

HIMACHAL PRADESH PUBLIC SERVICE COMMISSION

S.A.S (LAD)-(PART-I) EXAMINATION-DECEMBER, 2012

COMMERCIAL BOOK KEEPING

PAPER-II

(WITHOUT BOOKS)

TIME: 2½ hours

MAXIMUM MARKS: 100

NOTE: Question No. 1 is compulsory. Attempt any three questions out of the rest. In all you have to attempt four questions. All parts of a question should be attempted at one place. In the answers, correct question numbers should be given. Failure to do so will entail cancellation of the answer. Use of calculators, pagers is not allowed.

Q.No. 1 The allied Traders Ltd. Bombay has authorized and subscribed capital of Rs.8, 00,000 divided in 8000 equity shares of Rs. 100/- each. From the following balances which appear in the books of the Company on 31.12.1994, prepare (1) Profit and Loss Account and Balance Sheet on that date:-

DEBIT	AMOUNT (Rs.)	CREDIT	AMOUNT (Rs.)
Land & Building	3,60,000	Share Capital	8,00,000
Plant & Machinery	6,62,400	Sundry creditors	1,22,400
Loose Tools	37,600	Reserve Fund	60,000
Preliminary Expenses	19,600	Profit & Loss Account	35,200
Furniture	14,400	Returned outwards	20,000
Calls in arrears	6,000	Sales	12,31,200
Cash in Bank	2,000	6% debentures	4,00,000
5% Govt. Bonds (Free of Tax) Face Value Rs, 40,000/-	39,520	Bank Account	53,120
Bills recoverable	54,400		
Good Will	64,000		
Motor Vehicles	12,000		
Sundry debtors	83,200		
Interim Dividend	18,000		
Repairs	3,440		
Purchases	9,60,000		
Return inward	28,000		
Advertisement	10,160		
Audit Fee	4,000		
Carriage	14,800		
Wages	92,800		
Insurance	19,600		
Stock as on 01.01,1994	1,90,400		
General expenses	17,200		
Debenture Interest (Less Tax 3%)	8,400		
	27,21,920/-		27,21,920/-

Adjustments:

1. Stock on 31.12.1994 Rs. 1, 76,800/-
2. Create reserve for bad debts 5% on sundry debtors.
3. Provide depreciation: Plant and machinery @ 5%, Furniture @ 7½%, Loose tools @ 15%, Motor Vehicles @ 20% p.a.
4. Prepaid insurance Rs. 1600/-.
5. Reserve Fund to be increased by Rs. 10,000.
6. Directors declared on 15.08.1994 interim dividend for 6 months ending 30.06.1994 @ 3%.
7. Wages outstanding Rs. 2400/-.
8. Interest on debenture for 6 months.

25 Marks

Q.No. 2 From the cost ledger of Yamuna Industries, the following information was obtained for the year 1994:-

	<i>Rs.</i>
Rates and taxes for factory premises	2,800
Lighting for factory	5,200
Factory wages	1,20,000
Depreciation (Plant)	7,000
Staff Salaries	24,000
Management Salaries	12,000
Power	9,000
Indirect wages	24,500
Repair and maintenance of plant	20,000
Materials	1,80,000
Cost of rectification of defective work	5,600
Consumable store	15,000
Selling expenses	14,660
General expenses	9,200
Receipt from sales of scrap	2,400

Production was Rs. 1, 00,000 units. Net selling price was Rs. 4.70 per unit. All units are sold. From 1st January, 1995 the selling price was reduced to Rs. 4.50 per unit. It was estimated that production could be increased in 1995 by 50% without incurring any overtime or extra shift working. Prepare statements showing:-

- (i) (a) Prime cost (b) Factory cost. (c) Cost of sales.
(d) Profit for the year, 1994.
- (ii) Estimated cost and profit for 1995 assuming that Rs. 1,50,000/- units will be produced and sold during the year.

25 Marks

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OR

Q.No.2. (a) What are the main aims or purpose of cost accounts?
10 Marks

- (b) Write short notes on any three of the following:-
(i) Multiple cost (ii) Profit work in progress.
(iii) Maintenance on cost (iv) Cost Centres.

15 Marks

Q.No.3 (A) Comments on the following:

(i) A firm trading in speculative commodity earns an abnormal profit in a year due to sudden rise in the price of the commodity. In the subsequent year the firm suffers an excessive loss due to sudden fall in price of the commodity. The Board of Directors decided not to show in accounts either in the excessive profit or excessive loss but to pay dividends as usual for both the years by suitably writing down or writing up the value of assets.
05 Marks

(ii) A company takes over running business w.e.f 01.01.1970 but certificate of commencement of business issued only on 01.04.1970. The company earned a net profit of Rs. 2,00,000 for the period ending 31.03.1970. The Board of Directors decided to distribute the total amount of profit. The purchase price was paid to the vendor after the issue of the certificate of the commencement of the business and the interest was payable to them on the purchase price till the date of payment, the amount of such interest was Rs. 10,000 but no provision was made for it in drawing up the account.
05 Marks

(B) State how the following errors will affect the account and how you will correct them:

- (i) Store of value Rs. 25,000/- purchased on credit retaken to stock but omitted to be entered in the purchase book.
(ii) Rs. 50,000/- worth of materials purchased for a contract job are debited to the building account.
(iii) Goods worth Rs. 50,000 in stock have become obsolete and there is no demand for them. They are shown in account at cost. The scrap value is Rs. 5,000/-.
(iv) A debit due from a party who has migrated to Pakistan has been shown as outstanding under sundry debtors since days of partition. The party is not traceable.
(v) Advantage of opening a current account with a Banker.

15 Marks

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- Q.No. 4 (a) "Accuracy of the Trial Balance is not absolute proof of the arithmetical accuracy of the postings in the ledger." Discuss. **15 Marks**
- (b) What steps would you take to discover errors in the case of disagreement of a Trial Balance? **10 Marks**
- Q.No.5 (a) What is a Sinking Fund? Is it necessary that a Sinking Fund should be invested? State briefly the difference between a Sinking Fund to replace a Wasting Assets and Sinking Fund to repay a liability.
- (b) What is a Balance Sheet? What information it is supposed to give? How does it differ from Trial Balance? **(15+10=25 Marks)**
- Q.No.6 What is a Secret Reserve? How are Secret Reserves formed? What are their advantages and disadvantages? **25 Marks**
- Q.No.7 (a) Please give answers of the following:
- (i) Closing stock is valued at cost or market value whichever is lower, why?
 - (ii) Why is Capital shown as a liability in the Balance Sheet?
 - (iii) Why is profit shown as a liability and loss an asset in the Balance Sheet?
 - (iv) What is the difference between cash basis and accrual basis accounting?
 - (v) What do you mean by imprest system of keeping petty cash book? Give a short account of its operation and advantages. **25 Marks**
