

Date :- 4.9.2010 (F.N)

Time :- 9.30 to 12.30 PM

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GOVERNMENT OF PUDUCHERRY

ACCOUNTANCY TEST IN COMMERCIAL TAXES DEPARTMENT
(WITHOUT BOOKS)

TIME - THREE HOURS

MAXIMUM MARKS - 100

NOTE - ANSWER QUESTION NO.1 WHICH IS COMPULSORY AND ANY FIVE OF THE REST.

QUESTION NO.1

From the following balances extracted from the books of Karthik and the additional information, prepare the trading and profit and loss account for the year ended 31st March 2010 and also show the Balance Sheet as on that date:

	Debit balance (Rs.)	Credit balance (Rs.)
Stock on 1 st April 2009	625000	-
Purchases and Sales	903000	1372000
Returns	22000	13000
Capital account	-	300000
Drawings	45000	-
Land and Buildings	300000	-
Furniture and Fittings	80000	-
Trade Debtors and Trade Creditors	250000	450000
Cash in hand	35000	-
Investments	100000	-
Interest	-	5000
Commission	-	30000
Direct expenses	75000	-
Postage, stationery and telephone	25000	-
Fire insurance premium	20000	-
Salaries	90000	-
Bank overdraft	-	400000
Total	2570000	2570000

Additional information:

- (i) Closing stock on 31st March 2010 is valued at Rs.6,50,000. Goods worth Rs.5,000 are reported to have been taken away by the proprietor for his personal use at home during the year.
- (ii) Interest on investments Rs.5,000 is yet to be received while Rs.10,000 of the commission received is yet to be earned.

- (iii) Rs.5,000 of the fire insurance premium paid is in respect of the quarter ending 30th June, 2010.
- (iv) Salaries Rs.10,000 for March, 2010 and bank overdraft interest estimated at Rs.20,000 are yet to be recorded as outstanding charges.
- (v) Depreciation is to be provided on land and buildings @ 5% per annum and on furniture and fittings @10% per annum.
- (vi) Make a provision for doubtful debts @ 5% of trade debtors.

(20 marks)

QUESTION NO.2

Distinguish between any four of the following:

- (i) 'Cash discount' and 'Trade discount'
- (ii) 'Bills of exchange' and 'promissory note'
- (iii) 'Book keeping' and 'accounting'
- (iv) 'Annuity method of depreciation' and 'sinking fund method of depreciation'
- (v) 'Trial balance' and 'Balance sheet'
- (vi) 'Trading account' and 'profit and loss account'

(16 marks)

QUESTION NO.3

On April 1, 2001 machinery was purchased for Rs.4,00,000. On 1st October 2002, a new machine costing Rs.2,40,000 was purchased. On 30th September 2003, the machinery purchased on 1st April 2001 having become obsolete was sold for Rs.2,40,000. The accounting year ends on 31st March and depreciation is to be provided at 10% per annum on straight line method. Prepare Machinery account and depreciation account for three years.

(16 marks)

QUESTION NO.4

(a) Choose the most appropriate answer from the given options in respect of the following:

- (i) The term depletion is used for
 - (a) Intangible assets
 - (b) Fixed assets
 - (c) Natural resources

- (95)
- (ii) Total amount of depreciation provided on the written down value method at the rate of 10% p.a. on Rs. 10,000 for the first three years will be
- (a) Rs.2,107
 - (b) Rs.2,710
 - (c) Rs.2,701
- (iii) Under net worth method the basis for ascertaining the profit is
- (a) The difference between the capital on two dates
 - (b) The difference between the liabilities on two dates
 - (c) The difference between the gross assets on two dates
- (iv) Incomplete records are generally used by
- (a) Small traders
 - (b) Company
 - (c) Government
- (v) The process of entering transactions in the ledger is called
- (a) Journalising
 - (b) Posting
 - (c) Summarising
 - (d) Balancing
- (vi) If a payment is made on a bill on due date, then it is called
- (a) Honouring of the bill
 - (b) Retiring of the bill
 - (c) Dishonouring of the bill
 - (d) Renewal of the bill
- (vii) Opening entry is passed with
- (a) Balances with trial balance
 - (b) Balances from the last year's Balance Sheet
 - (c) Items of trading account
 - (d) Items of Profit and loss account

(viii) Which one of the following accounting concepts treats owner of the business as creditor of the business

- (a) Going concern concept
- (b) Historical cost concept
- (c) Business entity concept
- (d) Realisation concept

(8 marks)

(b) Re-write the following sentences after filling in the blank spaces with appropriate words:

- (i) When an asset is shown at its original cost till its disposal, the annual depreciation is recorded by credit to _____ account.
- (ii) The relationship between consignor and the consignee is that of _____ and _____.
- (iii) A statement forwarded by the consignor to the consignee about description of goods consigned is called _____ invoice.
- (iv) The ledger is the _____ books of account.
- (v) When the trial balance does not agree, the difference may be transferred to a _____ account to make the trial balance agree.
- (vi) When the benefit of a revenue expense extends over a number of years, it is called _____ expenditure.
- (vii) The expense whose benefit expires within the year of expenditure is termed as _____ expenditure.
- (viii) A system of book-keeping in which only cash book and personal accounts of customers and suppliers are maintained is called _____ system.

(8 marks)

(9)

QUESTION NO.5

Write short notes on any four of the following:

- (a) Limitations of accounting
- (b) Accrual concept
- (c) Petty cash book
- (d) Error of omission
- (e) Balancing ledger account
- (f) Combined journal entries

(16 marks)

QUESTION NO.6

On 1st January 2009, a flour mill consigned wheat flour to David John, invoiced at Rs.4,00,000. The mill cost of the wheat flour was Rs.3,70,000. The consignor paid Rs.5,000 as freight and Rs.10,000 as loading and unloading charges.

On 31st March 2009, an account sale was received from the consignee showing that 90% of the goods has been sold for Rs.4,10,000 with selling expenses of Rs.2,000. The consignee enclosed a cheque for the proceeds less expenses and commission of 1% on gross sales. Show necessary ledger accounts in the books of consignor.

(16 marks)

QUESTION NO.7

1. State which item of expenditure would be charged to capital and which to revenue:

- (a) Freight and cartage on the new machine Rs.150, erection charges Rs.200.
- (b) Fixtures of the book value of Rs.1500 was sold off at Rs.600 and new fixtures of the value of Rs.1,000 was acquired, cartage on purchase Rs.5.
- (c) A sum of Rs.1,100 was spent on painting the new factory.
- (d) Rs.150 spent on repairs before using a secondhand car purchased recently.
- (e) Rs.1,000 spent for additions to double the output of a machine.
- (f) Rs.800 spent for replacement of worn-out parts.
- (g) Rs.1,720 spent on dismantling, removing and reinstalling the machine.
- (h) Rs.1,200 spent for repairs.

(8 marks)

2. State, with reasons in brief, whether the following statements are true or false:

- (a) Every error affects the agreement of trial balance.
- (b) For preparing final accounts of non-corporate entities, there is no need to distinguish between capital expenditure and revenue expenditure.
- (c) Single entry system has no advantages at all.
- (d) Trial balance and Balance sheet are the same.

(8 marks)

QUESTION NO.8

The following information is available from Shankar, who maintains books of account on single entry system.

Particulars	On 1 st April, 2009 (Rs.)	On 31 st March, 2010 (Rs.)
Cash and bank	20,000	21,000
Sundry Debtors	17,000	25,000
Stock	40,000	60,000
Furniture	29,000	29,000
Sundry creditors	32,000	22,000
10% loan from Mrs.Shankar	30,000	30,000

Shankar withdrew Rs.5,000 from the business every month for meeting his household expenses. During the year, he sold investments held by him privately for Rs.35,000 and invested the amount in his business.

At the end of the year 2009-10, it was found that full year's interest on loan from Mrs.Shankar had not been paid. Depreciation @10% per annum was to be provided on furniture for the full year. Shop assistant was to be given a share of 5% on the profits ascertained before charging such share. Calculate profit earned during the year ended 31st March, 2010 by Shankar.

(16 marks)
