rs. 5,500.

(1 mark)

50. For mutual accommodation, Anil has drawn a bill for Rs.9,000 and Bhowmic has drawn another bill for Rs.6,000. Both the bills have been drawn for 3 months and mutually accepted by Anil and Bhowmic and discounted with a bank at a discount of 10% p.a. If the proceeds have been shared in the ratio of 2:1 between Anil and Bhowmic respectively, Anil's share of discount is

- (a) Rs. 125
- (b) Rs. 200
- (c) Rs. 250
- (d) Rs.1,000
- (e) Rs. 500.

(2marks)

51. Melton Ltd., a mining company took a lease of mine from Rose Ltd., for extracting minerals from its property for a period of 12 years from April 01, 2005. The terms of agreement are:

- i. Royalty at the rate of Rs.20 per ton of output.
- ii. Minimum rent Rs.5,00,000 per annum.
- iii. It was further agreed that the shortfall in any year may be recouped from any excess of royalty over the minimum rent in the next 2 years, subject to a maximum of Rs.75,000 per annum.

The following is the data pertaining to output of the Melton Ltd., for the past three years:

Year	Output (tonnes)
2005-06	20,000
2006-07	25,000
2007-08	32,000

The amount of shortworkings lapsed during the year 2007-08 was

- (a) Rs. 25,000
- (b) Rs. 75,000
- (c) Rs.1,00,000
- (d) Rs. 50,000
- (e) Rs.1,50,000.

(2marks)

52.

Under stock and debtors method of accounting for dependant branch, which of the following is the correct entry passed by Head Office for goods sent to branch at invoice price?

- (a) Debit branch stock and credit goods sent to branch
- (b) Debit goods sent to branch and credit branch stock
- (c) Debit branch stock and credit Head Office stock
- (d) Debit Head Office stock and credit branch stock
- (e) Debit goods sent to branch and credit Head Office stock.

(1 mark)

53. Nrupur Computers of Jaipur has a branch at Delhi. Computers are supplied to the branch at cost. The expenses of the branch are paid from Jaipur and the branch keeps a sales journal and the debtors' ledger only. The following information pertaining to the branch is available for the year ended March 31, 2008:

Particulars	Rs.	Particulars	Rs.
Opening stock (01-04-2007)	24,000	Sundry debtors (01-04-2007)	6,600
Closing stock (31-03-2008)	18,000	Sundry debtors (31-03-2008)	9,160
Credit sales	41,000	Goods received from Head Office	33,600
Cash sales	17,500	Expenses paid by H.O for the Branch	10,400

For the year ended March 31, 2008, the profit of the branch transferred to General Profit and Loss account was

- (a) Rs.55,400
- (b) Rs.14,560
- (c) Rs.12,840
- (d) Rs.11,600
- (e) Rs. 8,500.

(2marks)

54. A company sublets its office accommodation and receives Rs.95,000 during the year 2007-08. Details of rent in arrears and in advance at the beginning and end of the year were:

Date	In arrears (Rs.)	In advance (Rs.)
April 01, 2007	8,300	4,200
March 31, 2008	7,400	3,000

The rental income for the year ended March 31, 2008 was

- (a) Rs. 95,300
- (b) Rs. 95,000
- (c) Rs. 83,700
- (d) Rs.1,06,600
- (e) Rs. 82,000.

(2marks)

55. The following errors were made by the accountant of a company in the Profit and Loss account for the year 2007-08:

Selling expenses overstated by Rs.14,800
 Discount received overstated by Rs. 7,790
 Interest on investment understated by Rs. 2,320

As a result of these errors, the net profit was

- (a) Overstated by Rs.9,330
- (b) Understated by Rs.9,330
- (c) Understated by Rs.7,790
- (d) Understated by Rs.17,170
- (e) Overstated by Rs.7,790.

(1 mark)

56. Denim Ltd., has furnished the following information for the year ended March 31, 2008:

Particulars	Rs.
Sales	3,00,000
Opening stock	30,000
Carriage inward	10,000
Purchases	2,00,000

If the gross profit of the company for the year ended March 31, 2008 was 50% on cost, the amount of closing stock as on March 31, 2008 was

- (a) Rs.36,657
- (b) Rs.40,000
- (c) Rs.96,657
- (d) Rs.95,000
- (e) Rs.94,000.

(1 mark)

57. Which of the following statements is **correct** in respect of a trial balance?

- (a) The trial balance shows the profit earned by the concern during a period
- (b) The trial balance is prepared after preparing the profit and loss account
- (c) The trial balance shows only balances of assets and liabilities
- (d) The trial balance shows only nominal account balances
- (e) The trial balance shows balances of all real, personal and nominal accounts.

(1 mark)

58. While preparing the final accounts of the company, the accountant of Citizen Ltd., located the following errors:

- The Returns Inward book was undercast by Rs.2,754.
- A credit purchase of Rs.2,504 was posted to the debit of the supplier's account as Rs.250.
- Wages of Rs.1,000 paid for installation of a new machine was debited to wages account.
- Sales returns of Rs.1,754 were taken into stock but no entry in respect of the transaction was passed in the books.

The difference in Trial Balance of the company on account of the above errors is

- (a) Nil
- (b) Rs. 877
- (c) Rs.1,377
- (d) Rs.3,631
- (e) Rs.4,131.

(2marks)

59. In relation to price, the phrase *markon* means

- (a) The first selling price at which goods are offered
- (b) The selling price raised above the original selling price
- (c) Difference between the cost and the original selling price plus any net markups
- (d) Difference between the cost and the first selling price
- (e) The selling price raised above the cost.

(1 mark)

60. If the difference in trial balance is controlled in Suspense a/c, what will be the Suspense a/c balance due to the following errors?

- Debited Purchases a/c Rs.6,500 for furniture purchased.
- Debited Bansal's a/c and Salary a/c Rs.3,000 each for salary paid to him.
- Debited D. Gupta & Co.'s a/c Rs.7,350 for goods purchased from them on credit.
- Credited M/s Roy & Co. Rs.100 for cash discount allowed by them.

- (a) Rs.16,750
- (b) Rs.10,250
- (c) Rs.17,500
- (d) Rs.24,200
- (e) Rs.24,100.

(2marks)

61. Sayonara Ltd., follows perpetual inventory system. On March 31 of every year, the company undertakes physical stock verification. On March 31, 2008, the value of stock as per the records differed from the value as per physical stock. On scrutiny, the following differences were noticed:

- Stock register was undercast by Rs.5,000.
- Goods purchased for Rs.12,000 were received and included in the physical stock but no entry was made in the books.
- Goods costing Rs.24,000 were sold and entered in the books but the stock is yet to be delivered.
- Goods worth Rs.5,000 were returned back by the customers and omitted to be recorded.

If the inventory is valued in the books at Rs.1,70,000, the value of the physical inventory was

- (a) Rs.1,90,000
- (b) Rs.2,06,000
- (c) Rs.2,16,000
- (d) Rs.1,98,000
- (e) Rs.1,76,000.

(2marks)

62. On April 01, 2004, Surya Ltd., obtained a 99 years' lease for a coal field from Chandra Ltd., on the following terms:

- Royalties will be 6% of sales revenue from coal sold during the period.
- Minimum rent will be Rs.20,000 for the first year with an annual increase of Rs.4,000 till it reaches Rs.40,000.
- Shortworkings, if any, are recoverable within first 3 years of the lease.

The coal raised by Surya Ltd., is as under:

Year	Production in tonnes	Closing Stock in tonnes
2004-05	2,500	500
2005-06	4,250	750
2006-07	16,250	2,000
2007-08	32,000	4,000

If sale price of coal is Rs.50 per ton, the amount of shortworkings recovered were

- (a) Rs.17,000
- (b) Rs.26,000
- (c) Rs. 9,000
- (d) Rs.14,000
- (e) Rs.16,000.

(2marks)

63. Consider the following data pertaining to Amruth & Co. for the year ended March 31, 2008:

Particulars	Rs.
Sales	55,000
Purchases	45,000
Opening stock	4,000
Salaries and wages	2,200
Printing and stationery	300
Rent paid	1,200
Prepaid insurance	400
Carriage inward	370
Carriage outward	250
Returns inward	2,000
Returns outward	1,500
Closing stock	2,000

The Manager of the business is entitled to a commission of 6% on profit after charging his commission. The commission payable to the manager for the year 2007-08 was

- (a) Rs.180
- (b) Rs.167
- (c) Rs.237
- (d) Rs.191
- (e) Rs.157.

(2marks)

64. Consider the following extract of Trial Balance of Vaibhav Ltd., as on March 31, 2008:

Particulars	Rs.
Share Capital	57,690
12% Bank loan	15,000
Sundry creditors	5,000
Bills payable	1,000
Land & building	43,600
Cash at bank	2,350

Office equipment	19,970
Furniture	20,000
Closing stock	3,800
Bills receivable	900
Sundry debtors	5,500
Petty cash balance	21
Cash on hand	940

For the year ended March 31, 2008, the following adjustments were effected:

- Depreciation on – Office equipment: Rs.1,997; Furniture: Rs.3,000.
- Reserve for discount on Sundry creditors is Rs.72. Provision for discount on Sundry debtors is Rs.78.
- Sundry creditors include a debt of Rs.800 due to Mr. Madhukar who is also in the list of Sundry debtors for the same amount.
- Accrued commission receivable amounted to Rs.1,300 and Prepaid printing charges aggregated to Rs.185; Accrued interest on bank loan is of Rs.1,500.
- After effecting the adjustments, the net profit was Rs.13,373.

The total of liabilities side of the balance sheet of the Vaibhav Ltd., as at March 31, 2008 was

- (a) Rs. 92,691
- (b) Rs. 90,000
- (c) Rs.1,02,691
- (d) Rs.1,26,691
- (e) Rs.1,30,000.

(2marks)

65. The following balances were extracted from the books of Run Ltd., as on March 31, 2008:

Particulars	Rs.
Share capital	5,00,000
Secured loans	4,00,000
Current assets	3,01,200
Fixed assets	8,00,000
Reserves and surplus	1,40,000
Sundry creditors	61,200

The total of 'Application of Funds' in the vertical form of balance sheet of Run Ltd., as on March 31, 2008 was

- (a) Rs.11,01,200
- (b) Rs.11,00,000
- (c) Rs.10,40,000
- (d) Rs.11,41,200
- (e) Rs.11,01,900.

(2marks)

66. Infy Ltd., with its Head Office at Mumbai has a Branch at Hyderabad. The branch receives all goods from Head Office, which also remits cash for all expenses. Total sales made by the branch during the year 2007-08 amounted to Rs.5,60,000 out of which 20% was cash sales. The following further information pertaining to the branch for the year 2007-08 is available:

Particulars	As on April 01, 2007 (Rs.)	As on March 31, 2008 (Rs.)
Sundry debtors	60,000	48,000

The amount collected from debtors during the year 2007-08 was

- (a) Rs.4,60,000
- (b) Rs.5,72,000
- (c) Rs.5,36,000
- (d) Rs.5,24,000
- (e) Rs.5,08,000.

(2marks)

67. Consider the following data pertaining to M/s Nag Enterprises:

- Original cost of furniture Rs.10,000.
- Rate of depreciation under written down value method 20%.

- Residual value of furniture at the end of useful life Rs.3,276.80.

The estimated useful life of the furniture is

- (a) 3 years
- (b) 4 years
- (c) 5 years
- (d) 6 years
- (e) 7 years.

(1 mark)

68. Avinash Ltd., of Delhi sends goods to its Kanpur Branch at cost plus $33\frac{1}{3}$ %. Out of the goods sent to the branch during the month of December 2008, part of the goods were lost in transit. The transactions pertaining to the branch during the month of December 2008 were as under:

Particulars	Rs.
Opening stock (invoice price)	3,000
Goods sent to Branch (invoice price)	13,000
Credit sales	8,800
Closing stock (invoice price)	2,400
Opening cash balance	4,000
Closing cash balance	1,400
Cash received from Branch	9,000
Cash collected from debtors	5,400

The cost price of the goods lost in transit were

- (a) Rs.1,850
- (b) Rs.2,850
- (c) Rs.2,000
- (d) Rs.1,330
- (e) Rs. 500.

(2marks)

69. Ms. Khajuraho owns a coal mine which is leased to Mr. Harappa at a royalty of 25% of sales subject to a minimum rent of Rs.1,20,000 per annum. The royalty is payable on April 30 for the coal sold during September 01 to February 28/29 every year and on October 31 for the coal sold during March 01 to August 31 every year.

Details of sales as under:

Period	Sales (Rs.)
September 01, 2006 to February 28, 2007	2,20,000
March 01, 2007 to March 31, 2007	45,000
March 01, 2007 to August 31, 2007	2,30,000
September 01, 2007 to February 29, 2008	2,90,000
March 01, 2008 to March 31, 2008	90,000

The amount which Ms. Khajuraho should record as revenue from royalty for the year 2007-08 is

- (a) Rs.1,41,250
- (b) Rs.2,75,000
- (c) Rs. 96,250
- (d) Rs.1,63,750
- (e) Rs.5,60,000.

(2marks)

70. The accountant of ABC Ltd., prepared the provisional Profit and Loss account for the year ended March 31, 2008 and submitted to the manager for verification. The accountant reported a profit of Rs.6,50,000. On scrutiny, the following omissions and commissions were noticed:

- Building rent of Rs.1,500 per month was paid upto January 2008. Rent debited to Profit and Loss account was Rs.15,000.
- Sales book was overcast by Rs.20,000.
- Rs.20,000 paid for the repair of second hand machinery purchased, to bring it to the working condition, was debited to Repairs and Maintenance as Rs.2,000.

The above mistakes were duly rectified. The profit made by the company after the rectifications was

- (a) Rs.6,29,000
- (b) Rs.6,49,000
- (c) Rs.6,32,000
- (d) Rs.6,25,000
- (e) Rs.6,47,000.

(2marks)

71. The following is the Trial Balance of Agarwal & Sons as on March 31, 2008:

Particulars	Debit (Rs.)	Credit (Rs.)
Capital Account		7,50,000
Fixed Assets	19,20,000	
Sundry debtors		2,70,000
Sundry creditors	2,25,000	
Purchases	10,08,000	
Sales		24,22,500
Purchases returns	73,500	
Sales returns		33,000
Opening stock (as on April 01, 2007)		72,000
Bad debts	28,500	
General and Administration expenses	10,26,000	
Term Loan (Interest rate of 13% per annum)		4,50,000
Interest on bank overdraft		45,000
Prepaid Rent		18,000
Investments in fixed deposit (8% p.a.)	3,00,000	
Discount allowed		18,000
Discount received	31,500	
Reserve and surplus		8,88,000
Cash on hand	75,000	
Total	46,87,500	49,66,500

The trial balance did not agree. On scrutiny, it is observed that certain balances were wrongly placed in the trial balance. If the difference in the total of corrected trial balance was on account of omission of bank balance, the amount of bank balance was

- (a) Rs. 27,000 (favorable balance)
- (b) Rs. 18,000 (favorable balance)
- (c) Rs. 27,000 (over draft)
- (d) Rs.1,08,000 (favorable balance)
- (e) Rs. 18,000 (over draft).

(2marks)

72. Consider the following data relating to Nirvesh Ltd., for the month of December 2008:

Particulars	As on December 01, 2008 (Rs.)	As on December 31, 2008 (Rs.)
Stock	1,40,000	70,000
Accounts payable	40,000	50,000

The company makes all purchases on credit. During the month of December 2008, the company paid a sum of Rs.3,50,000 to the suppliers. The goods are sold at 25% above cost.

The sales for the month of December, 2008 were

- (a) Rs.4,30,000
- (b) Rs.5,50,000
- (c) Rs. 70,000
- (d) Rs.1,05,000
- (e) Rs.5,37,500.

(2marks)

73. On December 31, 2008, the bank column of the cash book of Aion Ltd., showed a credit balance of Rs.81,000 which did not agree with the balance as per the bank statement. On scrutiny the following omissions and commissions were noticed:

- As per bank statement, a cheque of Rs.3,500 was deposited on December 25, 2008, but no entry was made in the cash book.
- Receipt side of the cash column of the cash book was undercast by Rs.500.
- An amount of Rs.24,980 was credited by the bank on account of the proceeds of a cheque for Rs.25,000 deposited for collection. No entry was passed in the cash book for bank charges.
- A cheque issued by a customer for Rs.2,650 was deposited in the bank on December 25, 2008. But the same was dishonoured on December 29, 2008. No entry was passed in the cash book for dishonour.
- The amount of bills receivable collected directly by the bank aggregated to Rs.17,500
- The amount of bank charges of Rs.125 was recorded twice in the cash book.
- A bill of Rs.40,000 discounted for Rs.35,480 was dishonoured and noting charges of Rs.75 were paid by the bank. No entry was made in the cash book.

The bank balance as per the bank statement on December 31, 2008 was

- (a) Rs.1,04,770 (debit)
- (b) Rs. 67,470 (debit)
- (c) Rs.1,02,620 (debit)
- (d) Rs.1,02,120 (debit)
- (e) Rs. 67,470 (credit).

(2marks)

74. Which of the following is a **not** a non-operating surplus?

- (a) Excess surplus from sale of fixed asset over acquisition cost
- (b) Income earned as royalties
- (c) Interest on securities
- (d) Income from revaluation of fixed assets
- (e) Dividends from shares.

(1 mark)

END OF QUESTION PAPER

Postage	425	
Wages	682	
Office cleaning	248	
Stationery	435	
Conveyance	391	
Balance as per cash book		319
Amount reimbursed		2,181
		<u>2,500</u>

14. E Leave travel concession does not come under retirement benefit as stated by the Accounting Standard-15.

15. D Royalties' suspense account in the book of the lessee represents the difference between the minimum rent and the actual royalties receivables from the sub-lessee. The shortworking account with the sub-tenant is like a mirror reflecting the minimum rent payable and the actual royalty. Therefore, option (d) is false.

The balance in the shortworking account appears on the assets side of lessee's balance-sheet.

In the books of the lessee the shortworking account shows debit balance. When the lessee transfers a part of the right acquired by him to a sub-lessee, the lessee vis-à-vis the sub-lessee assumes the position of lessor. In a sub-lease, royalties to the lessor will be paid on the basis of the combined output of both the primary lessee and the sub-lessee.

16. D Refusal by the acceptor to make payment of the bill on due date is called dishonor. A bill sent for collection by bank when dishonored, the drawer will debit the drawee's a/c and credit bills sent for collection a/c. At the time of renewal of bill interest a/c is debited in the book of the drawee as interest is paid by him. Accommodation bills are drawn, accepted and endorsed without any consideration for the sake of mutual accommodation. When a bill is endorsed, the drawer debits the endorsee's a/c and credits the bills receivable a/c.

17. B Insolvent drawee opens deficiency account if his estate not sufficient to repay the debt.

18. D The following are the characteristics of promissory notes:

1. It must be in writing.
2. It contains an unconditional promise to pay.
3. The maker must be a certain person.
4. It is not payable to the bearer.
5. The amount payable must be certain.

Therefore, option (d) is the correct answer.

19. B Under trading method of maintenance of branch accounts, the excess of invoice price over the cost price of the goods sent to branch is credited to branch account and debited to goods sent to branch account. Under Stock and debtors method, the excess of invoice price over the cost price of the goods sent to branch is credited to branch adjustment account and debited to goods sent to branch account. In neither of the methods, it is taken to branch stock reserve account or branch stock account.

20. A First-In First-Out is the most suitable method of inventory valuation for perishable food products. This is because the first lot of products can go out first without spoilage.

21. D Owners' equity at the at the end of the year = Rs. 98,000
 Add: Drawings during the year = Rs. 8,500
 Rs.1,06,500
 Less: Additional capital = Rs. 15,000
 Net Profit = Rs. 16,500
Rs. 75,000

Therefore Owners' equity at the beginning of the year = Rs.75,000

22. B The process whereby the company uses existing accounts receivable as collateral for a loan is known as pledging.

23. B Inventories are to be valued at lower of cost or net realizable value.

24. C Cost of conversion is made of direct wages plus direct expenses plus production overhead

25. A The portion of the acquisition cost of the asset yet to be allocated is known as written down value.

26. C Minimum rent per annum = Rs.16,000/4 = Rs.4,000

Royalty based on sales = Rs.30,000 × 10% = Rs.3,000

Amount payable to landlord was Rs.4,000 (since minimum rent is more than royalty on the basis of sales).

27. A Units-of-Production Method is used for oil and petroleum product manufacturing company.
 28. C In the books of Aayush Ltd.

Dr.		Branch Stock a/c		Cr.	
Particulars	Rs.	Particulars	Rs.	Particulars	Rs.
To Balance b/d	12,00,000	By Bank a/c	12,60,000		
To Goods sent to Branch a/c	36,00,000	By Branch Debtors a/c	24,00,000		
		By Goods sent to Branch a/c (returns)	1,80,000		
		By Branch Adjustment a/c (Loading in shortage)	40,000		
		By Branch Profit & Loss a/c(cost of shortage of stock)	80,000		
		By Balance c/d	8,40,000		
	48,00,000		48,00,000		

Dr.		Branch Adjustment account		Cr.	
Particulars	Rs.	Particulars	Rs.	Particulars	Rs.
To Branch stock a/c (Loading in shortage of stock) Rs.1,20,000 × 1/3	40,000	By Stock Reserve a/c (Rs.12,00,000 × 1/3)	4,00,000		
To Stock Reserve a/c Rs.8,40,000 × 1/3	2,80,000	By Goods sent to Branch a/c(loading) (Rs.36,00,000- Rs.1,80,000) × 1/3	11,40,000		
By Gross Profit	12,20,000				
	15,40,000		15,40,000		

29. C In the books of Jagan Enterprises

Dr. Profit and loss account for the year ended March 31, 2008 Cr.

Particulars	Rs.	Particulars	Rs.
To Salaries	43,000	By Gross profit	1,32,000
To Other expenses	36,500		
To Depreciation	30,000		
To Net profit	22,500		
	1,32,000		1,32,000

Balance sheet of Jagan Enterprises as on March 31, 2008

Liabilities	Rs.	Assets	Rs.
Capital	3,00,000	Fixed assets (Rs.3,00,000 - Rs.30,000)	2,70,000
Net profit	22,500	Sundry debtors	22,500
Short tem loan	18,000	Closing stock	37,500
Sundry creditors	16,000	Cash and bank	26,500
	3,56,500		3,56,500

30. B If royalties is less than minimum rent, the balance of royalty account at the end of the year has to be transferred to Profit and Loss account.

31. A Purchases Day Book

Date	Particulars	Details (Rs.)	Total (Rs.)
December, 01	50 Black & White TV @ Rs.3,000 each 10 Colour TV @ Rs.6,000 each	1,50,000	1,89,000
		60,000	
		2,10,000	
	Less: Trade discount @ 10%	21,000	
December, 09	10 pieces of Taperecorder @ Rs.1,000	10,000	

	each 10 pieces of Two-in-one @ Rs.1,500 each	15,000	
	Less: Trade discount @ 10%	2,500	22,500
December, 19	100 pieces of Audio Cassettes @ Rs.30 each Less: Trade discount @ 5%	3,000 150	2,850
			2,14,350

The purchase of stationery is not a part of purchase of goods and it is to be debited to stationery account.

The amount of cash discount allowed by the creditors / suppliers is an income. Discount received on account of prompt payment and the purchases will be recorded at the cost of purchases.

32. E Option (a) cannot be the answer because if the whole transaction is omitted to be entered in the books of accounts then it is error of omission. Option (b) cannot be the answer because error of principle means wrong classification of revenue items as capital items and vice-versa, the total effect will be the same and hence the trial balance will tally. Option (c) cannot be the answer as the dual aspects of the transaction is recorded without any omission but with wrong amounts. Option (d) cannot be the answer because it is not a compensating error. Option (e) is the correct answer because wrong amount is debited in the correct account (furniture account). Therefore it is wrong calculation of balances in ledger account and it is called error of commission.
33. B Under the straight line method of depreciation, the rate of depreciation is fixed and the amount of depreciation is also same. Hence, (b) is correct answer.
34. C Any item appearing in the trial balance will have one effect i.e., outstanding expenses appearing in the trial balance will be shown as current liability in the balance sheet. It cannot be debited to the Profit and Loss account. It cannot be debited to Profit and Loss Appropriation account. Hence, option (c) is correct answer.
35. E Installation charges of machinery is an example of capital expenditure as it is the cost incurred for increasing the earning capacity of a business. Other expenditures stated in (a), (b), (c) and (d) are examples of revenue expenditure.
36. A In the event of fire, if the claim admitted is less than the amount of stock destroyed then the difference should be shown in the debit side of the Profit and Loss account.

37. C

In the books of Seesam Manufactures Ltd.

Dr.			Machinery account			Cr.		
Date	Particulars	Rs.	Date	Particulars	Rs.			
2004 April 1	To Bank a/c	9,00,000	2005 Mar 31 Mar 31	By Depreciation By Balance c/d	1,80,000 7,20,000			
		9,00,000			9,00,000			
2005 April 1 April 1	To Balance b/d To Bank a/c	7,20,000 70,000	2006 Mar 31 Mar 31	By Depreciation By Balance c/d	1,58,000 6,32,000			
		7,90,000			7,90,000			
2006 April 1	To Balance b/d	6,32,000	2007 Mar 31 Mar 31	By Depreciation By Balance c/d	1,26,400 5,05,600			
		6,32,000			6,32,000			
2007 April 1 Oct 1 2008 Mar 31	To Balance b/d To Bank a/c To Profit & Loss a/c (gain on sale of machinery) note 1	5,05,600 86,700 2,200	2008 Mar 31 Mar 31 Mar 31	By Depreciation (Note2) By Bank a/c By Balance c/d	1,01,335 40,000 4,53,165			
		5,94,500			5,94,500			
2008 April 1	To Balance b/d	4,53,165						

Working notes:

Note:1

Calculation of profit or loss on sale of machinery

Particulars	Rs.
Cost of machinery on 1.4.05	70,000
Less: Depreciation for 2005-06 @20% WDM	14,000
Value of machinery as on 31.3.06	56,000
Less: Depreciation for 2006-07 @20% WDM	11,200
Value of machinery as on 31.3.07	44,800
Less: Depreciation for 2007-08 @ 10% SLM	7,000
Value of machinery as on 31.3.08	37,800
Less: Sale proceeds on 31.3.08	40,000
Gain on sale of machinery	2,200

Note:2 Calculation of depreciation for the year 2007-08 under straight line method:

Dep. on the machinery purchased on April 01, 2004 = Rs.9,00,000 × 10% = Rs. 90,000

Dep. on the machinery purchased on April 01, 2005 = Rs. 70,000 × 10% = Rs. 7,000

Dep. on the machinery purchased on Oct. 01, 2007 = Rs.86,700 × 10% × 6/12 = Rs. 4,335

Rs.1,01,335

38. C Income tax provision relating to previous year is charged to debit side of the current year Profit and Loss Appropriation account.
39. C Depreciation of foreign branches of the parent enterprise should be translated using the rate at which the fixed asset has been converted. The closing rate is used for conversion of current assets and liabilities. Average rate will be used to convert revenue items. Weighted average rate is used for revenue items in some special situations like when the income is not evenly accrued through out the accounting period. If current assets are acquired and held abroad and are covered by forward exchange contract, the assets should be converted at the forward rate mentioned in the contract. Hence the answer is (c).
40. C

Particulars	Rs.
Total of debit column of trial balance	90,600
Add: Carriage outwards	2,000
	92,600
Less: Returns outward (wrongly taken)	7,500
Less: Interest on investment (wrongly taken)	4,300
Total of trial balance (debit column)	80,800

Particulars	Rs.
Total of credit column of trial balance	69,800
Add: Interest on investments	4,500
Add: Returns outward	7,500
	81,800
Less: Carriage outwards (wrongly taken)	1,000
Total of trial balance (credit column)	80,800

41. A Total assets = Owner's equity + Outside liabilities
 Fixed assets + current assets = Capital + Reserves + Outside liabilities
 Rs.9,20,000 + Rs.8,61,000 = Rs.15,00,000 + Rs.50,000 + Outside liabilities
 Rs.17,81,000 = Rs.15,00,000 + Rs.50,000 + Outside liabilities
 Outside liabilities = Rs.17,81,000 – Rs.15,50,000 = Rs.2,31,000
 Sundry creditors = Rs.2,31,000 ÷ 4 = Rs.57,750.

42. B Bank Reconciliation Statement as on December 31, 2008

Particulars	Rs.	Rs.
Overdraft as per Pass book		28,750
Add:		
Rent deposited by Mr. Srinivas directly into the	2,300	

bank		2,300
		31,050
Less: Cheque received from Mr. Raghu entered in cash book, but not sent for collection up to the date of BRS	1,500	1,500
Overdraft as per cash book		29,550

43. A Original cost = Rs.30,000
Rate of depreciation as per written down method = 25%

Year	Dep as per WDV method (Rs.)
1	7,500 (30,000 × 25/100)
2	5,625 (22,500 × 25/100)
3	4,219 (16,875 × 25/100)
Total	17,344

44. A Under FIFO method, the closing inventory consists of the latest stock thus,
Stores ledger in the books of Godrej Ltd.

Date	Purchases			Issues			Balance			Rs.
	Qty Units	Rate Rs.	Rs.	Qty Units	Rate Rs.	Rs.	Qty Units	Rate Rs.	Rs.	
02-12-08	12	6,600	79,200				12	6,600	79,200	
06-12-08	18	7,400	1,33,200				18	7,400	1,33,200	2,12,400
12-12-08				9	6,600	59,400	3	6,600	19,800	
							18	7,400	1,33,200	1,53,000
31-12-08				3	6,600	19,800				
				13	7,400	96,200	5	7,400		37,000

Date	Purchases			Issues			Balance		
	Quantity Units	Rate Rs.	Rs.	Quantity Units	Rate Rs.	Rs.	Quantity Units	Rate Rs.	Rs.
02-12-08	12	6,600	79,200				12	6,600	79,200
06-12-08	18	7,400	1,33,200				30	7,080	2,12,400
12-12-08				9	7,080	63,720	21	7,080	1,48,680
31-12-08				16	7,080	1,13,280	5	7,080	35,400

Therefore, the difference in First-in First-out method and Weighted average method is
Rs.37,000 – Rs.35,400 = Rs.1,600.

45. B If goods are returned by a customer to branch, the entry to be passed in the books of Head Office is

Branch stock a/c Dr.
To Branch Debtors a/c

46. B

Dr.					Cr.				
Cash Book									
Date	Particulars	Dis.	Cash	Bank	Date	Particulars	Dis.	Cash	Bank
2008		Rs.	Rs.	Rs.	2008		Rs.	Rs.	Rs.
Dec. 1	To Balance b/d		50,000	7,00,000	Dec 5	By Creditor a/c	10,000		2,00,000
5	To Debtor a/c	2,500		1,00,000	12	By Salaries A/c		40,000	
13	To Daulat Ram A/c	300		29,700	14	By Bharani a/c	500		52,500
					30	By Rama & Bros	2,500		72,500
					31	By Balance c/d		10,000	5,04,700
		2,800	50,000	8,29,700			13,000	50,000	8,29,700
Jan 1, 2009	To balance b/d		10,000	5,04,700					

47. C

Dr.			Cr.		
Sundry Debtors Account					
Date	Particulars	Rs.	Date	Particulars	Rs.
April 01, 2007	To Opening balance (24,000 / 8%)	3,00,000	2007-08	By Cash	60,50,000
2007-08	To Credit sales (Balance figure)	62,00,000	March 31, 2008	By Closing balance (36,000/8%)	4,50,000
		65,00,000			65,00,000

48. A

Raghav Enterprises
Calculation of loss on sale of Machinery sold

	Rs.
Book value on July 01, 2006	15,000
Less: Depreciation for 2006-07 @ 10% on SLM	1,500
Book value on July 01, 2007	13,500
Less: Depreciation for 2007-08 @ 10% on SLM	1,500
Book value on July 01, 2008	12,000
Less: Depreciation from 1.7.2008 to 30.9.08 for 3 months on WDV @ 20% p.a.	600
Book value on October 01, 2008	11,400
Less: Sale proceeds	8,000
Loss on sale transferred to profit and loss a/c	3,400

49. C

Dr.		Cr.	
Provision for bad and doubtful debts			
Particulars	Rs.	Particulars	Rs.
To Bad debts (Sinha)	3,800	By balance b/d	5,600
To Provision c/d	10,500	By Profit and Loss account	8,700
	14,300		14,300

Computation of suitable provision for the year ending March 31,2008

Particulars	Rs.
Gupta Rs. 9,000 Expected to realize only 80% hence doubtful part	1,800
Patel Rs.8,000 Expected to realize only 60%.	3,200
Iyer Rs.5,500 Filed Insolvency petition and the recovery chances are remote	5,500
Total	10,500

50. C

$$\text{Discount on bill drawn by Anil} = \frac{\text{Rs.}9,000 \times 10 \times 3}{100 \times 12} = \text{Rs.}225$$

$$\text{Discount on bill drawn by Bhowmic} = \frac{\text{Rs.}6,000 \times 10 \times 3}{100 \times 12} = \text{Rs.}150$$

Total discount paid = Rs.225 + Rs.150 = Rs.375

Anil's share is Rs.375 × 2/3 = Rs.250.

51. A The amount of shortworkings lapsed during the year 2007-08 amounts to Rs.25,000.

Analysis of royalty payable (Royalty @ Rs.20 per ton)

Year	Output (tons)	Actual royalty (Rs.)	Min rent (Rs.)	Short workings (Rs.)	Sw recoup (Rs.)	Payment (Rs.)	Sw lapsed (Rs.)	Sw c/f (Rs.)
2005-06	20,000	4,00,000	5,00,000	1,00,000	—	5,00,000	—	1,00,000
2006-07	25,000	5,00,000	5,00,000	—	—	5,00,000	—	1,00,000
2007-08	32,000	6,40,000	5,00,000	—	75,000	5,65,000	25,000	Nil

52. A Head office will debit branch stock account and credit goods sent to branch account.

53. E In the books of the Head Office (Jaipur)

Delhi Branch Account

Date	Particulars	Rs.	Date	Particulars	Rs.
01.4.07	To Balance b/d		31.3.08	By Bank A/c	
	Stock	24,000	31.3.08	Cash sales	17,500
	Debtors	6,600	31.3.08	Cash from Debtors	*38,440
31.3.08	To Bank A/c (expenses)	10,400	31.3.08	By Balance c/d	
31.3.08	To Goods Sent to Branch A/c	33,600	31.3.08	Stock	18,000
31.3.08	To General Profit & Loss A/c	8,500	31.3.08	Debtors	9,160
		83,100			83,100

Delhi Branch Debtors Account

Date	Particulars	Rs.	Date	Particulars	Rs.
01.4.07	To Balance b/d	6,600	31.3.08	By Cash (b/f)	*38,440
31.3.08	To Sales	41,000	31.3.08	By Balance c/d	9,160
		47,600			47,600

54. A

Particulars	Rs.	Rs.
Rent received during the year		95,000
Add: Outstanding rent on March 31, 2008	7,400	11,600
Rent received in advance on April 01, 2007	4,200	
		1,06,600
Less: Outstanding rent on April 01, 2007	8,300	11,300
Rent received in advance on March 31, 2008	3,000	
Rental income for the year ended March 31, 2008		95,300

55. B

Particulars	Profit increased Rs.	Profit decreased Rs.
Selling expenses overstated (Profit understated)		14,800
Discount received overstated (Profit overstated)	7,790	
Interest on investment understated (Profit)		2,320

understated)		
	7,790	17,120
Net profit understated/decreased		9,330

56. B

Dr.		Trading account		Cr.	
Particulars	Rs.	Particulars	Rs.		
To Opening stock	30,000	By Sales	3,00,000		
To Purchases	2,00,000	By Closing stock (b/f)	40,000		
To Carriage inwards	10,000				
To Gross Profit (331/3% on sales)	1,00,000				
	3,40,000		3,40,000		

57. E A Trial balance is a summary of all real, personal and nominal accounts as on a particular date. All the debit balances from the ledger are shown on one side and all the credit balances are shown on the other side. A trial balance is prepared before final accounts are prepared.

58. A The undercasting of returns inward book is rectified by debiting returns inward account with Rs.2,754 and the wrong debit to the supplier's account is to be rectified by crediting the account with Rs.2,504 + Rs.250 = Rs.2,754. Thus, the wrong casting in one transaction is compensated by wrong posting of wrong amount to the wrong side. It has no effect on the agreement of trial balance. Payment of wages to the debit of wrong account is an error of principle and it does not affect the trial balance. The complete omission of sales returns will not affect the trial balance totals. Thus, the difference in trial balance is nil despite the errors

59. C The phrase *markon* means the difference between the cost and the original selling price plus any net markups.

60. C Purchase A/c debited for furniture purchased is an error of principle and does not affect trial balance. For salary paid Bansal's A/c is also debited. This is an excess debit of Rs.3,000. For goods purchased D.Gupta's A/c should have been credited by Rs.7,350 instead of debiting their A/c. The difference in trial balance due to the above error is double the amount i.e, $7,350 \times 2 = 14,700$. For cash discount allowed by Roy & Co., their A/c should have been debited instead of crediting giving rise to a difference of Rs.200 in the trial balance. So the Suspense A/c balance will be Excess debit – $3,000 + 14,700 = 17,700$ Excess credit Rs.200. The net difference is Rs.17,700 less 200 = Rs.17,500.

61. C

Computation of Inventory

Particulars	Rs.	Rs.
Inventory value as per books		1,70,000
Add Purchases received but not accounted	12,000	
Sales yet to be delivered	24,000	
Returns Inwards	5,000	
Amount undercast in stock	5,000	46,000
Inventory as per physical stock		2,16,000

62. A

Analysis of Sales Revenue and Royalties

Year	Opening Stock Tonnes	Production Tonnes	Closing Stock Tonnes	Sales Tonnes	Sales Revenue Rs. (@Rs.50)	Actual Royalty Rs. (6%)
2004-05	0	2,500	500	2,000	1,00,000	6,000
2005-06	500	4,250	750	4,000	2,00,000	12,000
2006-07	750	16,250	2,000	15,000	7,50,000	45,000
2007-08	2,000	32,000	4,000	30,000	15,00,000	90,000

Analysis of Royalties Payable

Year	Actual Roy Rs.	MinRent Rs.	Excs Ws Rs.	Suffered Rs.	Recouped Rs.	Writ-off Rs.	C/F Rs.	Amount payable Rs.
2004-05	6,000	20,000	–	14,000	–	–	14,000	20,000
2005-06	12,000	24,000	–	12,000	–	–	26,000	24,000
2006-07	45,000	28,000	17,000	–	17,000	9,000	–	28,000
2007-08	90,000	32,000	58,000	–	–	–	–	90,000

63. A Trading account and Profit and loss account for the year ended March 31, 2008.

Particulars	Rs.	Particulars	Rs.
To Opening stock	4,000	By Sales	55,000
To Purchases	45,000	Less: Returns inward	2,000
Less: Returns outward	1,500	By Closing stock	2000
To Carriage inward	370		
To Gross profit	7,130		
	55,000		55,000
To Salaries and wages	2,200	By Gross profit	7,130
To Printing and stationery	300		
To Rent	1,200		
To Carriage outward	250		
To Manager's commission	180		
To Net Profit	3,000		
	55,000		55,000

Profit before charging Manager's commission = Rs.3,180

Manager's Commission = (Rs.3,180/106) × 6 = Rs.180.

64. A

Balance Sheet of Vaibhav Ltd as on March 31, 2008

Liabilities	Rs.	Assets	Rs.
Share Capital	57,690	Land & building	43,600
Profit and loss account	13,373	Office equipment	19,970
12% Bank Loan	15,000	Less: Depreciation	1,997
Add: Outstanding interest	1,500	Furniture	20,000
Sundry creditors	5,000	Less: Depreciation	3,000
Less:		Closing stock	3,800
Debtors set off	800	Sundry debtors	5,500
Provision for discount on creditors	72	Less: Provision for discount on debtors	78
	4,128	Creditors setoff	800
Bills payable	1,000	Bills receivable	900
		Cash at bank	2,350
		Petty cash	21
		Accrued commission	1,300
		Prepaid printing	185
		Cash on hand	940
	92,691		92,691

65. C

Balance Sheet of Run Ltd., as on March 31, 2008

		Figures as at the current financial year (Rs.)	Figures as at the previous financial year
1.	Sources of funds		
	Share holders funds		
	Capital	5,00,000	
	Reserves and surplus	1,40,000	
	Loan funds		
	Secured loans	4,00,000	
	Total	10,40,000	
	Application of funds		
	Fixed assets	8,00,000	
	Current assets:	3,01,200	
	Less: Current liabilities	61,200	2,40,000
	Total	10,40,000	

66. A

Working Notes:

i. Cash sales & Credit sales

Particulars	Rs.
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Total sales	5,60,000
Less : Cash sales (20% of Rs.5,60,000)	1,12,000
Credit sales (80%)	4,48,000

Dr.		Memorandum Branch Debtors Account		Cr.	
Particulars	Rs.	Particulars	Rs.	Particulars	Rs.
To Balance b/d	60,000	By Bank A/c (Balancing figure)	4,60,000		
To Credit Sales (Note 1)	4,48,000	By Balance c/d	48,000		
	5,08,000		5,08,000		

The amount collected from debtors to be shown in branch account is Rs.4,60,000

67. C Original cost of furniture 10,000
Less depreciation @20%

Year	Cost	Depreciation	WDV
1	10,000	2,000	8,000
2	8,000	1,600	6,400
3	6,400	1,280	5,120
4	5,120	1,024	4,096
5	4,096	819.20	3276.80

68. B

Dr.		Branch Cash A/c		Cr.	
Particulars	Rs.	Particulars	Rs.	Particulars	Rs.
To Opening balance	4,000	By Remitted to HO	9,000		
To Cash collected from debtors	5,400				
To Cash sales (Balancing figure)	1,000	By Closing balance	1,400		
	10,400		10,400		

Dr.		Branch Stock A/c		Cr.	
Particulars	Rs.	Particulars	Rs.	Particulars	Rs.
To Opening balance	3,000	By Credit sales	8,800		
To Goods sent to Branch	13,000	By Cash sales	1,000		
		By Closing balance	2,400		
		By Stock lost (Balancing figure)	3,800		
	16,000		16,000		

Invoice Price = Rs.3,800

Margin on cost price = $33\frac{1}{3}\%$ i.e., 25% on sales.

Cost price of the goods lost in transit = $\text{Rs.}3,800 \times \frac{3}{4} = \text{Rs.}2,850$.

69. A

Period	Sales (Rs.)
April 01, 2007 to August 31, 2007 (Rs.2,30,000 – Rs.45,000)	1,85,000
September 01, 2007 to February 28, 2008	2,90,000
March 01, 2008 to March 31, 2008	90,000
Total sales for 2007-08	5,65,000
Royalty (Rs.5,65,000 × 25%) for the year 2007-08	1,41,250

70. A

Particulars	Rs.
Profit as per P & L a/c	6,50,000
(–) Outstanding building rent	3,000
	6,47,000

(-) Overcast of sales book	20,000
	6,27,000
(+) Repairs for machinery (wrongly debited)	2,000
Profit after rectification entries	6,29,000

71. A Trial Balance of M/s Agarwal & Sons as on March 31, 2008

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
Fixed Assets	19,20,000	Capital	7,50,000
Sundry Debtors	2,70,000	Sundry Creditors	2,25,000
Purchases	10,08,000	Sales	24,22,500
Sales return	33,000	Purchases return	73,500
Opening stock (as on April 01, 2007)	72,000	Term loan	4,50,000
Bad debts	28,500	(Interest @ 13% p.a.)	
General and administrative expenses	10,26,000	Discount received	31,500
Over draft interest	45,000	Reserves and surplus	8,88,000
Prepaid Rent	18,000		
Investment in fixed deposit (8% p.a.)	3,00,000		
Discount allowed	18,000		
Cash in hand	75,000		
Cash at bank	27,000		
(Balancing figure)			
	48,40,500		48,40,500

72. E Books of Nirvesh Ltd.
Dr. Stock Account Cr.

Date	Particulars	Rs.	Date	Particulars	Rs.
Dec 01, 08	To Opening balance	1,40,000	December 01, 08	By Cost of goods sold (bal. Fig)	4,30,000
	To Purchases	3,60,000		By Closing balance	70,000
		5,00,000			5,00,000

Sales = Rs.4,30,000 + 25% (Rs.4,30,000) = Rs.5,37,500

Purchases = Accounts payable closing balance 50,000 + Payment to creditors 3,50,000 – opening balance of accounts payable 40,000 = Rs.3,60,000

73. D Bank Reconciliation Statement as on December 31,2008

Particulars	Rs.	Rs.
Bank overdraft per the cash book		81,000
Add : Cheque for Rs.25,000 deposited but collection as per bank statement Rs.24,980 i.e. bank charges	20	
Cheque dishonored as per the bank statement	2,650	
Bill for Rs.40,000 discounted for Rs.35,480 dishonored by the bank, noting charges being Rs.75	40,075	42,745
		1,23,745
Less: Cheque deposited but not recorded in the cash book	3,500	
Bills collected directly by the bank	17,500	
Bank charges recorded twice in the cash book	125	
Receipt side was undercast in cash book	500	21,625
Bank overdraft as per the pass book (Dr.)		1,02,120

74. B Income earned as royalties is not a non-operating surplus. It is a operating revenue. Remaining all other are non-operating surplus. Hence option (b) is correct answer.