

SAI KRIPA

Guess paper - 1

Question No. 1 is compulsory.

Answer any four questions from the remaining five questions.

Wherever necessary, suitable assumptions should be made and disclosed by way of note forming part of the answer.

Working Notes should form part of the answer.

By: - CA RAKESH KALRA

Time Allowed: - 180 Minutes

Max Marks: - 100

Question – 1

(a) State with reasons whether the following statements are True or False:

- i. Both revenue and capital nature transactions are recorded in the Receipts and Payments Account.
- ii. The Sales book is kept to record both cash and credit sales.
- iii. Depreciation is a Cash Expense.
- iv. If a partner retires, then other partners have a gain in their profit sharing ratio.
- v. When shares are forfeited, the share capital account is debited with called up capital of shares forfeited and the share forfeiture account is credited with calls in arrear of shares forfeited.
- vi. If the amount is posted in the wrong account or it is written on the wrong side of the account, it is called error of principle. (6 Statements x 2 Marks = 12 Marks)

(b) Classify the following expenditures as capital or revenue receipt or capital or revenue expenditure:

- i. Traveling expenses of the chief executive officer for trips abroad for purchase of capital assets.
- ii. Amount spent on making a few more exits in a Cinema Hall to comply with Government orders.
- iii. Insurance claim received on account of inventory damaged by fire.
- iv. Amount paid for removal of stock to a new site. (4 Marks)

(c) Record the following transactions in the journal

2023

- July 1 Ram started business with Cash Rs. 25,000, Goods Rs. 15,000 and furniture Rs. 10,000.
- 2 Sold Goods to Ramesh for Rs. 5,000 at a Trade discount of 10% and cash discount of 2%, Received 60% amount immediately.
- 3 Purchased Goods from Sagar Chand for Rs. 4,000 at a trade discount of 5%.
- 4 Paid to Sagar Chand Rs. 3,750 by cheque in full settlement of his account.

(4 Marks)

Question – 2

(a) The M/s LG Transport purchased 10 trucks at Rs. 45,00,000 each on 1st April 2014. On October 1st, 2016, one of the trucks is involved in an accident and is completely destroyed and Rs. 27,00,000 is received from the insurance in full settlement. On the same date, another truck is purchased by the company for the sum of Rs. 50,00,000. The company write off 20% on the original cost per annum. The company follows the calendar year as its financial year. You are required to prepare the motor truck account for two year ending 31 Dec, 2017.

(b) On 30th September, 2017, the bank account of Neel, according to the bank column of the Cash-Book, was overdrawn to the extent of Rs. 8,124. On the same date the bank statement showed a debit balance of Rs. 41,516 in favour of Neel. An examination of the Cash Book and Bank Statement reveals the following:

- i. A cheque for Rs. 26,28,000 deposited on 29th September, 2017 was credited by the bank only on 3rd October, 2017
- ii. A payment by cheque for Rs. 32,000 has been entered twice in the Cash Book.
- iii. On 29th September, 2017, the bank credited an amount of Rs. 2,34,800 received from a customer of Neel, but the advice was not received by Neel until 1st October, 2017.
- iv. Bank charges amounting to Rs. 1,160 had not been entered in the Cash Book.
- v. On 6th September, 2017, the bank credited Rs. 40,000 to Neel in error.
- vi. A bill of exchange for Rs. 2,80,000 was discounted by Neel with his bank. This bill was dishonoured on 28th September, 2017 but no entry had been made in the books of Neel.
- vii. Cheques issued upto 30th September, 2017 but not presented for payment upto that date totalled Rs. 26,52,000.

You are required :

- a) to show the appropriate rectifications required in the Cash Book of Neel, to arrive at the correct balance on 30th September, 2017 and
- b) to prepare a bank reconciliation statement as on that date.

(10 Marks +10 Marks= 20 Marks)

Question – 3

- (a) Mr. Arun runs a business of readymade garments. He closes the books of accounts on 31st March. The Balance Sheet as on 31st March, 2020 was as follows:

Liabilities	₹	Assets	₹
Capital A/C	5,05,000	Furniture	50,000
Creditors	1,02,500	Closing stock	3,50,000
		Debtors	1,25,000
		Cash in Hand	35,000
		Cash at Bank	47,500
	6,07,500		6,07,500

You are furnished with following information:

- (1.) His sales, for the year ended 31st March, 2021 were 20% higher than the sales of Previous year, out of which 20% sales was cash sales. Total Sales during the year 2019-20 were ₹ 6,25,000.
- (2.) Payments for all the purchases were made by cheques only.
- (3.) Goods were sold for cash and credit both. Credit customers pay by cheques only.
- (4.) Depreciation on furniture is to be charged 10% p.a.
- (5.) Mr. Arun sent to the bank the collection of the month at the last date of each month after paying salary of ₹ 2,500 to the clerk, office expenses ₹ 1,500 and personal expenses 625.

Analysis of bank pass book for the year ending 31st March, 2021 disclosed the following:

	₹
Payment to creditors	3,75,000
Payment to rent up to 31 st March, 2021	20,000
Cash deposited into bank during the year	1,00,000

The following are the balances on 31st March, 2021:	
	₹
Stock	2,00,000
Debtors	1,50,000
Creditors for goods	1,82,500

On the evening of 31st March, 2021, the cashier absconded with the available cash in the cash book.

You are required to prepare Trading and Profit and Loss A/c. for the year ended 31st March, 2021 and Balance Sheet as on that date. All the working should form part of the answer. (10 Marks)

(b) Seema, Meena & Tina are partners sharing profits and losses in the ratio of 5:3:2. Their capitals were Rs 13,440, Rs 8,400, Rs 11,760 respectively.

Liabilities and assets of the firm are as under:

Liabilities:

Trade creditors	2,800
Loan from partners	1,400

Assets:

Patent	1,400
Furniture	2,800
Machinery	1,680
Stock	5,600

The assets realized in full in the order in which they are listed above. Meena is insolvent. You are required to prepare a statement showing the distribution of cash as and when available, applying maximum possible loss procedure. (10 Marks)

Question – 4

(a) A, B and C are partners sharing profit and loss in the ratio 5:3:2. Balance sheet as on 31st Dec 2009 are given. C decided to retire.

Balance sheet

Liabilities	Amount	Assets	Amount
Capital a/c		Bank	58000
P 150000		Land & B	125000
Q 100000		Plant & M	85000
R 100000	350000	JLP	15,000
		Stock	72000
Creditor	50000	Debtor	100000
Reserve fund	30000	Deferred revenue expenditure	10000
	450000		450000

Adjustment

- i. Creditor includes old outstanding of Rs 22,000 which is now to be written off from the book of a/c.
- ii. Provision on debtor is required 10%.
- iii. Stock undervalued by 10%.
- iv. Firm Goodwill amounted to Rs 200,000
- v. C will be paid by the cash brought by A and B to make their capital proportionate to their profit sharing ratio. Minimum bank balance will be maintained at Rs 78,000.

Prepare revaluation account, capital account, and balance sheet. (15 Marks)

- (b) A and B are partner sharing profit and loss in the ratio 3:2 respectively their balance sheet showed capital amount of Rs 300,000 and Rs 200,000. They decided to admit P as a partner for 1/4th share in the profit. For the valuation of goodwill A and B decided to calculate goodwill on the basis of the 3 year purchase of super profit method. Normal return in same kind of business is 10%.

Additional information:

Profits for the last 4 year are:

2000.	110,000 (include loss on fire Rs 10000)	
2001.	80,000 (including dividend received Rs 20000)	
2002.	50,000	
2003.	50,000 (exclude a sale invoice Rs 3000)	(5 marks)

Question – 5

- (a) Smith Library Society showed the following position on 31st March, 2017:

Balance Sheet as on 31st March, 2017

Liabilities	Amount	Assest	Amount
Capital Fund	7,93,000	Electrical fitting	1,50,000
Expenses payable	7,000	Furniture	50,000
		Books	400,000
		Investment in securities	1,50,000
		Cash at bank	25,000
		Cash in hand	25,000
	8,00,000		8,00,000

The receipts and payment account for the year ended on 31st March, 2018 is given below:

Reciepts	Amount	Payment	Amount
To Balance b/d		By Electric charges	7,200
Cash at bank 25,000		By Postage and stationary	5,000
Cash in hand <u>25,000</u>	50,000	By Telephone charges	5,000
To Entrance fee	30,000	By Books purchased	60,000
To Membership subscription	200,000	By Outstanding expenses paid	7,000
To Sale proceeds of old papers	1500	By Rent	88,000
To Hire of lecture hall	20,000	By Investment in securities	40,000
To Interest on securities.	8,000	By Salaries	60,000
		By Balance c/d	
		Cash at bank 20,000	
		Cash in hand <u>11,300</u>	31,300
	309,500		3,09,500

You are required to prepare income and expenditure account for the year ended 31 st March, 2018 after making the following adjustments:

- Membership subscription included Rs. 10,000 received in advance.
- Provide for outstanding rent Rs. 4,000 and salaries Rs. 3,000.
- Books to be depreciated @ 10% including additions. Electrical fittings and furniture are also to be depreciated at the same rate.
- 75% of the entrance fees is to be capitalized.

- v. Interest on securities is to be calculated @ 5% p.a. including purchases made on 1.10.2017 for Rs. 40,000. (15 Marks)

- (b) A Company had issued 25,000, 12% Debentures of 100 each on 1st April, 2018. The Debentures were due for redemption on 1st July, 2020. The terms of issue of Debentures provided that they will be redeemable at a premium of 5% and also conferred option to convert 20% of their holding into equity Shares (Nominal value 10 each) at a price of Rs.20 per share. Debenture holders holding 5,000 Debentures did not exercise the option. Calculate the number of Equity shares to be allotted to the debenture holders exercising the option to the maximum. (5 Marks)

OR

Following are the balance showed in the Books of Shivani ltd as on 31st march 2024

Particulars	Amounts
Authorised Share Capital	
500,000 Equity Share of Rs 10 each	50,00,000
10,000 9% Preference Share of Rs 100 each	10,00,000
Issued Share Capital	
300,000 Equity Share of Rs 10 each	30,00,000
10,000 9% Preference Share of 100 each, 70 paid up	700,000
Reserve and Surplus	
General Reserve	450,000
Profit and loss A/C	500,000
Investment Fluctuation Fund	100,000
Security Premium Account	35,000

Additional Information

- Company make the final call and all amount duly received, and company decided to redeem preference shares at 10% premium.
- Company decide to issue 30,000 equity share of Rs 10 each at 20% premium.

Pass Journal entries

Question – 6

- (a) Vivek Sinha private limited issued 200,000 Equity shares of Rs 10 each, amount were payable as follows

At Application	Rs 2
At Allotment	Rs 6
At Share 1 st & Final Call	Rs 2

Applications were received for 350,000 shares and Company rejected the application money of 50,000 shares and balances were allotted on pro-rata basis. All amount due were received with the exception of following:-

- Mr Suraj who Applied 45,000 shares failed to pay Share Allotment and Share Final.
- Mrs Chander Who Allotted 20,000 shares Failed to pay Share final Call.

Company forfeited all shares of Suraj and Chander and out of Forfeited Shares Company reissued only 40,000 shares (Which includes all shares of Suraj). at Rs 8 per share in the market.

Pass necessary journal entries to record the above issue of share and show your working notes. (15 Marks)

(b) Sudha Limited issued 50,000, 9% debentures of Rs 100 each at premium of 10%, redeemable at Premium of 20%. All amounts were called at once and all money was received from debenture holders.

Pass Journal entries for issue of debenture.

(5 Marks)

OR

Following are the balance showed in the Books of Escrow ltd as on 31st march 2024

Particulars	Amounts
Authorised Share Capital	
90,000 Equity Share of Rs 10 each	900,000
5000 9% Preference Share of Rs 100 each	500,000
Issued Share Capital	
70,000 Equity Share of Rs 10 each, 8 paid up	560,000
5000 9% Preference Share of 100 each	500,000
Reserve and Surplus	
General Reserve	250,000
Profit and loss A/C	150,000
Investment Fluctuation Fund	100,000
Security Premium Account	35,000

Additional Information

- iii. Company make the final call and all amount duly received expect 5000 shares failed to pay final call, company forfeited such shares.
- iv. Company allot bonus shares for two share for every five share held.

Pass Journal entries