

**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:		Cash	6,250
A	62,500	Stock	50,000
B	37,500	Debtors	31,250
Creditors	50,000	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. 20

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 Goods worth ₹ 600 has been withdrawn by him for personal use.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. 20

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.

(b) Distinguish between internal audit and interim audit. 10+10=20

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: 5×4=20

(a) Standard Audit

(b) Audit Risk

(c) Government Audit

(d) Routine Checking
