

ACCOUNTING SYSTEM

[Time: 3.00 Hrs.]

[Marks: 80 ]

**N.B. (1) Q.1 is Compulsory**

**(2) Attempt any THREE questions from the Q. No.2 to Q. No.5**

Q1 A. Fill in the blanks

( 10 marks )

1. The fixed asset is generally held for \_\_\_\_\_.
2. The amount invested by owners into business is called \_\_\_\_\_.
3. Transaction means exchange of money or money's worth for \_\_\_\_\_.
4. Accounting principle are generally based on \_\_\_\_\_.
5. The accounting equation is based on \_\_\_\_\_.
6. Omission of pause and showing the round figures in financial statement is based on \_\_\_\_\_ concept
7. Revenue Recognition is \_\_\_\_\_ Accounting standard
8. AS-2 is on \_\_\_\_\_
9. The profit on sale of asset is debited to \_\_\_\_\_
10. Wages paid for installation of machinery is debited to \_\_\_\_\_ account.

Q1B True or False

(10 Marks)

1. Accounting principles are rules of action or conduct which are adopted by the accountants universally while recording accounting transactions
2. It is on the basis of going concern concept that the assets are always valued at market price.
3. Accounting does not record non-financial transactions because of Accrual concept
4. Recording of capital contributed by the owner as liability ensures adherence of principle of Separate entity of business.
5. AS-8 on accounting for research and development is replaced by AS-26
6. Capital receipt is recurring in nature
7. Amount received as subsidy from the state Government is revenue receipt
8. Depreciation is the same as revaluation.
9. Under the written down value method, Depreciation is calculated on the original cost of an asset
10. There is no need to provide depreciation if the asset is maintained with care

Q2A.

( 10 Marks )

On 1st April 2009, following balances appeared in the books of Mangesh Traders

Machinery a/c Rs 4,00,000 Provision for Depreciation a/c Rs 1,60,000

On the above date , they decided to sell the machinery for Rs 1,00,000 which was purchased on 1st April 2006 for Rs 1,50,000. The firm provides Depreciation on 31 March every year @ 10% p.a. under straight line method.

Show Machinery account and Provision for depreciation account as on 31 march 2010.

Q2B.

( 10 marks )

**State with reasons the nature of the following expenses/ receipts**

- 1) Sold investments 4% government securities for Rs 1,40,000
- 2) Preliminary expenses paid Rs 42,000
- 3) Carriage outward paid Rs 40,000
- 4) Import duty paid on purchase of computer equipment Rs 85,000 to be used in the office
- 5) Received Rs 5,00,000 on the issue of 5% Debentures
- 6) Paid Rs 10,000 underwriting commission on issue of shares
- 7) Legal expenses Rs 6,000 paid in connection with purchase of land
- 8) Repairing charges Rs 15,000 paid for keeping the machinery in working condition
- 9) Rs 1,00,000 paid for the application and allotment of a plot of land
- 10) Legal expenses Rs 8,000 incurred in defending a suit for breach of contract to supply of goods

Q3

( 20 marks )

The following is the Trial Balance of C. Wanchoo on 31st March, 2022.

**Trial Balance on 31<sup>st</sup> March , 2022**

Particulars		
Capital Account		10,00,000
Inventories as on 1 <sup>st</sup> April, 2021	2,00,000	
Cash in hand	1,44,000	
Machinery Account	7,36,000	

Purchases Account	18,20,000	
Wages Account	10,00,000	
Salaries Account	10,00,000	
Discount Allowed A/c	50,000	
Discount Received A/c		30,000
Sundry Office Expenses Account	6,00,000	
Sales Account		50,00,000
Sums owing by customer (Trade receivables)	8,50,000	
Trade payables (sums owing to suppliers)		3,70,000
Total	64,00,000	64,00,000

Value of Closing Inventory on 31st March, 2022 was ₹ 2,70,000

Prepare closing entries for the above items and Prepare Trading and Profit and Loss Account.

Q4

(20 Marks)

The following is the schedule of balances as on 31.3.22 extracted from the books of Shri Gavaskar, who carries on business under the same name and style of Messrs Gavaskar Viswanath & Co., at Mumbai

Particulars	Dr.	Cr.
	₹	₹
Cash in hand	14,000	
Cash at bank	26,000	
Sundry Debtors	8,60,000	
Stock on 1.4.2021	6,20,000	
Furniture & fixtures	2,14,000	
Office equipment	1,60,000	
Buildings	6,00,000	
Motor Car	2,00,000	
Sundry Creditors		4,30,000
Loan from Viswanath		3,00,000
Provision for bad debts		30,000
Purchases	14,00,000	
Purchase Returns		26,000

Sales		23,00,000
Sales Returns	42,000	
Salaries	1,10,000	
Rent for Godown	55,000	
Interest on loan from Viswanath	27,000	
Rates & Taxes	21,000	
Discount allowed to Debtors	24,000	
Discount received from Creditors		16,000
Freight on purchases	12,000	
Carriage Outwards	20,000	
Drawings	1,20,000	
Printing and Stationery	18,000	
Electricity Charges	22,000	
Insurance Premium	55,000	
General office expenses	30,000	
Bad Debts	20,000	
Bank charges	16,000	
Motor car expenses	36,000	
Capital A/c		16,20,000
TOTAL	47,22,000	47,22,000

Prepare Trading and Profit and Loss Account for the year ended 31st March, 2022 and the Balance Sheet as at that date after making provision for the following:

1. Depreciate: (a) Building used for business by 5 percent; (b) Furniture and fixtures by 10 percent; One steel table purchased during the year for ₹ 14,000 was sold for same price but the sale proceeds were wrongly credited to Sales Account; (c) Office equipment by 15 percent; Purchase of a typewriter during the year for ₹ 40,000 has been wrongly debited to purchase; and (d) Motor car by 20%.
2. Value of stock at the close of the year was ₹ 4,40,000.
3. Two month's rent for godown is outstanding.
4. Interest on loan from Viswanath is payable at 12 percent per annum, this loan was taken on 1.5.2021.
5. Provision for bad debts is to be maintained at 5 percent of Sundry Debtors.
6. Insurance premium includes ₹ 40,000 paid towards proprietor's life insurance policy and the balance of the insurance charges cover the period from 1.4.2021 to 30.6.2022.

**Q5 Answer the following short notes ( Any 4 out of 5 )**

**( 20 Marks )**

1. Difference between Management Accounting and Financial Accounting
2. Explain Entity Concept & Money Measurement Concept
3. Explain Convention of Consistency & Convention of Materiality
4. Explain AS 7
5. Explain AS 11