Q1. Comment on any **FIVE** of the following statements. Your answer should not exceed 50 words:

(i) Book-keeping and Accounting are synonymous terms.
(ii) It is on the basis of going concern concept that the assets are always valued at market price.
(iii) Office equipment purchased on credit will be recorded in the Purchases Book.
(iv) Depreciation should be charged on replacement cost.
(v) Trial Balance is a summary record of all assets and liabilities of the business.
(vi) A company can use Securities Premium Account for payment of dividends to its shareholders.
(vii) Debenture-holders are not members of the company.

Q2. (a) Differentiate between a Journal and a Ledger.
(b) The following entries have been passed by a student. You have to state whether these entries are correctly passed. If not so, pass the correct journal entries.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Rs.</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Cash Account</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To Interest Account</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Being Interest paid)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ii) Mukesh</td>
<td></td>
<td></td>
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<tr>
<td>To Bank Account</td>
<td></td>
<td></td>
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<tr>
<td>(Being Salary paid to Mukesh)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(iii) Repairs Account</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To C's Account</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Being Salary paid for overhauling an old machine purchased)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(iv) Cash Account</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To Rakesh</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Being an amount of debt which was written off as bad debt last year, is received during the year)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(v) Purchases Account</td>
<td></td>
<td></td>
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<tr>
<td>To Hari</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Being Goods sold to Hari returned by him)</td>
<td></td>
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</tbody>
</table>

Q3. (a) What is a Capital Expenditure? Illustrate your answer by giving five examples.
(b) What is a Trial Balance? Explain its objectives.

Q4. (a) Explain the need and significance of Depreciation? What factors should be considered for determining amount of depreciation?
(b) A firm purchased a plant for Rs. 10,000 on 1.1.2004. It was charging depreciation at 10% p.a. according to the fixed installment method. At the end of 2008, the firm decided to change the method of depreciation from the Fixed Installment Method to the Diminishing Balance Method w.e.f. 1.1.2005. The rate of depreciation was to be at 12% p.a. You are required to prepare the Plant Account for the three years ending-
31st December, 2008 and also show how the depreciation item would appear in the Profit and Loss Account of the year 2008.

Q5 (a) Differentiate between Perpetual Inventory System and Periodic Inventory System.

(b) Oil India is a bulk distributor of high octane petrol. A periodic inventory of petrol on hand is taken when the books are closed at the end of each month. The following summary of information is available for the month of June, 2010:

Sales
General Administration Cost
Opening Stock: 1,00,000 litres @ Rs. 3 per litre
Purchases (including freight in)
                              June 1                     June 30
                              2,00,000 litres @Rs. 2.85 per litre
                              1,00,000 litres @ Rs. 3.03 per litre
Closing Stock, June 30
                              1,30,000 litres

Compute the following by First In First Out, Weighted Average, and Last In Last Out Methods of inventory costing:

(a) Value of Inventory of June 30.
(b) Amount of the cost of goods sold for June.

Q6 (a) Differentiate between a Share and a Debenture.

(b) A company offers 10,000 shares to the public. The amount payable is as follows:

On Application  Rs. 3 per share
On 1st Call     Rs. 3 per share
On Allotment    Rs. 2 per share
On Final Call   Rs. 2 per share

Applications are received for 15,000 shares. The directors make the allotment as follows:

(i) No allotment to applicants for 3,000 shares.
(ii) Rest allowed on a pro-rata basis.

All calls were duly made and paid except:

• A, a holder of 100 shares paid the two calls with allotment.
• B, a holder of 200 shares fails to pay the 1st and the 2nd calls.
• C, a holder of 100 shares fails to pay the 2nd call.

Pass the necessary journal entries to record the above transactions in the company’s books and show how the share capital will appear in the company’s balance sheet.

Q7 (a) State the matters in respect of which a company has to maintain proper books of account.

(b) R Ltd. Issued debentures at 94% for Rs. 1,00,000 on 1st April, 2002, repayable by five equal annual drawing of Rs. 20,000 each. The company closes its accounts on calendar year basis. Indicate the amount of discount to be written off every accounting year assuming that the company decides to write off the debenture discount during the life of the debentures.