

All questions are compulsory.

2 Hours 30 Mins

Figures on right indicate full marks.

10.11.22

75 Marks

**Q.1.A) Multiple choice question. (Any 8 out of 10)**

**(08 Marks)**

1. Accounting Standard 1 is \_\_\_\_\_

- a) Mandatory
- b) Optional
- c) Recommendatory
- d) No longer valid

2. Following is an example of an accounting policy \_\_\_\_\_

- a) Going concern
- b) Entity
- c) Conservatism
- d) Conversion of foreign currency items

3. Valuation of inventories is governed by \_\_\_\_\_

- a) Companies Act
- b) Income Tax Act
- c) AS-2
- d) AS-6

4. As per AS-2, inventory should be valued at \_\_\_\_\_

- a) Cost
- b) Lower of cost and net realisable value
- c) Realisable value
- d) Retail price

5. AS-9 does not deal with revenue arising from \_\_\_\_\_

- a) Sale of goods
- b) Interest
- c) Service contracts
- d) Construction contracts

6. Trade discount should be \_\_\_\_\_

- a) Added to revenue
- b) Ignored
- b) Deducted from revenue
- d) Added to cost

7. Buyer of goods under Hire purchase is called as a \_\_\_\_\_

- a) Hirer
- b) Buyer
- c) Customer
- d) None of the above

8. Pulling out old building and rebuilding it 2,50,000 is \_\_\_\_\_

- a) Capital
- b) Revenue
- c) D.R. Expenses
- d) None of the above

9. Salaries and wages appear in \_\_\_\_\_

- a) Trading Account
- b) Profit & Loss Account
- c) Balance Sheet
- d) Trial Balance



10. Sales Return in Trial Balance is deducted from \_\_\_\_\_

- a) Purchases
- b) Sales
- c) Wages
- d) Salary

**Q.1.B) State whether the following statements are true or false: (Any 7 out of 10)**

**(07 Marks)**

1. The person who sells the goods on hire purchase is a hire buyer.
2. Cash price is the purchase price payable if full payment is made immediately.
3. No purpose is served by issuing accounting standards by ICAI
4. There is a need to disclose change in accounting policies.
5. Inventories of finished goods are not held for sale in the ordinary course of business.
6. Direct costing approach for costing inventories has been eliminated.
7. AS-9 Revenue Recognition is mandatory and applicable to all enterprises
8. Expenses incurred to keep the machine in working condition is capital expenses.
9. Balance Sheet is a position statement.
10. Profit & Loss Account is a statement of assets and liabilities

**Q.2.A) State with reasons for each whether the following are Capital or Revenue in nature:**

**(15 marks)**

1. Cost of construction of building.
2. Amount spent on uniform of staff.
3. Heavy Advertisement Expenditure for launch of a new product.
4. Term Loan from bank.
5. Income from sale of goods.
6. Furniture with 20,000 destroyed by fire, which was not insured.
7. Purchase of stationary.
8. Wages for erection of machinery.

**OR**

**Q.2.B) State with reasons for each whether the following are Capital or Revenue in nature:**

**(15 marks)**

1. Purchased Old Machinery 15,000.
2. Spent 9,000 to re-condition the old machinery.
3. Spent 10,000 on preparation of sale deed in connection with purchase of building.
4. Spent 5,000 on custom duty, clearing charges on account of machinery imported.
5. Wages incurred to install the machinery 10,000.
6. Cost of air-conditioning the Executive's Office 15,000.
7. Payment of salaries.
8. Acquired goodwill.



**Q.3.A)** Misso Ltd. purchased a machine from Sumo Ltd. on hire purchase basis on the following terms:

Cash price Rs. 10,00,000

Down Payment Rs. 2,00,000

Four annual equal instalments of Rs. 2,50,000 paid at the end of each year.

Calculate interest for each year assuming that sales were made at the beginning of the year.

(15 Marks)

OR

**Q.3.B)** Duggu Ltd. purchased a machine from M Ltd. on hire purchase. Cash price Rs. 7,92,500. Down payment 1,58,500. Balance to be discharged in 4 instalments at Rs. 2,00,000 each to be paid at the end of the year. Interest is charged at 10%. Calculate Opening balance; Principal; Interest; Closing balance; for all years.

(15 marks)

**Q.4.A)** The Trail Balance of Mr. Cassey is as below.

(15 Marks)

Prepare final accounts for the year ended 31<sup>st</sup> Dec 2021

<u>Debit balances</u>	<u>Rs.</u>	<u>Credit balances</u>	<u>Rs.</u>
Cash in hand	1,000	Capital account	41,860
Machinery	30,000	Sales	1,38,780
Drawings	2,500	P.D.D.	560
Factory, power and Fuel	450	Sundry creditors	8,800
Office salaries	6,225		
Carriage outwards	500		
Manufacturing Wages	9,300		
Furniture	3,400		
Opening stock:			
Finished goods	4,000		
Work in progress	7,250		
Raw material	2,800		
Carriage inwards	1,000		
Rent (Factory ¼)	4,000		
Debtors	21,600		
Advertisement	775		
Printing and stationery	1,200		
Factory insurance	1,280		
Purchase of raw material	82,950		
Balance at bank	8,530		
Discount allowed	610		
Misc Expenses	630		

Adjustments:

**Adjustments:**

1. Closing stock finished goods Rs. 6,500; Raw Material Rs. 750; and Work-In-Progress Rs. 4,750.
2. A Motor car purchased on 1<sup>st</sup> Oct 2021 for Rs. 10,000 has been included in purchases.
3. Depreciate machinery at 15% p.a. Motor Car at 20% p.a. Furniture at 15% p.a.
4. Provision for doubtful debt should be maintained at 10% of the debtors

Provision for unrealised Rent in respect of portion of the office sub let at Rs. 120 p.m. from 1<sup>st</sup> Oct, 2021 has to be made.

OR

**Q.4.B)** From the following Trial Balance of Happy Chemicals, prepare: Manufacturing Account , Trading and Profit and Loss Account, Balance Sheet for the year ended 31<sup>st</sup> March, 2019.

Goodwill	1,00,000	
Factory Building	40,000	
Plant & Machinery	2,60,000	
Furniture	16,000	
Investment	20,000	
Capital		3,90,000
Bank Loan		6,00,000
Creditors		3,00,000
Debtors	2,70,000	
Opening Stock		
- Material	2,60,000	
- Work-in-progress	15,000	
- Finished Goods	1,65,000	
Sales		22,00,000
Miscellaneous Income		8,000
Bad Debt Reserve		10,000
Purchases	17,20,000	
Freight on Materials	1,00,000	
Factory Power	30,000	
Salaries and wages		
- Factory	3,00,000	
- Office	1,30,000	
Repairs	5,000	

Rent and Taxes	33,000	
Insurance	7,800	
General expenses	36,200	
Total	35,08,000	35,08,000

Additional Information:

1. Closing stock: Materials Rs. 4,20,000; Work-in-progress Rs. 25,000 and Finished Goods Rs. 4,15,000.
2. Depreciation to be provided at 2.5% on Factory Building; 10% on Plant & Machinery and 15% on Furniture.
3. Repairs, Rent & Taxes are to be apportioned between Factory and Office in the ratio of 3:2.
4. Reserve for bad and doubtful debts to be provided at 4% on debtors.
5. Insurance Premium covers a period of one month in advance.



**Q.5.A)** What are accounting policies? What are the objectives of accounting policies? (08 Marks)

**Q.5.B)** Write a note on functions and responsibilities of ASB. (07 Marks)

**OR**

**Q.5.C)** Write short notes: (Any 3 out of 5) (15 Marks)

- i) Distinction between Fixed Assets and Current Assets
- ii) Accounting standards
- iii) Hire purchase
- iv) Balance sheet
- v) Revenue receipts and revenue expenditure

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