

SUPREME COURT OF INDIA

Advocates-On-Record Examination: December, 2004.

Paper III- Book-Keeping & Accounts And Professional Ethics.

Time allowed: 3 Hours.

Total Marks: 100

PART-I: Book-Keeping & Accounts.

Q. I.

- i) Explain why the double-entry book system has three types of accounts: a) Real Accounts, b) Personal Accounts, and c) Nominal Accounts.
Also explain which of these would go to the Profit and Loss Account and which to the Balance Sheet.
- ii) Explain why 'closing stock' is not a part of trial balance and how entries in respect of closing stock are posted.

(15 marks)

Q. 2. Which of the following are 'adjusting' entries?

- a. matching the costs associated with prepaid assets against current revenues as the assets are consumed.
- b. recording accrued expenses.
- c. recording estimated items, such as depreciation.
- d. For all of the above reasons.

Which of the following errors will be detected by a trial balance?

- a. posting a credit to Sales instead of to Accounts Payable;
- b. incorrectly computing the balance of the cash account;
- c. not journalizing a sales transaction;
- d. forgetting to post a purchase transaction.

Which of the following rules is incorrect?

- a. the accounting equation must always remain in balance;
- b. liability accounts are increased by debit entries and decreased by credit entries;
- c. asset accounts normally have debit balances;
- d. capital stock accounts are increased by credit entries and decreased by debit entries.

Which of the following is the primary purpose of the Balance Sheet?

- the market value of the firm's assets at some point in time,
- the status of the firm's assets in case of forced liquidation of the firm,
- the firm's potential for growth in stock values in the stock market.
- items of value, debts, and net worth.

(15 marks)

Q. 3. The following is the Trial Balance of ABC & Co. as on March 31, 2004.

| Description | Debit balance (Rs.) | Credit balance (Rs.) |
|---------------------------|---------------------|----------------------|
| Capital | | 4,00,000 |
| Drawings | 20,000 | |
| Wages | 57,000 | |
| Insurance | 4,500 | |
| Salary | 36,500 | |
| Purchases | 3,35,500 | |
| Sales | | 7,50,500 |
| Carriage Inwards | 37,500 | |
| Carriage Outwards | 32,000 | |
| Returns Inwards | 22,000 | |
| Returns Outwards | | 31,500 |
| Discount Received | | 2,200 |
| Sundry Debtors | 79,000 | |
| Sundry Creditors | | 33,800 |
| Commission to Sales Staff | 19,000 | |
| Bank | 8000 | |
| Plant & Machinery | 4,13,000 | |
| Loan from Bank. | | 60,000 |
| Opening Stock | 1,97,000 | |
| Office Expenses | 17,000 | |
| TOTAL | 12,78,000 | 12,78,000 |

The closing stock is valued at Rs. 1,12,000.

Provide for 10% depreciation on the plant and machinery.

Prepare the Profit and Loss account and the Balance Sheet.

(20 marks)

PART II: PROFESSIONAL ETHICS

Note: Give your answer to each question in maximum of 2 pages.

Q. 1 "Though the distinction between a profession and business consists in the former emphasizing service and the latter the profit, the modern conditions, such as emergence of global market and spread of information technology, have blurred this distinction." Discuss the validity of this statement in the context of the legal profession.

(15 marks)

Q. 2 "The disciplinary bodies setup under the Advocates Act are guardians of due administration of justice. They have the requisite power while supervising the conduct of the members of the legal profession to inflict appropriate penalty when members are found guilty of misconduct. The punishment has to be commensurate with the gravity of misconduct" (Shambhu Ram Yadav v Hanuman Das Khatri (2001) 6 SCC 1.)

Discuss the above statement with reference to the relevant provisions of the Advocates Act.

(15 marks)

Q. 3 "With the strike by the lawyers, the process of court intended to secure justice is obstructed which is unwarranted under the provisions of the Advocates Act. Law is no trade and briefs of the litigants not merchandise." (Ramon Services P Ltd v Subhash Kapoor (2001) 1 SCC 118). Elucidate with reference to cases.

(20 marks)

SUPREME COURT OF INDIA
ADVOCATES ON RECORD EXAMINATION JUNE 2005

Paper III- Book-Keeping & Accounts And Professional Ethics.

Time allowed : 3 hours

Total Marks s 100

PART -A: BOOK-KEEPING & ACCOUNTS

Question No. 5 is compulsory. Answer any other two Questions in this Part.

-li-

Q. 1 What steps would you adopt for converting incomplete accounts into a regular Profit & Loss account and a Balance Sheet?

(15 marks)

Q.2 What are the salient features and the problems that arise in joint venture Accounts?

(15 marks)

Q.3 a) Discuss the advantages of Double Entry system of Accounts.

b) What are the Books of Accounts required in effectively working out commercial profits?

(15 marks)

Q.4 Differentiate between a Balance Sheet and a Trial Balance.

(15 marks)

Q.5 From the under mentioned Trial Balance of Bannerji, prepare the final accounts for the year ended 31st March, 1990 and the Balance Sheet as at that date:

| | Dr. (Rs.) | Cr. (Rs.) |
|--|-----------------|-----------------|
| Land and Buildings | 50,000 | |
| Purchases | 2,10,000 | |
| Stock on 1st March 1990 | 45,000 | |
| Returns | 1,500 | 2,500 |
| Wages | 45,300 | |
| Salaries | 39,000 | |
| Office Expenses | 15,400 | |
| Carriage In | 1,200 | |
| Carriage Out | 2,000 | |
| Discounts | 750 | 1,200 |
| Bad Debts | 1,200 | |
| Sales (adjusted) | | 3,85,000 |
| | | |
| Capital Account | | 1,15,000 |
| Chatterjee Loan A/c (taken on 1/10/89 @ 18% p.a.) | | 25,000 |
| Insurance | 1,500 | |
| Commission | | 1,500 |
| Plant and Machinery | 50,000 | |
| Furniture and Fixtures | 20,000 | |
| Bills Receivable | 20,000 | |
| Sundry Debtors | 40,000 | |
| Sundry Creditors | | 25,000 |
| Cash in hand | 1,500 | |
| Cash at Bank | 14,500 | |
| Office Equipment | 12,000 | |
| Bills payable | | 12,350 |
| Expenses payable | | 3,300 |
| | | |
| | 5,70,850 | 5,70,850 |
| | | |

It was the practice of Bannerji to value stock at 10% below cost. The opening stock (on

1-4-89) was Rs.49,500. Bannerji desires that the final statement be drawn up according to the cost of the stock. The following adjustments are also required:-

- (1) Depreciate Land and Building @ 6%, Plant and Machinery @ 10%, Office Equipment @ 20% and Furniture and Fixtures @ 15%
- (2) Raise a Bad and Doubtful Debts Provision of $1\frac{1}{4}$ % on Sundry Debtors.
- (3) Insurance Premium includes Rs.250 paid in advance.
- (4) Provide Interest on Capital @ 10% p.a. and Salary to Baneiji @ Rs. 15,000 p.a.
- (5) 10% of the final profit is to be kept in General Reserve.

(20 marks)

PART - B : PROFESSIONAL ETHICS

Question No. 1 is compulsory. Answer any other two Questions in this Part.

Q.1 "Among members of the legal profession and the judiciary, there is a genuine concern with establishing and maintaining high ethical standards. More than a set of rules of good conduct, legal ethics and professional responsibility are also a commitment to honesty, integrity and service in the practice of law. As to existing codes of professional practice cannot be treated as a system of specific rules; that the current set of ethical rules is contestable and require refinement and perhaps radical surgery; and that legal ethics must be conceived within the more general framework of professional responsibility".

Discuss.

(20 marks)

Q.2 One of the problems that legal profession faces is the conflict of interests and duties. This problem arises mainly in suits between a borrower and a lender being represented by a firm of lawyers some of whom have appeared for the petitioners and later on some other partner appear for the borrower. Since the lawyers on both the sides belong to the same law firm and they have access to information favourable or prejudicial to the other side. Would the action of the law firm involve conflict of duties to the client? One view is that as ethical practice that the lawyers duty requires to advise the borrower of the mistakes of the lender scheme and the conflict of interest that arises will last till the duty is discharged. How would you solve the problem? Give reasons for your answer.

(15 marks)

Q.3 Success in litigation largely depends upon thorough preparation of the case and the lawyer owes the duty as much to the Court as to the client. Elaborate and cite examples where good cases have been lost because of lack of adequate and proper preparation.

(15 marks)

Q.4 Krishnaswami Aiyar in his book on professional conduct points out that an advocate ought to know that no one is convinced by loud words, dogmatic assertions, assumption of superior knowledge, sarcasm, invective or the making of faces at your opponent at the Bar. The minds and hearts of those that you address are apt to be closed when assertion is relied upon more than proof and when sarcasm and invective supply the place of deliberate reasoning. How far are these known principles being followed in courts of law and particularly the Supreme Court. Give illustrations.

(15 marks)

Q.5 It is often said that it is not the duty of a lawyer to point out facts and judgments which are against him. On the other hand there is a tendency amongst some lawyers to adhere to candour and frankness. Discuss the merits of either point of view.

(15 marks)

SUPREME COURT OF INDIA

Advocate-on-Record Examination - June 2006

Paper -III BOOK KEEPING & ACCOUNTS

Time : Three hours

Total Marks : 100

INSTRUCTIONS

1. Question No. 3 is compulsory.
2. Answer any other two questions in this Part.

PART-A

Q. 1 a) It is a universal truth in matter of accountancy that besides the people at the helm of affairs of the company or firm, there are other parties who are interested in the financial statement of the firm. Enumerate these parties and give briefly the use they make of the financial statements.

(7 marks)

b) What are the conventions regarding financial statements.

(8 marks)

Q. 2 Distinguish between a double entry system of accounting and a single entry system of accounting. For government transactions which system is reflective of a fair and true result of the annual transaction.

(15 marks)

Q. 3 The Balance Sheet of a Public Library showed as follows on 1st July, 1960:

| Liabilities | | | Assets | | | |
|------------------------------------|--|-------|--------------------|--|--|-------|
| Outstanding Creditors for Expenses | | 700 | Cash at Bank | | | 4,000 |
| Creditors on Open | | 4,300 | Sundry Debtors For | | | 1000 |

| | | | |
|---|---------------|--------------------------------------|--------|
| Accounts | | Subscriptions outstanding | |
| Capital Fund:- | | for use of Lecture Hall 400 | 1,400 |
| Accumulated Excess of Income Over Expenditure | 70,000 | Investments in 5% Government Loan | 6,000 |
| | | Library Books | 20,000 |
| | | Furniture and Fittings | 3,500 |
| | | Building | 40,000 |
| | | Prepaid Insurance | 100 |
| | Rs. 75,000 | | 75,000 |

The Cash transactions for the year ending 30th June, 1961, were as follows:

| | | | |
|---|--------|---|-------|
| | | | |
| To Bank Balance on 1 st July 1960 | 4,000 | By Payment to Creditors on Open Account | 4,300 |
| To Entrance Fees | 1,200 | By Additions to Library Books | 1,400 |
| To Subscriptions | 12,500 | By Electric Lighting and Power | 300 |
| To Proceeds from Lectures and To Entertainments | 4,500 | By Municipal Taxes | 1,100 |
| To Rent received from use of hall | 1,500 | By Repairs to building | 800 |
| To Interest on Investments | 200 | By Insurance | 350 |
| To Sale of old Newspapers | 450 | By Electric Installation Expenses | 2,000 |
| To Sale of old Furniture | 100 | By Payment to Outstanding Creditors of last year | 700 |
| | | By Printing and Stationery | 500 |
| | | By sundry Expenses | 250 |

| | | | |
|--|---------------|---------------------------------|---------------|
| | | By Postage | 420 |
| | | By Subscriptions to Periodicals | 1,400 |
| | | By cost of Investments bought | 3,000 |
| | | By Salaries | 3,600 |
| | | By Balance at Bank, 30.6.1961 | 4,330 |
| | Rs. 24,450 | | Rs. 24,450 |

Insurance was prepaid to the extent of Rs. 75 and Subscriptions outstanding amounted to Rs. 1,800/-. Rs. 250/- were owing for use of Lecture Hall and Rs.300/- for Interest on Investments had accrued due. There were Creditors outstanding for New Steel Shelves acquired during the year amounting to Rs. 1,750/-. There were also owing for Salaries Rs.500/- and Stationery Rs.75/-. Entrance Fees are to be capitalized.

You are required to prepare an Income and Expenditure Account and a Balance Sheet for the year ended 30th June 1961, after providing 2% Depreciation on Building, 5% on Electric Installation and Furniture and Fittings, and 10% on Library Books, such Depreciation to be calculated on the opening balance of the Assets in question.

(20 marks)

Q.4. There is a rapid change in accounting policy adopted by Corporations. How are these changes known to those who deal in accounts? Set out two instances of these changes, which you think are significant.

(15 marks)

Q.5 Write brief notes on (i) revenue and expenditure accounts (ii) depreciation and capital expenditure and (iii) trial balance and balance sheet

(15 marks)

PART-B
PROFESSIONAL ETHICS

Question No. 5 is compulsory. Answer any other two Questions in this Part.

Q. 1 To what extent a lawyer can go beyond instructions received from the client. Can a solicitor arrogate to himself, a discretion as to whether or not disclosure of confidence reposed in him by his client can be justified on the basis of broad grounds of public policy. Give reasons.

(15 marks)

Q.2 Lord Macmillan had said: 'What the Judge is seeking is material of the judgment or opinion which all through the case he knows he will inevitably have to frame and deliver at the end. He is not really interested in the advocate's pyrotechnic displays; he is searching all the time for the determining facts and the principles of law which he will ultimately embody in his decision.' Elucidate giving some examples/cases in the Supreme Court.

(15 marks)

Q.3 The one legal instrument, which is available to the judiciary to curb contempt of court are the provisions of Contempt of Courts Act. Recently, two important Amendments were made to the Contempt of Courts (Amendment) Act, 2006 (No.6 of 2006). What are these two important amendments? Will the amendment help the Bar or the Judiciary?

(15 marks)

Q.4 The Supreme Court delivered a landmark Judgment in the case of Dharam Dutt V. Union of India in (2004) I SCC 712. What is the constitutional challenge involved in this case and how did the Hon'ble Supreme Court resolve the conflict?

(15 marks)

Q. 5 A public prosecutor's term of appointment gets terminated at the end of the financial year. The State Government chooses another candidate for appointment of public prosecutor in the place of the incumbent. The incumbent felt that he had a right to retain the post and the State Government had acted unconstitutionally by bringing another lawyer. Discuss the correctness of the claim of the existing prosecutor and the rights of the State Government. Site authorities.

(20 marks)

SUPREME COURT OF INDIA

ADVOCATE-ON-RECORD EXAMINATION JUNE 2007

PAPER III—ACCOUNTS AND PROFESSIONAL ETHICS

TIME ALLOTTED: THREE HOURS

TOTAL MARKS: 100

All questions are compulsory

- 1** “Depreciation is taken to Profit and Loss Account and depreciated asset is taken to the Balance Sheet.” Is the statement correct? Explain.

(15 marks)

- 2** Distinguish between:
- a. Revenue and Capital expenditures;
 - b. Revenue and Capital receipts;
 - c. Trial Balance and Balance Sheet.

(15 marks)

- 3** Prepare Profit and Loss Account and Balance Sheet from the following trial balance as on 31-3-2007.
- Depreciate ALL assets by 10% uniformly.
- Expenses on books, if periodical, are revenue expenses and if textbooks, are capital expenses.

TRIAL BALANCE AS ON MARCH 31. 2007

| Ledger heading | Debit Balance | Credit Balance |
|--------------------------------------|---------------|----------------|
| Advance tax | 75,000 | |
| Advances received | | 1,50,000 |
| Air conditioner | 14,000 | |
| Bank balance | 12,000 | |
| Bank Commission | 1,000 | |
| Books (periodicals) | 5,000 | |
| Books (textbooks) | 4,000 | |
| Building | 2,00,000 | |
| Capital | | 50,000 |
| Car expenses | 2,000 | |
| Cash balance | 8,000 | |
| Computer | 25,000 | |
| Dividend received | | 9,000 |
| Drawings | 10,000 | |
| Equity shares | 17,000 | |
| Fees paid to Jr. Adv. | 20,000 | |
| Fees paid to Sr. Adv. | 50,000 | |
| Fees received | | 4,00,000 |
| Land | 1,00,000 | |
| Membership expense (professional) | 3,000 | |
| Mobile phone (purchase cost) | 3,000 | |
| Salary paid to clerk | 32,000 | |
| Telephone expenses | 11,000 | |
| Travel expenses (professional) | 16,000 | |
| Typewriter | 1,000 | |
| Total | 6,09,000 | 6,09,000 |

(20 marks)

Part B- Professional Ethics

Q. 4 “It is settled position of law that a journalist or lawyer does not have a sacrosanct right to withhold information regarding crime under the guise of professional ethics. A lawyer cannot claim a right over professional communication beyond what is permitted under Section 126 of the Evidence Act. There is also no law that permits a newspaper or a journalist to withhold relevant information from courts though they have been given such power by virtue, of Section 15(2) of the Press Council Act, 1978 as against the Press Council” Do you agree with the legal proposition? Give reasons with special reference to the advantages and disadvantages of allowing journalists to keep confidential their sources of their information.

(20 marks)

Q 5 In what circumstances, do the advocates have the right to go on strike? Is it obligatory on every member of the Bar to join the strike? Give illustrations
(15 marks).

Q. 6. “Soliciting briefs is against professional ethics”. This principle of the Bar Council applicable in India is not followed in England and the USA. Has the time come to change this rule? What should be the limits of soliciting? Why?
(15 marks).

SUPREME COURT OF INDIA

ADVOCATES-ON-RECORD EXAMINATION, DECEMBER 2008

PAPER III: BOOK KEEPING AND ACCOUNTS: PROFESSIONAL ETHICS

TIME ALLOTTED: THREE HOURS

TOTAL MARKS: 100

All questions are compulsory

PART A - BOOK KEEPING AND ACCOUNTS

Q. 1. Write short notes on any five of the following: [15 marks]

- a. Real accounts, Personal accounts, and Nominal accounts.
- b. Cash system and mercantile system
- c. Revenue receipts and capital receipts
- d. Single entry and double entry
- e. Income and expenditure accounts, and profit and loss account.
- f. Trial balance and balance sheet
- g. Adjustment of Closing stock.

Q. 2 The following is the Trial Balance of M/s ABC for the year ended 31.12.2007

[15 marks]

| | DEBIT | CREDIT |
|-----------------------|----------|-----------|
| CAPITAL | | 5,00,000 |
| DRAWINGS | 1,25,000 | |
| LOAN FROM XYZ BANK | | 2,50,000 |
| WAGES | 25,000 | |
| FACTORY EXPENSES | 15,000 | |
| ADVANCES TO SUPPLIERS | 15,000 | |
| SUNDRY CREDITORS | | 1,50,000 |
| SUNDRY DEBTORS | 2,25,000 | |
| SALES | | 11,50,000 |
| PURCHASES | 6,25,000 | |
| OPENING STOCK | 1,25,000 | |
| SALARIES | 12,000 | |

| | | |
|----------------------|----------|-------|
| OFFICE EXPENSES | 8,000 | |
| INTEREST ON DEPOSITS | | 9,000 |
| CASH IN HAND | 60,000 | |
| BANK BALANCE | 4,30,000 | |
| TRADE INVESTMENTS | 50,000 | |
| PLANT & MACHINERY | 3,00,000 | |
| OFFICE RENT | 9,000 | |
| SALES & ADVERTISING | 35,000 | |
| | | |

The stock in hand is valued at 1,35,000/-. Charge depreciation on the written down value basis on Plant & Machinery at 10%. Prepare the profit and loss account and balance sheet.

Q. 3 Write up journal entries for any ten of the following:

[20 marks]

| | | Rs. |
|-----|--|------------|
| 1. | Payment of rent | 25,000/- |
| 2. | Purchase of raw material on credit from M/s XYZ | 1,50,000/- |
| 3. | Advance to Mr. A for purchase of house given by cheque | 10,00,000 |
| 4. | Cash deposited in Bank | 10,000/- |
| 5. | Cash withdrawn from bank | 10,000/- |
| 6. | Drawing by partner from firm in cash | 15,000/- |
| 7. | Cheque issued for purchase of shares | 1,00,000/- |
| 8. | Sale of car to Mr. B - money yet to be received | 50,000/- |
| 9. | Depreciation on plant and machinery | 10,000/- |
| 10. | Sale of scrap in cash | 15,000/- |
| 11. | Loan received from bank by credit in account | 5,00,000/- |
| 12. | Loan repaid to bank ABC by cheque drawn on bank EFG | 3,00,000/- |
| 13. | Dividend on shares received by cheque | 10,000/- |
| 14. | Money in current account with EFG bank placed in fixed deposit | 50,000/- |

PART B

Answer any five questions

MARKS TO BE GIVEN FOR ANSWERS THAT ARE BRIEF AND TO THE POINT

Q.1 Lawyers cannot resort to remedies of collective bargaining such as strikes.

Discuss.

[10 marks]

Q.2 The profession must regulate itself- if the Bar Councils fail in their duty a day may come when external regulation may become imperative. Discuss.

[10 marks]

Q.3 In the adversarial system, the lawyer is supposed to present his client's case. Is it then a breach of professional duty not to bring to the notice of a court the provision of a Statute or a decision that has a direct bearing on the case but goes against the interest of the client? Discuss.

[10 marks]

Q.4 A businessman is fully justified in soliciting business from the customers of his competitor. For a lawyer soliciting business violates professional ethics. Discuss

[10 marks]

Q.5 Should lawyers be permitted to advertise? If so, what kind of advertisements would be in keeping with professional ethics. Discuss.

[10 marks]

Q.6 Filing false affidavits sullies the stream of justice. What is the duty of the lawyer in drawing up affidavits on behalf of clients? Discuss.

[10 marks]

Q.7 Lawyers were at one time regarded as members of a noble and respected profession. Of late, there has been a change in the public perception of lawyers as a community. Discuss.

[10 marks]

Q.8 Write short notes on the following:

[10 marks]

- a) conflict of interest in appearing for and against clients in different cases
- b) the duty of the lawyer to be fully prepared with cases
- c) Behaviour in court
- d) Amicus Curiae

SUPREME COURT OF INDIA

ADVOCATES-ON-RECORD EXAMINATION, June 2009

PAPER III: BOOK KEEPING AND ACCOUNTS: PROFESSIONAL ETHICS

TIME ALLOTTED: THREE HOURS

TOTAL MARKS: 100

Part I- Book-keeping and Accountancy.

All questions are compulsory.

Q. 1.

- a.** Write a short note on why is advocate on record required to pass the AOR examination? (7 marks)

Q.2.

- b.** Write a short note on depreciation. (7 marks)

Q. 3.

Notes: (a) 3 marks for each correct answer.

(b) In the following options, only one of them is the correct answer.

(c) In the answer sheet, indicate the answer by number. E.g., if the correct answer to the first question is that “the Cash book is an example of a ledger account”, write in your answer sheet thus: (i) (2). No further elucidation is necessary.

i. Cash Book is an example of-

- 1.** Journal.
- 2.** A ledger account.
- 3.** It is neither a Journal nor a Ledger.

ii. Patent rights account is-

- 1.** Nominal Account.
- 2.** Personal Account.
- 3.** Real Account.

iii. Ledger is a book in which-

- 1.** Only Real Accounts are opened.
- 2.** Only Real and Personal Accounts are opened.
- 3.** The Real, Personal and Nominal Accounts are opened.

iv. Journal Is-

- 1.** Book of prime entry.
- 2.** Book of final entry.
- 3.** Permanent Record.
- 4.** Incomplete record.

v. In a double entry system of book keeping every business transaction affects-

- 1.** Two sides of the same account.
- 2.** The same account on different dates.
- 3.** Two accounts.
- 4.** One account.

vi. Purchase of equipment for cash-

- 1.** Decreases total assets.
- 2.** Increases total assets.
- 3.** Leaves total assets unchanged.
- 4.** Increases total liabilities.

vii. Favourable bank balance means-

- 1.** Debit balance in the Pass Book.
- 2.** Credit balance in the Cash book.
- 3.** Debit balance in the bank column of the Cash book.
- 4.** Combination of 2 and 3 above.

viii. Purchase of Rs. 251 from Ramesh & Co. has been entered into Purchases Account as Rs. 215. If the debit side total of the Trial Balance is Rs. 17,364, what would be the total of credit column of the Trial Balance before the discovery of the error?-

\$

1. Rs. 17,364.
2. Rs. 17,400.
3. Rs. 17,328.

ix. Which of the following is the Error of Commission in a Trial Balance?-

1. A sale of Rs. 560 was omitted to be recorded in the book of Prime Entry.
2. A purchase of Rs. 840 was wrongly posted.
3. Treating repairs expenses as addition to the asset.

x. Income tax paid by a lawyer is shown-

1. On the debit side of Profit and Loss Account.
2. As an asset in the Balance Sheet.
3. As a deduction from the capital in the Balance Sheet.

xi. A lawyer's Capital Account shows opening balance of Rs. 2,00,000 and closing balance as Rs. 2,03,000. His net profit is Rs. 5,000. Which of the following amounts represents his drawings?—

1. Rs. 8,000
2. Rs. 3,000
3. Rs. 2,000

xii. The liabilities of a lawyers account are Rs. 16,000. The capital invested by the lawyer is Rs. 24,000. The total assets are—

1. Rs. 24,000
2. Rs. 8,000
3. Rs. 40,000
4. Rs. 16,000

Part II

ETHICS

All questions are compulsory. Each carries maximum of 15 marks.

Each answer should not exceed two pages.

5 extra marks are for clarity, conciseness and precision.

Q. 1 Is it essential that the Bar Council investigating allegations of misconduct must not only examine the facts carefully but also give reasons for its decision? Discuss with reference to case law.

Q. 2 A client, in the vakalatnama, has expressly and in writing authorised a lawyer to give specific concessions. However, in the course of the arguments the lawyer, acting bona fide, finds that if he is to save some part of his client's claim, it is necessary to make a further concession. Can he do so without express consent of his client?

Q. 3. An advocate-on-record for the accused files proof of service on the Counsel of the State in respect of a bail application. Based on the proof, on the next date of hearing, the court, finding that the Counsel for the State is absent, grants bail. The accused then absconds.

The Counsel for the State files an application that neither he nor his registered clerk was served and that he remained absent not knowing that the application had been filed and that it was being heard. The advocate on record for the accused says he relied upon his clerk who said that he had given a copy of the application to some one in the office of the Counsel for the State. Should the court-

- (a) condone the action of the advocate on record;
- (b) take action against the advocate on record;
- (c) cancel the registration of the clerk of the advocate on record.

Give reasons.

SUPREME COURT OF INDIA

ADVOCATES-ON-RECORD EXAMINATION, DECEMBER 2010

PAPER III: BOOK KEEPING AND ACCOUNTS: PROFESSIONAL ETHICS

TIME ALLOTTED: THREE HOURS

TOTAL MARKS: 100

PART A - BOOK KEEPING AND ACCOUNTS

All questions are compulsory

Your answer to each Question should not exceed two pages.

Q. 1. Differentiate between Trial Balance, Trading Account, Income & Expenditure Account, Profit and Loss Account and Balance Sheet.

(15 marks)

Q. 2. Write short notes with examples on: (i) Revenue receipt v Capital Receipt: (ii) Revenue Expenditure v Capital Expenditure (iii) Depreciation v Amortization.

(15 marks).

Q. 3. Prepare Income and Expenditure Account and draw Balance Sheet on the basis of the following Trial Balance, providing for 10% depreciation on all assets. [Books (periodicals) are revenue expenses and Books (textbooks) are capital expenses.]

Trial Balance as on March 31, 2010.

| Ledger heading | Debit balance | Credit Balance |
|-----------------------|----------------------|-----------------------|
| Advance tax | 75,000 | |
| Advances reed | | 1,50,000 |
| Airconditioner | 14,000 | |
| Bank balance | 12,000 | |
| Bank commission | 1,000 | |
| Books (periodicals) | 5,000 | |
| Books (textbooks) | 4,000 | |
| Building | 2,00,000 | |
| Capital | | 50,000 |
| Cash balance | 8,000 | |
| Computer | 25,000 | |
| Dividend reed. | | 9,000 |
| Drawings | 10,000 | |
| Equity shares | 17,000 | |
| Fees to Junior | 20,000 | |
| Fees to seniors | 50,000 | |
| Fees received | | 4,00,000 |
| Land | 1,00,000 | |
| Membership yearly | 3,000 | |
| Mobile phone | 3,000 | |
| Salary to clerk | 32,000 | |
| Telephone exp | 11,000 | |
| Transport expenses | 2,000 | |
| Travel exp | 17,000 | |
| TOTAL | 6,09,000 | 6,09,000 |

(20 marks)

Part-B—Professional Ethics.

Q. A. Slate your views on the following observations by the Supreme Court in recent judgment.

"The other important issue thrown up by this case and that causes us both grave concern and dismay is the decline of ethical and

Incomplete