

MALINI KISHOR SANGHVI COLLEGE OF COMMERCE &
ECONOMICS

Time : 3 Hours

Total Marks : 100



N.B.

1. Figures in brackets to the right indicate full marks allotted to the question.
2. Working Notes should form part of your answers.
3. All questions are compulsory, although these are internal options in case of questions 02 to 05.
4. Use of simple calculator is allowed.

Q.1.(A) State whether the following statements are TRUE or FALSE. (Attempt any 10 out of given 12) - (One mark each) (10 Marks)

1. Disclosure of Accounting Policy cannot be a remedy for a wrong or improper accounting policy.
2. Hire vendor has a right to terminate the hire purchase agreement for non-payment of any installment.
3. Wages paid to a carpenter for making furniture is a Revenue Expenditure.
4. Revenue from Interest is recognized only when it is actually received.
5. Weighted Average Method of stock valuation is recognized by AS-2.
6. Reserve for Doubtful Debts is deducted from Creditors in the Balance Sheet.
7. Departmental Profit and Loss Account are useful to managers for evaluating the performance of each department.
8. Under FIFO method, Closing Stock is calculated at the latest Purchase Cost.
9. Over valuation of Inventory leads to higher profits and larger current assets.
10. As per AS-1 if in a year method of charging depreciation is changed it need not be disclosed.
11. Hire Purchase is an agreement between the vendor and the agent.
12. Fixed Assets are stated at their Historical Cost less depreciation in the Balance Sheet.

Q.1.(B) Fill in the blanks (attempt any 10 out of given 12) - (One mark each) (10 Marks)

1. _____ item of inventory is excluded from the scope of Accounting Standard 2.
(Finished Goods / Goods for Resale / Spare parts)
2. Payment of loan is a _____ Expenditure.
(Capital / Revenue / Deferred Revenue)
3. Dividend is a reward received from investment in _____.
(Gold / Shares / Real Estate)
4. Outstanding Expenses are recorded on the _____.
(Debit side of P & L Account / Asset side of Balance Sheet / Liability side of Balance Sheet)
5. In Departmental Accounts _____ is debited to General Profit and Loss Account.
(Salaries / Rent / Interest on loan)
6. The title to goods sold on Hire Purchase passes on payment of _____.
(Down payment / First installment / Last installment)

7. Under Perpetual Inventory System, Closing stock may be ascertained from quantity details recorded on _____.
(Bin Card / Stock Ledger / Sales Ledger)
8. Depreciation on the Asset taken on Hire Purchase is calculated on _____.
(Full cash price / Hire purchase price / Installments paid)
9. _____ factor should be considered while selecting and applying an accounting policy.
(Dual Aspect / Prudence / Consistency)
10. Stock reserve is _____ closing stock in the Balance Sheet under Departmental Accounts.
(Added to / Deducted from / Not adjusted in)
11. Inventories are generally valued a _____.
(Cost / Net Realizable Value / Lower of Cost or Net realizable value)
12. _____ is the total amount payable by the hirer which is made up of cash price of the asset plus interest.
(Hire purchase price / Down payment / Installment)

Q.2.(A)

(20 Marks)

Find out the value of Closing Stock as on 31st March, 2016 of M/s. Shankar Traders using :

(a) FIFO Method (b) Weighted Average Method

Also find the Cost of Goods sold on FIFO Basis.

Date	Particulars	Unit	@ Rs.
2015			
April, 01	Opening Stock	500	35
June, 05	Purchases	1,000	38
Aug., 31	Sales	300	-
Sept., 19	Sales	800	-
Oct., 1	Purchases	1,200	34
2016			
Feb., 20	Sales	1,000	-
Mar., 31	Purchases	600	30

OR

Q. 2(B)

(20 Marks)

Mr. Rajendra purchased a computer from P Ltd. on hire - purchase basis on 1st January, 2010. The cash price of the computer was Rs. 1,55,000 payable Rs. 50,000 down and thereafter Rs. 50,000 every year for three years on 31st December each year.

Calculate interest for each year & prepare necessary accounts in the books of P Ltd.

Q.3.(A)**(20 Marks)**

State whether the following items are Capital or Revenue or Deferred Revenue with reasons.

- (a) Carriage paid on purchases Rs. 1,000
- (b) Expenditure on advertising campaign Rs. 500.
- (c) Freight and Carriage of a new machinery purchased Rs. 2,000.
- (d) Spent Rs. 6,000 as legal expenses for abuse of trade mark.
- (e) Received Rs. 1,00,000 on issue of equity shares.
- (f) Paid to the Govt. Excise Duty Rs. 40,000.
- (g) Paid Rs. 70,000 for construction of railway sidings.
- (h) Purchases land Rs. 40,000.
- (i) Labour charges on plant and machinery Rs. 3,000.
- (j) Repairs to Furniture Rs. 1,500.

OR

Q. 3(B)**(20 Marks)**

Raman the proprietor of a departmental stores having three departments A, B and C decided to calculate separate profit for his departments for the month of December, 2017. Stock on 31st December, 2017 could not be valued for certain reasons. The rates of G. P. for three departments are 40%, 30% and 30% respectively. The following information is available.

Particulars	Department A	Department B	Department C
	Rs.	Rs.	Rs.
Stock 1-12-2014	18,000	16,800	24,000
Purchases	54,000	43,200	1,80,000
Sales	84,000	72,000	1,08,000
Indirect Expenses	6,360	4,320	10,920
Salary	10,980	17,040	24,440

Prepare Department trading & P & L A/c for the year ended 31st December, 2017.

Q.4.(A)**(20 Marks)**

From the following balances of a manufacturer, prepare Manufacturing A/c and Trading A/c for the year ended 31-3-2018.

Particulars	Rs.
Opening Stock :	
Raw Materials	34,000
W.I.P.	16,000
Purchases - Materials	1,00,000
Carriage	1,400
Freight	2,800
Purchase Returns	1,400
Wages	12,800
Factory Rent	7,600
Factory Insurance	1,800
Coal	3,200
Repairs to Machinery	1,500

Royalty	2,000
Closing Stock	
Raw Materials	16,000
W.I.P.	10,400
Finished Goods	50,000
Purchases of Goods	50,000
Carriage on Purchase of Goods	600
Sales	2,40,000
Sales Returns	2,200

OR

Q.4 (B)

(20 Marks)

The Madras Transport Company purchases a lorry on instalment basis. On 1st January, 2022; paying Rs. 20,000 cash and agreeing to pay three further instalments of Rs. 20,000 each on 31st December each year. The cash price of the lorry was Rs. 74,500 and lorry Company charges interest at 5% p.a. The Madras Transport Company Charges depreciation at 10% p.a. on cash value of the lorry on diminishing balance method.

Prepare Lorry Account, Lorry Company's Account and Interest Account in the books of Madras Transport Company.

Q.5. Answer the following :

- (A) Explain Disclosure of Accounting Policies and Fundamental Accounting Assumptions as per AS - 1 **10 Marks**
- (B) Define the Term Inventory. State the items covered and excluded from the scope of AS - 2. **10 Marks**

OR

Q.5. Write Short Notes (Any 4)

20 Marks

- (1) Weighted Average Method of Stock Valuation.
- (2) Accounting for Hire Purchase Transactions.
- (3) Basis of Allocating Common Expenses amongst Departments.
- (4) Cost of Production.
- (5) Capital Expenditure.
- (6) Importance of Accounting Standards.
