

BOARD OF DEPARTMENTAL EXAMINATION, HIMACHAL PRADESH
DEPARTMENTAL EXAMINATION FOR EXCISE AND TAXATION INSPECTORS
SESSION APRIL 2017

PAPER :5 BOOK KEEPING AND COMMERCIAL KNOWLEDGE

TIME ALLOWED : 3 HOURS

MAXIMUM MARKS : 100

NOTE

- Attempt any five questions.
- All questions carry equal marks
- Books are not allowed, however, use of calculator is allowed.

Q. No. 1 What is Double Entry System ? Explain its principles with examples. What are its advantages? **(5, 5, 10)**

Q. No. 2 (a) What is Journal? What are its advantages and limitations? **(10)**
 (b) The transactions of Mr Shyam for the month of October 2016 is as under. Journalise them. **(10)**

1.10.2017	Shyam started business with cash.	Rs. 10,000
2.10.2017	Paid into Bank	Rs. 7000
3.10.2017	Bought goods for cash	Rs. 500
4.10.2017	Drew Cash from bank for office	Rs. 100
13.10.2017	Sold to Krishna goods on credit	Rs. 150
20.10.2017	Bought from Ram goods on credit	Rs. 225
24.10.2017	Received from Krishna	Rs. 150
28.10.2017	Paid to Ram cash	Rs 215
	Discount allowed to Ram	Rs10
30.10.2017	Cash sales for the month	Rs. 800
30.10.2017	Paid rent	Rs. 50
30.10.2017	Paid salary	Rs. 100

Q. No.3(a) What is bank reconciliation ? Why is it important to prepare bank reconciliation Statement? **(10)**

(b) My Bank Pass Book for Account No. 1 shows an overdraft of Rs. 6500 on 31st March, 2016. This does not agree with the Cash Book balance. From the following particulars ascertain the Cash Book balance:

Cheques amounting to Rs. 15000 were paid into bank in March out of which , it appears, only cheques amounting to Rs. 4500 were credited by bank. Cheques issued during March amounted in all to Rs. 11000. Out of these cheques for Rs. 3000 were unpaid on 31st March, 2016. The bank has wrongly debited Account No. 1 with Rs. 500 in respect of a cheque drawn on Account No 2. The Account stands debited with Rs. 150 for interest and with Rs. 30 for bank charges. The bank has paid the annual subscription of Rs. 100 to my club according to my instructions. The entries for interest charges and subscription have not yet been made in the Cash Book. **(10)**

Q 4 What are different type of errors in a trial balance? What steps are taken to locate errors? **(20)**

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Q 5. The following trial balance is extracted from the books of merchants on 31st December, 2016.

	Rs.	Rs.
Furniture and Fitting	640	
Motor Vehicles	6250	
Buildings	7500	
Capital Accounts		12500
Bad Debts	125	
Provision for Bad Debts		200
Sundry Debtors and Creditors	3800	2500
Opening Stock	3460	
Purchases and Sales	5475	15450
Bank Overdraft		2850
Sales and Purchases Returns	200	125
Advertising	450	
Interest Account	118	
Commission		375
Cash	650	
Taxes and Insurance	1250	
General Expenses	732	
Salaries	3000	
	31,000	34,000

The following adjustments are to be made:

- Stock in hand on 31st December, 2016 was Rs. 3,250.
- Depreciate Building @ 5%, Furniture and Fitting, @10% and Motor Vehicle @ 20%
- Rs. 85 is due for interest on Bank Overdraft
- Salaries Rs. 300 and Taxes Rs 120 are outstanding.
- Insurance amounting to Rs. 100 is prepaid.
- One third of the commission received is in respect of work to be done next year
- Write off further Rs. 100 as Bad Debt and Provision for Bad debts is to be made equal to 5% on Sundry debtors.

Prepare a Trading and Profit and Loss Account for the year ending 31st December, 2016 and a Balance sheet as on the date (20)

Q 6. What are the methods for providing depreciation? Give merits of each method. (20)

Q.7. Explain bills of exchange and differentiate between a bill of exchange and a promissory note. (20)

Q.8 What do you understand by Capital and Revenue expenditure ? "Sometimes it is difficult to make a distinction between capital and revenue expenditure" Explain this statement. (20)