2ND YEAR 2018 EXAM PAPER

COMMERCE, Paper – II
(English Version)

Time : 3 Hours] **Max. Marks: 100**

Questions
PART – I (Marks - 50)

SECTION –A

Note : Answer any **two** of the following questions in not exceeding **40** lines each **:** **2 x 10 =20**

1. Define banking. Explain the functions of the banking?
2. Explain the objectives and functions of SEBI?
3. What is the redressal mechanism available to consumer ?

SECTION – B

Note : Answer any **four** of the following questions in not exceeding **20** lines each : **4 x 5 =20**

4. Explain the Characteristics of Entrepreneurship
5. Explain the types of entrepreneurs
6. What is SEZ? Explain their objectives?
7. What is International Trade? Explain about various types of International Trade?
8. Distinction between primary and secondary market?

SECTION – C

Note : Answer any **five** of the following questions in not exceeding **5** lines each : **5 x 2 = 10**

9. What is the Meaning of entrepreneur?
10. Define wholesaler?
11. Double Insurance?
12. Bonded warehouse?
13. SENSEX?
14. NIFTY?
15. What is meant by consumer protection?
16. Write one definition of entrepreneur?

PART – II (Marks – 50)

SECTION – D

Note : Answer the following question : **1 x 20 = 20**

17. Ram and Shyam are partners sharing profits and losses in the ratio of 3 : 2 respectively. Their balance sheet as on 31st March 2015 was as follows.

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Sundry Creditors	25,000	Cash	5,000
Bills payable	10,000	Debtors	25,000
Outstanding expenses	5,000	Stock	15,000
Capitals:		Furniture	10,000
Ram	30,000	Buildings	35,000
Shyam	20,000		
	90,000		**90,000**

On 1st April 2015, they decided to admit Mr.Tharun for 15th share in profits. The terms of admission are

(a) He has to bring Rs 20,000 towards capital and Rs 10,000 towards goodwill in cash.

(b) furniture is to be depreciated by Rs 1000

(c) Create a provision of Rs 1500 for Bad debts on debtors

(d) Appreciate the value of buildings by Rs 5000

Give necessary journal entries, ledger accounts and opening balance sheet of new firm.

SECTION – E

Note : Answer any **one** of the following questions : **1 x 10 = 10**

18. Ajay of Ahmadabad consigned goods to Bhavani of Bangalore of the cost Rs 20,000 and invoiced the same at 20% above the cost. Ajay paid there on Rs 480 for freight and carriage and Rs 320 for Insurance. Ajay drawn a bill on Bhavani for Rs 10,000 as advance against consignment and discounted it for Rs 9,600. He received an account sales showing that 3/4th of goods were sold for Rs 20,800 and the expenses of Bhavani amount Rs 700 and their commission ammounted for Rs 1200. Assuming that the draft was received from Bhavani in full settlement of account, prepare necessary ledger accounts in the books of both

parties.

19. Prepare the income and expenditure account from the following receipt and payment account for the year ended 31 March 2015.

Dr.		**Receipts and Payment a/c**	**Cr.**
Receipts	**Amount `**	**Payments**	**Amoun ` t**
To Balance b/d To	5,000	By Furniture	11,000
Donations	35,000	By Rent and Taxes	5,300
To Membership fee	1,200	By Salaries	5,800
To Entrance fee		By Printing and Stationary	2,200
To Subscriptions	1,500		
Year 2013-14			
Year 2014-15	1,400	By Scholarships Payments	3,000
Year 2015-16	7,500	By News Papers	900
To Sale of furniture	1,000	By Government Bonds	8,000
(Furniture value 2,000)		By Books purchased	10,000
To Interest on Investments	1,650	By Balance c/d	8,850
	800		
	55,050		**55,050**

Other Information

1) Outstanding subscriptions for the year 2014-2015 ` 2,500

2) Prepaid Rent ` 1,300

3) Outstanding Stationary bill ` 300

4) Cost of Investments ` 10,000. Interest rate 10%

5) Capitalise the donations.

SECTION – F

Note : Answer any **Two** of the following questions : **2 x 5 = 10**

20. Raghava bought a Plant and Machine on 1st April 2009 for Rs 23,000 and paid Rs 2,000 for installation. Depreciation is to be allowed at 10% under straight line Method. On 31st March 2012 the Plant was sold for Rs 8,000. Assuming that the accounts are closed at the end of the financial year. Prepare Machine a/c.

21. Suman started business with capital of Rs 60,000 on 1st April 2014. His position on 31st March 2015 was given here under.Sundry debtors: Rs 12,000. Sundry creditors: Rs 8000. Bills receivable Rs 3000, Bill payable Rs 10,000. Cash in hand Rs 26,000. Cash at bank Rs 13000, Furniture: Rs 10,000. Stock Rs 22,000.During the year he withdrew Rs 500 per month. He also sold his vehicle for Rs 8000 and invested the same in the business.Prepare statement of affairs and statement of profit A/c. to know the profit earned by him.

22. Explain the capital expenditure and incomes and explain the difference between them.

23. Define computerised accounting. Explain the advantages of computerised accounting.

SECTION – G

Note : Answer any **five** of the following questions in not exceeding **5** lines each : **5 x 2 = 10**

24. Depletion
25. Statement of affairs
26. Delcredere commission
27. Donations
28. A and B are partners sharing profit and losses in the ratio of 3 : 2. They admitted Mr. C into partnership firm for $1/5^{th}$ share in future profits. Calculate new profit sharing ratio of AB and C.
29. Define sacrifice of Ratio
30. Spread sheet

Answers
PART – I (Marks - 50)

SECTION –A

Note : Answer any **two** of the following questions in not exceeding **40** lines each **:** **2 x 10 =20**

1. **Meaning**: A Bank is an institution which deals with money and credit. It accepts deposits from the public, makes the funds available to those who need them, and helps in the remittance of money from one place to another.

   Definition: According to Crowther, a bank is a financial institution that "collects money from those who have it to spare or who are saving it out of their incomes, and lends this money to those who require it".

   According to Indian Banking Regulation Act, 1949, banking means "the accepting for the purpose of lending or investment of deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise".

   Functions of Banks: Banks play a useful and important role in the economic life of every nation. They have control over a large part of the supply of money in circulation. The basic functions of banks are classified as primary and secondary functions as explained below:

A. **Primary Functions**:

1. **Accepting Deposits**: Banks accept the various types of deposits, such as,

a) Fixed Deposit Account: Money in these accounts is deposited for a fixed period of time (say one, two or five years) and cannot be withdrawn before the expiry of that period. The rate of interest on this account is higher than that on other types of deposits. Fixed deposits are also called 'time deposits / term deposits'.

b) Current Deposit Account: These accountsare generally maintained by traders and businessmen who have to make a number of payments every day. Money from these accounts can be withdrawn in any number or many times. Normally, no interest is paid on these accounts. Current deposits are also called "Demand Deposits" or "Demand Liabilities".

c) Savings Deposit Account: The aim of these accounts is to encourage small savings of the public. Certain restrictions are imposed on the depositors regarding the number of withdrawals and the amount to be withdrawn in a given period of time.

d) Recurring Deposit Account: The purpose of these accounts is to encourage regular savings particularly by the income group. Generally money in these accounts is deposited in monthly installments for a fixed period. It is repaid to the depositors along with interest on maturity. The rate of interest on these deposits is nearly the same as on fixed deposits.

2. **Advancing of Loans**: The second important function of a bank is advancing of loans to the public. After keeping certain cash reserves, the banks lend their deposits to the needy borrowers. Various type of loans granted by the banks are discussed below:

a) Money – at – Call and Short Notice: These loans are very short period loans and are called back by the banks at a very short notice, say one day to fourteen days. These loans are inter – bank loans. Banks with surplus lend to the needy bank for a day or a week, and are prepaid next day or at a short notice.

b) Cash Credit: It is a short period loan granted to a customer for a period of one year or less. It may be renewed after the expiry of the period. It is made generally against hypothecation or pledge of goods with the bank. The advantage of the system is that the borrower need not to withdraw the whole of the sanctioned amount. He may withdraw in installments as per his needs. Interest is charged only on the amount utilized. Banks may impose commitment charges on the unutilized portion.

c) Overdraft: Sometimes, the bank provides overdraft facilities to its customers through which they are allowed to withdraw more than their deposits. Interest is charged to the customers on the overdrawn amount.

d) Discounting of bill of exchange: A holder os a bill of exchange can get it discounted at the bank. A debtor accepts the bill drawn upon him by the creditor (i.e., drawer of the bill) and agrees to pay the amount mentioned on maturity. After making some marginal deductions (in the form of commission), the bank pays the value of bill to the holder before the bill of exchange matures, the bank gets its payments from the debtor on maturity.

e) Loans: Loan is given for a fixed period (term loan or demand loan) at an agreed rate of interest. It is made normally against security.

3. Provision of a payment system: Banks create a very useful medium of exchange in the form of cheques. Through a cheque, the depositor directs the bankers to make payment to the payee. Cheque is the most developed credit instrument in the money market.

4. Credit Creation: Credit creation is the natural outcome of the process of advancing loan as adopted by the banks. Banks have the ability to create credit many times more than the deposits.

B. **Secondary Functions of services**:
In addition to the main functions, banks provide a variety of banking services. These services are explained as,

1) **Agency Services**: These services are as follows

a) Banks help their customers in transferring funds from one place to another through cheques, drafts etc.
b) Banks collect and pay various credit instruments like cheques, bills of exchange, promissory notes etc.
c) Banks undertake purchase and sale of various securities like shares, bonds, debentures etc on behalf of their customers.

d) Banks preserve the wills of their customers and execute them after death.

2) **General utility services**: These services are as follows:

a) Letters of the credit are issued by the banks to their customers certifying their credit worthiness.
b) Banks issue traveller cheques to help to travel without fear of theft or loss money.
c) Banks provide safe deposit lockers facilities to the public at selected branches.
d) Acceptance or collecting foreign bills of exchange.

3) **New services**: These services are as follows:

a) Free cheque book.
b) Anywhere banking includes cash withdrawals and cash deposit across the counter of any branch of the bank upto Rs. 50,000 per day.
c) Free internet banking to check the status of account, dowmload the statement of account anytime and also transfer funds online.

2. SEBI is the regulator to control Indian capital market. Since its establishment in 1992, it is doing hard work for protecting the Indian investors. SEBI gets education from past cheating with innocent investors of India. Now, SEBI is strict with those who commit frauds in capital market. The role of SEBI in regulating Indian capital market is very important because Government of India can only take decision to open new stock exchange in India after getting advice from SEBI. If SEBI thinks that it will be against its rules and regulations, SEBI can ban on any stock exchange to trade in shares and stocks.

Objectives of SEBI: The overall objective of SEBI is to protect the interests of investors and to promote the development and regulate the securities market. This may be elaborated as follows:

1. To regulate stock exchanges and the securities industry to promote their orderly functioning.
2. To protect the rights and interests of investors, particularly individual investors and to guide and educate them.
3. To prevent trading malpractices and achieve a balance between self-regulation by the securities industry and its statutory regulation.
4. To regulate and develop a code of conduct and fair practices by intermediaries like brokers, merchant bankers etc., with a view to making them competitive and professional.

A) Regulatory Functions:
1. Registration of brokers, sub-brokers and other players in the market.
2. Registration of collective investment schemes and Mutual Funds.
3. Regulation of stock brokers, portfolio exchanges, underwriters and merchant bankers and the business in stock exchanges and any other securities market.

B) Development Functions:
1. Training for intermediaries of the securities market.

C) Protective Functions:
1. Prohibition of fradulent and unfair trade practices, making misleading statements, manipulations, price rigging etc.

3. **District Forum**: This is established by the state governments in each of its districts.

1. Composition: The district forums consist of a Chairman and two other members one of whom shall be a woman. The district forums are headed by the person of the rank of a District Judge.

2. Jurisdiction: A written complaint can be filed before the District Consumer forum where the value of goods or services and the compensation claimed does not exceed Rs. 20 lakh.

3. Appeal: If a consumer is not satisfied by the decision of the District forum, he can challenge the same before the State Commission, within 30 days of the order.

State Commission: This is established by the state governments in the irrespective states.

1. Composition: The State Commission consists of a President and not less than two and not more than such number of members as may be prescribed, one of whom shall be a women. The Commission is headed by a person of the level of High Court judge.

2. Jurisdiction: A written complain can be filed before the State Commission where the value of goods or services and the compensation claimed exceeds Rs. 20 lakh but does not exceed Rs. 1 crore.

3. Appeal: In case the aggrieved party is not satisfied with the order of the State Commission he can appeal to the National Commission within 30 days of passing of the order.

National Commission: The National Commission was constituted in 1988 by the central government. It is the apex body in the three tier judicial machinery set up by the government for redressal of consumer grievances. Its office is situated at Janpath Bhawan (Old Indian Oil Bhawan), A Wing, 5th Floor, Janpath, New Delhi.

1. Composition: It consists of a President and not less than four and not more than such number of members as may be prescribed, one of whom shall be a woman. The National Commission is headed by a sitting or retired judge of the Supreme Court.

2. Jurisdiction: All complaints pertaining to those goods or services and compensation whose value is more than Rs. 1 crore can be filed directly before the National Commission.

3. Appeal: An appeal can be filed against the order of the National Commission to the Supreme Court within 30 days from the date of order passed.

SECTION – B

Note : Answer any **four** of the following questions in not exceeding **20** lines each : **4 x 5 =20**

4. **Meaning**: The entrepreneur is often associated with a person who starts his own, new and small business. An entrepreneur may be referred to such a single person or a group who promote a new enterprise by collecting various factors of production and bearing the risks arising out of such venture.

Definition: According to Peter F Drucker, an entrepreneur is one who “searches for change, responds to it and exploits opportunities, and the innovation is the specific tool of an entrepreneur”

Characteristics: Entrepreneurs tend to have specific characteristics that distinguish from other people. The following are some characteristics that every successful entrepreneur must possess.

1. **Innovation**: Innovation is an important characteristic of an entrepreneur in modern business. The entrepreneur makes arrangements for introducing innovations which help in increasing production on the one hand, and reducing costs on the other. Innovations may take the form of the introduction of new methods in the process of production or introducing improvements in the existing methods. It also includes discovery of new markets, raw materials and new techniques of production.

2. **Risk taking**: Risk – taking is another characteristic of an entrepreneur. He has to pay to all the other factors of production in advance. There are chances that he may be rewarded with a handsome profit of he may suffer a heavy loss. Therefore, the risk – bearing is the final responsibility of an entrepreneur. In this context, Richard Cantillion expressed that an entrepreneur. In this context, Richard Cantillion expressed that

an entrepreneur is an agent who buys factors of production at certain prices or combining them into a product with a view to sell it at an uncertain price.

3. **Organization of production**: An entrepreneur procures various factors of production for manufacturing a product or bringig out a service. He makes arrangements for land, labour, capital, raw materials etc., required for setting up a production process in motion. He assesses the viability of having different production processes and selects on which is most suitable.

4. **Decision making**: An entrepreneur has to take decisions with regard to the establishment of business, its management and co – ordination of various resources. Every activity of the business requires decision making. The entrepreneur has to take decisions every day which have an impact on the working of his enterprise.

5. **Leadership**: An entrepreneur has to be a leader because he is such a person who organize, directs, commands and controls the functions of organization. His personality will influence the working of his subordinates because he is taken as a role model. An entrepreneur should have the qualities by means of which the employees can praise and appreciate him. An entrepreneur in his role as a leader, not only guides and counsels his persons but the motivates them to achieve goals quickly and efficiently.

6. **Planning**: An entrepreneur is the person who plans each and everything in the business. He processes opportunities and devices, ways and means to take advantage from them. As planning is a process which involves thinking before doing, an entrepreneur decides the following.

5. **Definition**: According to Peter F Drucker, an entrepreneur is one who "searches for change, responds to it and exploits opportunities, and the innovation is the specific tool of an entrepreneur"

Types of Entrepreneurs: Clarence Danhof, on the basis of his study of the American Agriculture, classified entrepreneurs in the manner that at theinitial stage of economic development, entrepreneurs have less initiative and drive and as economic development proceeds, they become more innovating and enthusiastic. Basing on this, he classified entrepreneurs into four types. These are discussed in seriatim.

1. **Innovating entrepreneurs**: This type of entrepreneurs introduces new goods, inaugurates new method of production, discovers new market and reorganizes the enterprise. It is important achieved, and people look forward to change and improvement.

2. **Imitative Entrepreneurs**: These entrepreneurs adopt the methods and techniques already successfully executed by innovating entrepreneurs. Imitative entrepreneurs do not innovate the changes themselves, they only imitate techniques and technology innovated by others. Such type of entrepreneurs are particularly suitable for the underdeveloped regions for bringing a mushroom drive of imitation of new combinations of factors of production already available in developed regions.

3. **Fabian Entrepreneurs**: Fabian entrepreneurs are characterized by very great caution and skepticism in experimenting any change in their enterprises. They imitate only when it becomes perfectly clear that failure to do so would result in a loss of the relative position in the enterprise.

4. **Drone Entrepreneurs**: These are characterized by a refusal to adopt opportunities to make changes in population formula even at the cost of severely reduced returns relative to other like producers. Such entrepreneurs may even suffer from losses but they are not ready to make changes in their existing production methods.

6. Special Economic Zones (SEZs): Special Economic Zone (SEZ) is a geographical region that has economic laws that are more liberal than a country's economic laws. The main aim of the SEZ is attracting larger foreign investments. It is intended to make SEZs as engines for economic growth. The SEZ Act was passed by Parliament in May 2005. A SEZ is a specifically described duty free enclave deemed to be a foreign territory for the purpose of trade operations.

   Objectives:
   1. Generation of additional economic activity.
   2. Promotion of exports of goods and services.
   3. Promotion of investment from domestic and foreign sources.
   4. Creation of employment opportunities.
   5. Development of infrastructure facilities.

7. **International Trade**: The trade that takes place between nations is international trade. The exchange of goods or services between the traders of two nations is International Trade, International Trade involves the exchange of not only goods but also currencies between nations. International Trade is the process of transferring goods produced in one country to the consumers in another country.

   Types: The International trade transactions can be divided into 3 types, such as, Import Trade, Export Trade and Extrepot Trade.

   1. Import Trade: The term import is derived from the conceptual meaning as to bring in the goods and services into the port of the country. When purchases are made from another country, goods are said to be imported from that country to the buyer's country.

   For Example: China has the most modern technology for producing electronic products cheaply, so we import those products to our country.

   2. Export Trade: The term export is derived from the conceptual meaning as to ship the goods and services out of the port of a country. When goods are sold to a trader in another country, goods are said to be exported to that country by the seller's country.

   For Example: India is a major exporter of diamonds to another country.

   3. Entrepot Trade: When goods are imported into a country, not for consumption in that country, but for exporting them to a third country, it is known as "Entrepot Trade".For Example: India importing Oil seeds from Andhra and exporting the same to Malaysia.

8. Primary Market: It is also known as the new issue market. It deals with new securities being issued for the first time. The essential function of a primary market is to facilitate the transfer of investible funds from savers to entrepreneurs. A company can raise capital through the primary market in the form of equity shares, preference shares, debentures, loans and deposits. Funds raised may be for setting up new projects, expansion, diversification, modernisation of existing projects, mergers and takeovers, etc. The investors in this market are banks, financial institutions, insurance companies, mutual funds and individuals.

   Secondary Market: It is also known as the stock market or stock exchange. It is a market for the purchase and sale of existing securities. It helps existing investors to disinvest and fresh investors to enter the market. It also provides liquidity and marketability to existing securities. It also contributes to economic growth by channelizing funds towards the most productive investments through the process of disinvestment and reinvestment. Securities are traded, cleared and settled within the regulatory framework prescribed by SEBI. Advance in information technology have made trading through stock exchanges accessible from anywhere in the country through trading terminals. Along with the growth of the primary market in the country, the secondary market has also grown significantly during the last ten years.

Primary Market (New issue Market)	Secondary Market (Stock Exchange)
1. There is sale of securities to investors by new companies or new issues by existing companies.	1. There is trading of existing shares only.
2. Securities are sold by the company to the investor directly or through an intermediary.	2. Ownership of existing securities is exchanged between investors. The company is not involved at all.
3. The flow of funds is from savers to investors, i.e. the primary market directly promotes capital formation.	3. Enhances encashment (liquidity) of shares, i.e. the secondary market indirectly promotes capital formation.
4. Only buying of securities takes place in the primary market, securities cannot be sold there.	4. Both the buying and the selling of securities can take place on the stock exchange.
5. Prices of securities are determined and decided by the management of the company.	5. Prices are determined by demand and supply of the security.
6. There is no fixed geographical location.	6. Located at specified places.

SECTION – C

Note : Answer any **five** of the following questions in not exceeding **5** lines each : **5 x 2 = 10**

9. The entrepreneur is often associated with a person who starts his own, new and small business. An entrepreneur may be referred to such a single person or a group who promote a new enterprise by collecting various factors of production and bearing the risks arising out of such venture.

10. Wholesaler:Wholesaler trade means buying and selling goods in relatively large quantities or in bulk. The traders who are engaged in wholesale trade are called wholesalers. A wholesaler buys goods in bulk directly from manufacturers and sells them in small lots to retailers or industrial users, thus the serves both manufacturers and retailers. A wholesaler is the first intermediary and serves as a link between producers and retailers. Wholesale trade includes all marketing transactions in which goods are purchased

11. Double Insurance means purchasing more than one policy for the same subject. A person may get two or more policies on his life. He can claim the amount on all these policies. The implications of double insurance are different in case of fire and marine insurance. When a person purchases two or more policies for his property, he cannot claim the same amount as that of loss from different companies.

12. Bonded warehouse: Bonded warehouses are licensed by the government to accept imported goods prior to payment of tax and customs duty. These are the goods which are imported from other countries. Importers are not permitted to remove goods from the docks or the airport till customs duty is paid. A times, importers

are not in a position to pay the duty in full or does not require all the goods immediately. The goods are kept in bonded warehouses by the customs authorities till the customs duty is paid. These goods are said to be in bond.

13. SENSEX (Sensitive Index): SENSEX is the benchmark index of the BSE. The BSE-SENSEX (Sensitive Index) is also called the "BSE-30". Since the BSE has been the leading exchange of the Indian secondary market, the SENSEX has been an important indicator of the Indian stock market. It is the most frequently used indicator while reporting on the state of the market. The SENSEX, launched in 1986 is made up of 30 of the most actively traded stocks in the market. They represent 13 sectors of the economy and are leaders in their respective industries. The index with a base year of 1978-79, the value of base year was 100

14. NIFTY: NIFTY is an index of NSE, which computed from performance of top stocks from different sectors listed on NSE. Nifty stands for National Stock Exchange's fifty. NIFTY consists of 50 companies from 24 different sectors. The companies which form index of nifty may vary from time to time based on many factors considered by NSE. The base year for the index is 1995-96, with the base value as 1000.

15. Consumer protection means safeguarding the interests and rights of consumers. In other words, it refers to the measures adopted for the protection of consumers from redressal of their grievances. The most common business malpractices leading to consumer exploitation are given below.

1. Sale of adulterated goods i.e., adding something inferior to the product being sold.
2. Sale of spurious goods i.e., selling something of little value instead of the real product.
3. Sale of sub-standrad goods i.e., sale of goods which do not confirm to prescribed quality standards.
4. Sale of duplicate goods.
5. Use of false weights and measures leading to underweight.
6. Hoarding and black-marketing leading to scarcity and rise in price.
7. Charging more than the Maximum Retail Price (MRP) fixed for the product.
8. Supply of defective goods.
9. Misleading advertisements i.e., advertisements falsely claiming a product or service to be of superior quality, grade or standard.
10. Supply of inferior services i.e., quality of service lower than the quality agreed upon.

16.

According to Peter F Drucker, an entrepreneur is one who "searches for change, responds to it and exploits opportunities, and the innovation is the specific tool of an entrepreneur".

(or)

According to Cantillion, an entrepreneur is the agent who buys means of production at certain prices in order to combine them into a product that is going to sell at prices that are uncertain at the moment at which he commits himself to his costs.

(or)

Evans expressed that entrepreneurs are persons who initiate, organize, manage and control the affairs of a business unit that combines the factors of production to supply goods and services, whether the business pertains to agriculture, industry, trade or profession.

(or)

The American Heritage dictionary defines an entrepreneur as "a person who organises, operates, and assumes the risk for a business venture".

PART – II (Marks – 50)
SECTION – D

Note : Answer the following question : **1 x 20 = 20**

17.

Journal Entries

Date	Particulars	LF	Debit `	Credit `
2015 April	Cash a/c ... Dr		20,000	
	To Tharun a/c			20,000
	(Being cash brought in by new partner towards capital)			
	Cash a/c ... Dr		10,000	
	To Goodwill a/c			10,000
	(Being cash brought in by new partner for Goodwill)			
	Goodwill a/c ... Dr		10,000	
	To Ram a/c			6,000
	To Shyam a/c			4,000
	(Being Goodwill credited to old partners capital a/c's)			
	Revaluation a/c ... Dr		1,000	
	To Furniture a/c			1,000
	(Being reduction in the value of furniture debited to revaluation a/c)			
	Revaluation a/c ... Dr		1,500	
	To provision for bad debts a/c			1,500
	(Being provision created on Debtors for bad debts.)			
	Buildings a/c ... Dr		5,000	
	To Revaluation a/c			5,000
	(Being increase in the value Buildings credited to Revaluation a/c)			
	Revaluation a/c ... Dr		2,500	
	To Ram's Capital a/c			1,500
	To Shyam's Capital a/c			1,000

	(Being profit of Revaluation a/c transferred to old partners capital a/c's in their old profit sharing ratio i.e. 3 : 2)				

Dr. **Revaluation Account** **Cr.**

Date	Particulars	JF	Amount `	Date	Particulars	JF	Amount `
	To Furniture a/c		1,000		By Building a/c		5,000
	To Provision for Bad Debts a/c		1,500				
	To Ram Capital a/c		1,500				
	To Shayam Capital a/c		1,000				
			5,000				**5,000**

Dr. **Capital Account** **Cr**

Particulars	Ram Amount `	Shyam Amount `	Tharun Amount `	Particulars	Ram Amount `	Shyam Amount `	Tharun Amount `
To Balance c/d	37,500	25,000	20,000	By Balance b/d	30,000	20,000	
				By Goodwill a/c	6,000	4,000	
				By Revaluation a/c	1,500	1,000	
				By Cash a/c	–	–	20,000
	37,500	**25,000**	**20,000**		**37,500**	**25,000**	**20,000**
				By Balance b/d	37,500	25,000	20,000

Dr **Goodwill Account** **Cr**

Particulars	JF	Amount `	Particulars	JF	Amount `
To Ram's Capital a/c To Shyam's capital a/c		6,000 4,000	By Cash a/c		10,000
		10,000			**10,000**

Dr **Cash Account** **Cr**

Particulars	JF	Amount `	Particulars	JF	Amount `

To Balance b/d		5,000	By Balance c/d		35,000
To Tharun Capital a/c		20,000			
To Goodwill a/c		10,000			
		35,000			**35,000**
To Balance b/d		35,000			

Balance Sheet of Ram, Shyam and Tharun as on 1st April 2015

Liabilities	Amount `	Assets		Amount `
Sundry Creditors	25,000	Cash		35,000
Bills Payable	10,000	Debtors	25,000	
Outstanding Expenses	5000	(-) Provision for		
		Bad Debts	1,500	
Capitals:				23,500
Ram	37,500	Stock		15,000
Shyam	25,000	Furniture		9,000
Tharun	20,000	Buildings		40,000
	1,22,500			**1,22,500**

SECTION – E

Note : Answer any **one** of the following questions : **1 x 10 = 10**

18.

Invoice price(IP) of Good sent:

IP is 20% above the cost. It means if cost is Rs 100, IP is Rs 120(100+20)

If cost is Rs 20,000, IP is Rs 20000 x 120/100 = Rs 24,000

Ledger accounts in the books of Ajay (Consignor)

Dr. **Consignment a/c** **Cr.**

Date	Particulars	JF	Amount `	Date	Particulars	JF	Amount `
	To Goods sent on Consignment a/c (IP)		24,000		By Bhavani a/c - Sales		20,800

	To Cash a/c (Exp)		800		By stock on consignment a/c (IP of closing stock)		6,200
	To Bhavani a/c - Exp.		700		By Goods sent on consignment a/c (EP on stock sent)		4,000
	To Bhavani a/c - comm.		1,200				
	To Consignment stock Reserve a/c (Excess price on unsold stock)		1000				
	To Profit & Loss a/c		3,300				
			31,000				**31,000**

Dr. **Bhavani Account** **Cr.**

Date	Particulars	JF	Amount `	Date	Particulars	JF	Amount `
	To consignment a/c (Sales)		20,800		By Bills receivable a/c		10,000
					By consignment a/c		700
					By consignment a/c		1,200
					By Bank a/c (Balance)		8,900
			20,800				**20,800**

Dr. **Goods sent on Consignment a/c** **Cr.**

Date	Particulars	JF	Amount `	Date	Particulars	JF	Amount `
	To consignment a/c		4,000		By Goods sent on Consignment a/c		24,000
	To Trading a/c (Balance Transferred)		20,000				
			24,000				**24,000**

Ledger Account in the Books of Bhavani (Consignee)

Dr. **Ajay Account** **Cr.**

Date	Particulars	JF	Amount `	Date	Particulars	JF	Amount `
	To Bills payable a/c		10,000		By Cash a/c		20,800
	To cash a/c		700				
	To commission a/c		1,200				
	To Bank a/c		8,900				
			20,800				**20,800**

Excess Price on Goods sent (Loading) = IP-CP = 24,000- 20,000 = 4,000

Excess Price on Unsold stock = Excess price on goods sent x $\frac{Qunatity\ of\ Closing\ Stock}{Qunatity\ of\ Goods\ sent}$

= Rs 4,000 x 1/4 = Rs 1000

Value of Unsold Stock

IP of unsold stock = 24000 x 1/4 = 6000

(+) Proportionate Consignor Expense = 800 x 1/4 = 200

(+)Proportionate Consignee Expenses = NIL

6200

Note: Direct expenses of consignee is nil, because the details of expenses are not given in the question.

19.

Dr. Income and Expenditure a/c for the year ended 31 March 2015 Cr.

Expenditure		Amount	Income		Amount
To Rent and Taxes	5300		By Subscriptions(2014-15)	7500	
Less: Prepaid Rent	1300	4000	Add: Outstanding Subscriptions	2500	10000
To Salaries		5800	By Membership fee		1200
To Printing and Stationery	2200		By Entrance Fee		1500
Add: Outstanding Stationery bill	300	2500	By Interest on Investments	800	
To Scholarships		3000	Add: Outstanding Interest	200	1000
To Newspapers		900	By Deficit(Excess of Expenditure over Income)		2850
To Loss on sale of Furniture		350			
		16550			16550

Working Notes:

1. Purchase of Furniture, Government Bonds are Capital Expenditure. These are to be recorded in Balance Sheet as assets.
2. Current Year 2014-15 Subscriptions has to be treated as revenue income
3. Loss on sale of furniture is revenue expenditure. It is shown in Income and Expenditure account debit side.
   Loss on sale of furniture sold = Book value of furniture sold – Sale value
   = 2000 – 1650 = 350

4. Outstanding interest on investments is to be added to interest received credit side of Income and Expenditure A/c

Interest on Investments for the year = 10,000 x 10% = Rs 1000

Outstanding Interest on Investments = Interest on Investments – Interest Received

= 1000 – 800 = Rs 200

5. Membership fee and Entrance Fee are small amounts treated as revenue income shown in creditr side of Income and Expenditure A/c

SECTION – F

Note : Answer any **Two** of the following questions : **2 x 5 = 10**

20.

Dr. **Plant & Machinery a/c** **Cr.**

Date	**Particulars**	**JF**	**Amount `**	**Date**	**Particulars**	**JP**	**Amount `**
1 April	To Bank		23,000	31 March	By Depreciation		2,500
2009	To Bank (Installation)		2,000	2010			
					By Balance c/d		22,500
			25,000				25,000
1 April	To Balance b/d		22,500	31 March	By Depreciation		2,500
2010				2011	By Balance c/d		20,000
			22,500				22,500
1 April	To Balance b/d		20,000	31 March	By Depreciation		2,500
2011				2012	By Bank (sale)		8,000
					By Profit & Loss a/c (Loss)		9,500
			20,000				20,000

Working Note:

Year 1: Depreciation on 31st March 2010

Asset Value = Cost + Installation

= 23,000 + 2,000

= 25,000

Depreciation = Rs 25,000 x 10% = Rs 2500

Year 2: Depreciation on 31st March 2011 is Rs 2,500

Year 3: Depreciation on 31st March 2012 is Rs 2,500

Calculation of Profit/Loss on date of sale of Machine:

Cost of Plant and Machinery = Rs 25,000

(-) Accumulated Depreciation = Rs 7500

Book Value	= Rs 17,500
(-) Sale Price	= Rs 8,000
Loss	= Rs 9,500

21.

Statement of affairs as on 31st March 2015

Liabilities	**Amount `**	**Assets**	**Amount `**
Sundry Creditors	8,000	Sundry Debtors	12,000
Bills payable	10,000	Bills Receivable	3,000
Capital (Balance)	68,000	Cash in hand	26,000
		Cash at bank	13,000
		Furniture	10,000
		Stock	22,000
	86,000		**86,000**

Capital = Total Assets – Total Liabilities

= 86000 – 18000 = 68000

Statement showing Profit or loss for the year ending 31-3-2015

Particulars	**Amount `**
Capital as on (31-3-2015)	68,000
Add: Drawings during the year (500 □ 12)	6,000
	62,000
Less: Additional Capital introduced	8,000
Adjusted Capital	70,000
Less: Capital at the beginning of the year (1-4-2014)	60,000
Profit	10,000

Note: If the trader draws a fixed amount for personal use every month, multiply it with 12 to get the total drawings for the year.

22. **Capital Expenditure**

Capital expenditure is that expenditure, the benefit of which accrues for more than one year. It is immaterial whether such expenditure is actually paid or not. Any expenditure made to acquire the assets or to improve the earning capacity or life of the existing asset is capital expenditure.

e.g.: The expenditure on acquisition of buildings, machinery, furniture, major repairs, goodwill, etc. This capital expenditure should be shown as an asset in the balance sheet.

Revenue Expenditure

The Revenue expenditure is that expenditure, the benefit of which is exhausted in the same accounting year in which it is incurred. It is expenditure incurred in the normal course of operations to meet the day-to-day expenses of the organisation which actually paid or not. Such expenditure should be shown as an expenditure in the income and expenditure account.

Example-1: Paid Rs 50,000 for purchase of furniture. Purchase of furniture is a Capital expenditure. So, it is a payment but not (Revenue) expenditure.

Example-2: Paid Rs 36,000 for salaries it includess Rs 6,000 for last year. Outstanding salaries of current year Rs 12,000.

Distinction between Capital Expenditure and Revenue Expenditure

Capital Expenditure	Revenue Expenditure
1. Benefit of Capital expenditure accrues for more than one accounting year.	1. Benefit of revenue expenditure expires with in one accounting year.
2. Generally capital expenditure is of Non-recurring in nature.	2. Revenue expenditure is of recurring in nature.
3. Capital expenditure is in huge amounts.	3. Revenue expediture is in small amounts.
4. Capital expenditure is shown on the Asset side of the Balance sheet.	4. Revenue expenditure is shown on the debit side of the Income and Expenditure account.

23. An Accounting System is a collection of processes, procedures and controls, designed to collect, record, classify and summarise financial data for interpretation and management decision making. Accounting has been done manually till the 1980s. After 1980, the advent of computer technology has been changing the accounting system from manual to computerised accounting system.

The following are some of the advantages of using computerised accounting software:

Automation

Since all the calculations are handled by the software, computerised accounting eliminates many of the routine and time consuming processes associated with manual accounting. For example, once invoices issued, are processed automatically making accounting less time consuming.

Accuracy

This accounting system is desinged to be accurate to the minute detail. Once the data is entered into the system, all the calculations, including additions and subtractions are done automatically by software.

Data Access

Using accounting software, it becomes much easier for different individuals to access accounting data outside of the office securely. This is particulary true if an online accounting solution is used.

Reliability

Because of the accurate calculations, the financial statements prepared by computers are highly reliable.

Scalable

When a company grows, the amount of accounting necessarily not only increases but becomes more complex. With computerised accounting, everything is kept straight forward because shifting through data using software is easier than shifting through a bunch of papers. Company can operate its computerised accounts for 'n' number of years.

Speed

Using accounting software, the entire process of preparing accounts becomes faster. Further more, statements and reports can be generated instantly at the press of a button. Managers do not have to wait for hours, even days, to lay their hands on an important report.

SECTION – G

Note : Answer any **five** of the following questions in not exceeding **5** lines each : **5 x 2 = 10**

24. It refers to a decrease in the value of fixed asset due to the extraction, or decrease in the mineral wealth of the mines. **For example:** extraction of natural resources like oil, coal, iron, mines, quarries etc. reduce their quantity by the extraction of material which is known as depletion.

25. Statement of affairs method is also known as net worth method and capital comparison method. According to this method, increase in capital at the end of the financial year is considered as profit and decrease in capital is treated as loss in the absence of additional/ further capital introduced are drawings made during the period. So it is essential to calculate the capital of the proprietor at the beginning of the year and also at the end of the year to ascertain the profit or loss of the business.

26. This commission is given to the consignee to cover the risk of loss due to bad debts. If this commission is given, the consignee is responsible for all losses that arise one account of bad debts. In other words the responsibility of bad debts arises due to credit is transferred from consignor to consignee.

27. Any amount received from outside people voluntarily is known as donation. Donations are collected by the organisation from individual, institutions etc. with an intention to strengthen the organisation financially.

Donations are two types:

(a) General donation: General donation is the amount given by the parties without mentioning the purpose for which it should be utilised. So that amount can be utilised by organisation for any purpose.

(b) Specific donations: Donations received for specific purpose are known as specific donations. whether huge or small, is capitalised and taken to the liability side of the balance sheet.

28. Total Profit of the business is 1. Out of this $1/5^{th}$ share given to Mr.C. Remaining Profit is $4/5^{th}$ share. The remaining profit will be given to Mr.A and Mr.B in old profit sharing ratio.
    New profit sharing ratio of Existing Partners = Remaining profit share x Old profit sharing ratio

    New profit sharing ratio of Mr.A = 4/5 x 3/5 =12/25

    New profit sharing ratio of Mr.B = 4/5 x 2/5 = 8/25

    New profit sharing ratio of Mr.C = 1/5 or 5/25

    So, New profit sharing ratio of A,B and C is 12 : 8 : 5

29. When a new partner is admitted into partnership business, the old partners forego a fraction of their share of profit in favour of the new partner and thus reducing the share of profit or loss of the old partners. Sacrifice made by old partners can be found by deducting new profits sharing ratio from their old profit sharing ratio.

    Ratio of Sacrifice = Old profit sharing ratio – New profit sharing ratio.

30. A spread sheet is an interactive computer application, programme. It helps to the organisation for analysis and storage of data in tabular form it is a table of values arranged in rows and columns. Each value can have a predefined relationship to the other values.