

BOARD OF DEPARTMENTAL EXAMINATION, HIMACHAL PRADESH
Departmental Examination For District Treasury Officers & Treasury Officers
October, 2014

Paper-3: Principle of Accounts

Time: 3 Hours

Maximum Marks:100

- Note: 1. Attempt any 5 (five) questions including question No.6, which is compulsory.
2. All questions carry equal marks.
3. Attempt all parts of question in consecutive order.
4. Books are not allowed. Use of CALCULATOR is allowed.

1. a. State whether each of the following statements is 'True' or 'False'. 10 X 1 = 10
1. Accounting records only transactions which are of a financial character
 2. Book-keeping and Accounting are synonymous terms.
 3. It is on the basis of going concern concept that the assets are always values at market price.
 4. The convention of disclosure implies that all material information should be disclosed in the accounts.
 5. A 'Revenue' denotes the expenditure incurred by the business in earning income.
 6. Circulating Capital is represented by Fixed Assets.
 7. Transactions are recorded first of all in Ledgers
 8. Journal records transactions in a chronological order.
 9. Cheques issued but not presented for payment will reduce the balance as per Pass Book.
 10. Errors or Principle affects the agreement of the Trial Balance.
- b. State under what heading (Personal, Real or Nominal) would you classify each of the following accounts.
- | | |
|---------------------------|-------------------------------|
| 1. Salary Prepaid Account | 2. Salary Outstanding Account |
| 3. Rent Account | 4. Bank Account |
| 5. Insurance Unexpired | 6. Proprietor's Account |
| 7. Bad Debts Account | 8. Furniture Account |
| 9. Goodwill Account | 10. Patents Account |
2. Distinguish between the following: 5 X 4 = 20
- a. Outstanding Expenses and Prepaid expenses
 - b. Tangible Assets and Non-Tangible Assets
 - c. Trade Discount and Cash Discount
 - d. Gross Profit and Operating Profit
3. Define the following terms: 2 X 10 = 20
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|--------------------|---------------------|
| 1. Contra Entry | 2. Gross Profit |
| 3. Insolvent | 4. Promissory Note |
| 5. Revenue Receipt | 6. Provision |
| 7. Debtors | 8. Suspense Account |
| 9. Amortization | 10. Net Worth |

4. Distinguish between 'Straight Line Method' and 'Weighted Average Method' of providing depreciation. Which one of the above two would you recommend to provide depreciation to 'Plant & Machinery'? 20
5. "Trial Balance is not a conclusive proof as to the absolute accuracy of books of accounts. It may agree and there may still be some errors in the books that remain undisclosed." Elaborate. Give concrete examples in support of your answer. 20
6. From the following Trial Balance and additional information, you are required to prepare final accounts:- 20

Trial Balance
(as on 31st December 2013)

Particulars	Dr. Amount (Rs.)	Cr. Amount (Rs.)
Capital		20,000
Sundry Debtors	5,400	
Drawings	1,800	
Machinery	7,000	2,800
Sundry Creditors		
Wages	10,000	
Purchases	19,000	
Opening Stock	4,000	
Bank Balance	3,000	
Carriage Charges	300	
Salaries	400	
Rent & Taxes	900	
Sales		29,000
	51,800	51,800

Additional Information:-

1. Closing Stock Rs.1200/-
 2. Outstanding Rent & Taxes Rs.100/-
 3. Charge depreciation on Machinery @ 10%.
 4. Wages paid Rs.400/-
7. From the following particulars, prepare a **Bank Reconciliation Statement** showing the balance as per Cash Book as on 31st December 2013:- 20
1. Out of the cheques of Rs. 9,000/- paid on 29th December 2013 Rs.4,000/- appear to have been credited into Pass Book on 2nd January, 2014.
 2. You had issued cheques in December 2013 amounting in all to Rs.16000/- out of which you find that cheques of Rs.7,000/- have been cashed in the same month; a cheque of Rs.5000/- cashed on 3rd January, 2014 and the rest have not been presented at all.
 3. Your banker has given you a wrong credit in your Joint Account with your wife, in respect of a cheque for Rs.2000/- paid into your Personal Account.
 4. Rs.1,000/- interest on overdraft charged on 31st December 2013 has been entered into your Cash Book on 4th January 2014.
 5. Your Pass Book shows a credit of Rs.1,200/- to your account being interest on your securities collected by your banker.
 6. The Bank Balance as per your Pass Book showed an overdraft of Rs.19,000/-

8. The Trial Balance of M/S Shashi Kant on 31st December 2013 showed a difference of Rs.580/- (excess debit). It was put to a Suspense Account and the books were closed. On going through the books in January 2014, the following errors were discovered. You are required to pass suitable rectifying journal entries and prepare the Suspense Account. 20

1. Rs.540/- received from M. Mehta was posted to the debit of his account.
2. Rs.100/- being Purchase Returns was posted to the debit of Purchase Book.
3. Discount of Rs.200/- received, entered in the Cash Book was not posted to the Ledger.
4. Rs.574/- paid for repairs to motor car was debited to the Motor Car Account as Rs.174/-
5. A sale of Rs.350/- to M/S Sethi was entered in the Sales Book as Rs. 530/-
6. While carrying forward the total of one page in M/S Kalra's Account, the amount of Rs.250/- was written on the credit side instead of debit side.
7. The purchase of Machinery on 1st January 2014 for Rs. 6000/- was entered in the Purchase Book.

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