

H.P.BOARD OF DEPARTMENTAL EXAMINATION

**DEPARTMENTAL EXAMINATION FOR DISTRICT TREASURY OFFICERS &
TREASURY OFFICERS**

SESSION - ^{NOV}~~OCTOBER~~, 2019

PAPER-3 PRINCIPLES OF ACCOUNTS

Time Allowed: 3 Hours.

Maximum Marks: 100

Notes:

- i) Attempt any five questions.
 - ii) All questions carry equal marks.
 - iii) No books are allowed.
 - iv) Use of calculator is allowed.
 - v) Indicate the same question number and its part as assigned in the question paper while answering the same.
 - vi) Avoid cuttings and overwritings.
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Q.No.1 Define Accounting. What are the limitations of financial accounting?

20 Marks

Q.No.2 (a) Explain the following in clear terms with examples:

- i. "Return inwards" and "Return outwards"
- ii. "Errors of Principles" and "Errors of Omission"
- iii. "Trade Discount" and "Cash Discount"
- iv. "Bills of Exchange" and "Promissory Note"
- v. "Accounting Concepts" and "Accounting Conventions"

(b) Differentiate between Book Keeping and Accounting.

10X2=20 Marks

Q.No.3 (a) What is Bank Reconciliation Statement? Explain the need and objectives of Bank Reconciliation.

(b) Prepare a Bank Reconciliation Statement of a trader at the year ending Dec. 31, 2018 on the following given information:

- On Dec. 31, 2018, the Cash Book of a trader shows the bank balance to be Rs.5,090. The cheques sent to bank but not collected and credited amounted to Rs.790, whereas three cheques for Rs.300, Rs.150, and Rs.200, issued to customers during the year were not presented for payment.
- The Bank had paid a bills payable amounting to Rs.1000. A bills receivable of Rs.500 which was discounted with the bank was dishonoured. The pass book showed that the bank has

charged Rs. 12 as its remuneration for collecting outstation cheques and has allowed interest of Rs.10.

- A sum of Rs.800 deposited in the bank has been credited as Rs.80 in the pass book.

10X2=20 Marks

Q.No.4 The Trial Balance of S. Karim as on December 31, 2018 was as under:

Name of the Account	Dr. Rs.	Cr. Rs.
Capital		1,10,000
Drawings	15,000	
Gross Profit earned during 2018		32,400
Salaries and Wages	22,000	
Rent and Taxes	8,400	
Cash in Hand	2,300	
Bank overdraft		8,600
Sundry Debtors and Creditors	41,000	36,000
Insurance (including premium of Rs. 400 per annum paid up to March 31, 2019)	1,000	
Loose Tools	5,000	
Bad Debts	500	
Provision for Bad Debts		800
Entertainment Expenses	300	
Commission		2,100
General Charges	2,600	
Furniture and Fixtures	12,000	
Plant and Machinery	60,000	
Stock on December 31, 2018	19,800	
	1,89,900	1,89,900

Prepare Profit and Loss Account for the year ended December 31, 2018 and Balance Sheet on that date, after keeping in view the following adjustments:

1. Depreciate Furniture and Fixtures by 5% and Plant and Machinery by 10%.
2. The value of Loose Tools on December 31, 2018 was Rs. 4,500.
3. Outstanding salaries Rs. 2,000.
4. Commission earned but not received amounted to Rs. 400.
5. Write off further bad debts Rs. 1,000 and maintain the provision for bad debts at 5% on Sundry Debtors.

(20 Marks)

Q.No.5 What is the difference between Single Entry system and Double Entry system of accounting?

Q.No.6 Elaborate the errors not revealed by preparation of trial balance.
How are the errors located through trial balance?

(20 Marks)

Q.No.7 What is accrual accounting? Differentiate between cash and accrual system of accounting.

(20 Marks)

Q.No. 8 What do you understand by depreciation? State briefly the different causes of depreciation and bring out the need of providing for depreciation.

(20 Marks)

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