

**HALF-YEARLY DEPARTMENTAL EXAMINATION FOR OFFICERS OF THE
DIRECTORATE OF COMMERCIAL TAXES**

November, 2021

ACCOUNTANCY (WITHOUT BOOKS)

Time Allowed — 3 Hours

Full Marks — 100

Pass Marks — 50

Answer *any five* questions.

All questions carry equal marks.

1. A and B are partners in ratio of 2 : 1 respectively ($\frac{2}{3}$ and $\frac{1}{3}$). On 01.07.2020 they agree to admit X as a partner, A to become a sleeping partner, his capital to be ₹ 50,000 and the shares of the partners in the new firm to be A $\frac{1}{4}$, B $\frac{3}{8}$ and X $\frac{3}{8}$. X is to contribute a sum of ₹ 45,000 as his capital. The Balance Sheet of A and B as on 30.06.2020 was as follows:

	₹		₹
Capital:			
A	62,500	Cash	6,250
B	37,500	Stock	50,000
Creditors	50,000	Debtors	31,250
		Machinery	25,000
		Freehold premises	37,500
	<u>1,50,000</u>		<u>1,50,000</u>

The assets are revalued as: Stock ₹ 46,875; Machinery ₹ 18,750; Freehold premises ₹ 43,750 and Debtors ₹ 28,125. It is also agreed that A is to be charged with any loss from revaluation. On 01.07.2020 X deposited his capital. Give all Journals and prepare new Balance Sheet of the new firm.

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2. Mr. X does not keep double entry system of his business transactions. His assets and liabilities position as on 01.04.2019 was as:

Cash ₹ 7,450; Debtors ₹ 25,350; Stock ₹ 30,300; Furniture ₹ 6,900; Creditors ₹ 16,500; Outstanding expenses ₹ 3,500; Capital ₹ 50,000.

On 31.03.2020 his drawings was ₹ 15,000. Goods worth ₹ 600 has been withdrawn by him for personal use. On 01.10.2019, he transferred his household furniture worth ₹ 2,100 to his business.

His assets and liabilities were as on 31.03.2020 as:

Creditors ₹ 18,600; Outstanding expenses ₹ 4,300; Cash ₹ 6,580; Debtors ₹ 36,900; Stock ₹ 40,320; Furniture ₹ 9,000; Prepaid rent ₹ 400.

Depreciation @ 10% p.a. on Furniture. Provision for Bad debt on Sundry debtors is to be created @ 5% and 5% interest on Capital which was at beginning. Find out Profit/Loss as on 31.03.2020 and prepare assets and liabilities position in the form of Statement of Affairs.

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Please Turn Over

3. On 01.01.2020 M. Coal Co. purchased one car from Tata Motors Ltd. The cash down price of the car was ₹ 50,000. It was agreed ₹ 5,000 would be paid on signing the agreement and the balance by 4 equal annual instalments of ₹ 12,500 each commencing from 31.12.2020. The Coal Co. closes its books on 31st December every year. Depreciation is to be charged @ 10% p.a. on the car in diminishing balance method.

Show the necessary accounts in the books of the Coal Company for 4 years giving necessary workings. 20

4. Mr. A. Banerjee started a business on 01.01.2020 with ₹ 10,000 in cash, ₹ 5,000 in goods and ₹ 10,000 in furniture.

Trial Balance as on 31.12.2020 was as follows:

	Dr.	Cr.
	₹	₹
Bad debt	3,500	—
Sales	—	28,700
Reserve for Bad debt	—	200
Stock	5,000	—
Furniture	15,000	—
Capital	—	30,000
Drawings	4,500	—
Wages	1,800	—
Purchases	18,000	—
Advertisement	1,400	—
Debtors	9,000	—
Creditors	—	5,000
Cash	3,200	—
Loans (secured)	—	2,400
Interest on loan	400	—
Commission	600	—
Misc. Expenses	700	—
Premiums	800	—
Salaries	2,400	—
	<u>66,300</u>	<u>66,300</u>

Other information:

- Goods valued ₹ 15,000 was destroyed by fire, against this an insurance claim of ₹ 10,000 was to be received. During the year the owner of business took ₹ 2,000 worth goods for personal consumption. The value of the other stock in hand was ₹ 8,000.
- Depreciation on furniture was 10% and the addition of furniture was made on 1st April, 2020.
- Wages included wages of ₹ 800 paid to the workers for repairing furniture.
- Mr. A. Ghosh, a debtor for ₹ 2000 was declared insolvent, only 50 paise in the rupee was receivable against his estate.

(e) Reserve for bad debt was to be created at 5% and reserve for discount @2% on debtors as well as creditors is to be created.
(f) Addition on capital was made on 1st July, 2020. Charge interest at 5% on capital and 3% on drawings.

Prepare Tradings a/c, P/L a/c for the year ended 31.12.2020 and a Balance Sheet as on 31.12.2020.
 $5+9+6=20$

5. (a) "An auditor is a watchdog, not a bloodhound."—Explain. $10+10=20$
(b) Distinguish between internal audit and interim audit.

6. What is audit evidence? Give the types of audit evidence. $4+16=20$

7. (a) Give the internal check system regarding cash sales of a departmental store.
(b) Distinguish between Compliance Procedures and Substantive Procedures. $10+10=20$

8. Write notes on: $5\times4=20$
(a) Standard Audit
(b) Audit Risk
(c) Government Audit
(d) Routine Checking
