

Mid Semester Test: August-2017

Corporate Accounting

**GUJARAT NATIONAL LAW UNIVERSITY  
GANDHINAGAR**

Course: Corporate Accounting  
Semester-I (Batch: 2017-22)

Mid Semester Test: August-2017

Date: 24<sup>th</sup> August, 2017

Duration: 2 hours

Max. Marks: 30

**Instructions:**

- Read the questions properly and write the answers in the given answer book.
- The respective marks for each question is indicated in-line.
- Do not write anything on the question paper.
- Indicate correct question numbers in front of the answers.
- No questions or clarifications can be sought during the exam period, answer as it is, giving reason, if any.
- **Use of calculator is allowed.**

**Answer any three questions:****Marks**

- Q.1 Pass Journal entries for the following transactions, post them into Ledger and prepare Trial Balance for the month of August, 2017. (10)
- (a) Rishabh started a newspaper printing press by contributing Cash of Rs. 5,00,000, a Building of Rs 3,00,000 and a Machinery of Rs 2,00,000 to the business.
  - (b) He purchased paper and ink of Rs. 1,00,000 for Cash and Rs. 2,00,000 on Credit from Gupta Suppliers.
  - (c) He got a license of printing newspaper by paying Rs. 1,00,000 and the validity of the license is 10 years.
  - (d) He made payment to Gupta Suppliers of Rs. 1,90,000 in full settlement.
  - (e) Every day the owner keeps 20 copies of the newspaper for his own reading and his relatives. The cost per copy of newspaper is Rs. 5.
  - (f) In the month of August, newspapers of Rs. 5,00,000 were sold, out of which, Rs. 4,00,000 could be collected and remaining were to be collected later.
  - (g) The debtors became insolvent. Only 60 paise in a rupee was recovered from the debtors.
  - (h) Due to fire in the press, a loss of Rs. 2,00,000 occurred to Machinery. As the press was insured the claim got covered up to 80% of the loss.
  - (i) The press faced a defamation suit (under trial) for Rs. 3,00,000.
  - (j) The press was penalized Rs. 5,000 for incorrect reporting by Ministry of Information & Broadcasting.
- Q.2 Write short notes on the following: (10x1 =10)
- (a) Contingent Liability
  - (b) Compensating Errors
  - (c) Marshalling of Assets and Liabilities
  - (d) Deferred Revenue Expenditure
  - (e) Abnormal Gains

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- (c) Marhsalling of Assets and Liabilities
- (d) Deferred Revenue Expenditure
- (e) Abnormal Gains
- (f) Unexpired Expenses
- (g) Normal Loss
- (h) Direct Incomes

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- (i) Presumptive Loss
- (j) Notional Gain

Q.3 From the following Trial Balance of S & M Ltd. prepare Profit & Loss Account for the year and Balance Sheet as at 31<sup>st</sup> March 2017. (10)

Particulars	Debit (Rs.)	Credit (Rs.)
Capital		1,00,000
Drawings	12,000	
Land & Building	60,000	
Plant & Machinery	20,000	
Furniture	5,000	
Leasehold Premises (For 5 years)	30,000	
Sales		1,40,000
Return Outwards		4,000
Debtors	18,400	
Loan taken on 1.7.2016		30,000
Purchase	80,000	
Return Inwards	5,000	
Railway Freight & VAT on Purchases	10,000	
Sundry Expenses	600	
Printing & Stationery	500	
Insurance Charges	1,000	
Bad Debts	400	
Income of Textile department		10,000
Stock on 1.4.2016	21,300	
Salaries & Wages	18,500	
Sundry Creditors		12,000
Trade Expenses	800	
Cash at Bank	4,600	
Cash in hand	8,900	
Provision for doubtful Debts		1,000
<b>Total</b>	<b>2,97,000</b>	<b>2,97,000</b>

**Additional Information:**

- (a) The stock of the business in hand on 31<sup>st</sup> March 2017 was valued at Rs 27,300.
- (b) The textile department is an integral part of the core business of S & M Ltd.
- (c) A fire broke out and destroyed stock of the value of Rs 10,000. The insurance

- (a) The stock of the business in hand on 31<sup>st</sup> March 2017 was valued at Rs 27,300.
- (b) The textile department is an integral part of the core business of S & M Ltd.
- (c) A fire broke out and destroyed stock of the value of Rs. 10,000. The insurance company admitted the claim for loss of stock to the value of Rs 6,000 only and paid the amount on 16<sup>th</sup> April, 2017.
- (d) Of the sundry debtors, Rs 400 were bad and, were written off.
- (e) Owner had utilised goods of the value of Rs. 2,000 for his personal use, but no record was made of it.
- (f) Depreciate Land and Building at 5%, Plant and Machinery at 20% and Furniture and Fixtures at 5%.
- (g) Prepaid insurance was Rs. 200.
- (h) A furniture of Book Value Rs. 2,000 (after depreciation) has been sold at a gain of Rs. 500.
- (i) The loan taken carries an interest rate of 10% per annum.

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- Q.4 (a) State the Generally Accepted Accounting Principles precisely. Do these 'principles' allow an accountant to be creative in protecting the interests of the organization using his commercial prudence? If yes, give instances. (07)
- (b) Prepare triple column cash book from the following information: (03)
1. Balance of cash- Rs. 5,000.
  2. Bank overdraft in the beginning- Rs. 6,000.
  3. Cash of Rs. 500 was deposited in the bank.
  4. Received Rs. 1800 from Rajesh in full settlement of Rs. 2100.
  5. Withdrew Rs. 200 from the bank for office expenses.
  6. Paid rent of Rs. 500.
  7. Paid Rs. 280 to Ram in settlement of debt of Rs. 320.
  8. Withdrew Rs. 500 from the bank for personal expenses.

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