

**DEPARTMENTAL EXAMINATION OF EXCISE & TAXATION INSPECTORS
OF HIMACHAL PRADESH (February, 2007)**

PAPER-5 BOOK KEEPING AND GENERAL COMMERCIAL KNOWLEDGE

**Time Allowed: 3 Hours.
Marks: 100**

Maximum

- Note:-**
1. Answer any five question.
 2. Question No.6 and 8 are Compulsory.
 3. Books are not allowed.
 4. Avoid cuttings and overwriting.

- Q.No.1 a) what are the principles of double entry system of accounting? Explain with Suitable examples. (10)
- b) How and why a trial balance is prepared? Explain various errors trial balance with example. (10)

- Q.No.2 a) what purpose does a Profit and Loss Account serve? Describe the two main Divisions of profit and Loss Account.

b) What items generally appear on the debit and credit sides of the Trading Account.

c) What advantages accrue from the preparation of a Trading Account?

d) What do you mean by JOURNAL? Why it is called the book of original entry? Give the rules and advantages of JOURNALISING. (4 x 5 = 20)

- Q.No.3 a) what do you understand by Purchases and Sales Returns?

b) What are Debit and Credit Notes? Explain these giving the usual forms and by showing financial entries.

c) What is the purpose of Cash Book?

d) What are revenue expenses? What are the criteria for the measurement of revenue and expenses for the matching process? (4 x 5 = 20)

- Q.No.4 Distinguish between Receipt and Payment Account and Income and Expenditure Accounts with examples. (20)

- Q.No.5 Write short notes on the following:-

- a) Methods of valuation of stocks
- b) Disadvantages of single entry system of Accounts.
- c) Proforma invoice.
- d) Trade and cash discount
- e) Consignment sale and sale on account

- f) Advantages of maintenance of Accounts in Landa script.
- g) Provisions and reserve
- h) Bad Debits
- i) Prepaid and outstanding liabilities
- j) Accrued income and Income received in advance. (10 x 2 = 20)

Q.No.6 Enter the following transactions in the **Cash Book**

January, 2007	Particulars of transactions	Amount Rs.
1	Cash in hand	8,900
3	Bought goods for cash	4,300
5	Paid for wages	4,100
7	Withdrew from bank for expenses Cash paid to Mr."Y" Discount allowed	7,500 1,950 50
10	Cash sale	13,500
13	Received cash from Mr."B" Allowed him discount	3,900 100
15	Purchased stationery	200
16	Paid for the stamps	150
18	Amount introduced as Capital	5,000
21	Received cash from Mr. "R" Allowed him cash discount	7,840 160
24	Paid cash for Traveling Expenses	120
26	Amount paid into the bank	2,500
27	Cash Paid to Mr."M" Discount allowed by him	975 25
28	Credit purchases from Mr.Ali	3,800
30	Cash purchases	1,500
	Paid Salaries	2,800
	Deposited into the bank all cash in excess	2,000

(20)

Q.No.7 From the following particulars, prepare a **Bank Reconciliation Statement** as On 30th September, 2006

1. Over draft on 30th September, 2006 as per bank Pass Book Rs.10,000/-
2. Cheque deposited into the bank but not recorded in the Cash book Rs.100/-
10. Cheque Received and recorded in bank column but not sent to bank for Collection Rs.1000/-
11. Several cheques were drawn in the last week of September, totaling Rs. 15,000/- of these cheques totaling only 9,000/- were cashed before 30th September 2006.
12. Similarly, Several cheques totaling Rs.9, 000/- were sent for collection. Of These cheques of values of Rs.1, 500/- were credited on 5th October and Rs

2,000/- on 7th October, the balance being credited before 30th September, 2006.

13. On 11th September 2006 the credit side of the bank column of the Cash Book was caste Rs.1,000/- short and the credit balance of Rs. 2,600/- on 15th September 2006 was brought forward on 16th September, 2006 as debit Balance of Rs. 2,600/-
14. Fees of Rs.250 were paid directly by the bank but were not recorded into the Cash Book.
15. In the Cash book, a bank charges of Rs.30/- was recorded twice while another bank charges of Rs.50/- was not recorded at all.
16. Interest of Rs. 1,400/- was charged by the bank but not recorded in the Cash book. (20)

Q.No.8 From the following Trial Balance prepare a Trading, Profit and loss Account Balance Sheet for the year ended 13 st March, 2006

Debit balances	Amount	Credit balances	Amount
Drawings	6,400	Capital Account	1,20,000
Land and Buildings	25,000	Bad debt provision (1-4-2005)	2,470
Plant and machinery	14,270	Sales	91,230
Furniture and fixture	1,250	Discount Account	120
Carriage inwards	4,370	Purchases Returns	8,460
Wages	21,470	Sundry Creditors	12,170
Salaries	4,670	Apprentice Premium	500
Sales return	1,760		
Bank Charges	140		
Coal, gas and water	720		
Rates and taxes	840		
Purchases	42,160		
Bills Receivable	1,270		
Trades Expenses	1,990		
Investments	30,000		
Sundry Debtors	37,800		
Stocks (1-4-2005)	26,420		
Fire Insurance	490		
Cash at Bank	13,000		
Cash in hand	850		

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ADJUSTMENTS

- Charge depreciation on Land and Building Account at 2.5%, on Plant and machinery Account at 10% and on Furniture and Fixture at 10%.
- Make provisions of 5% on Sundry Debtors for doubtful Debts.
- Carry forward the unexpired amounts for the Fire Insurance Rs.125/- Rates and Taxes Rs.240 and Apprentice Premium Rs.400/-
- Charge Rs. 4,500/- interest on the capital and interest on drawings is Rs.300/-
- The value of stocks as on 31st March, 2006 was Rs.29, 390/-
- Outstanding wages are Rs.530/-
- Interest on investment Rs.3, 000/- accrued.

(20)