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Suggested Answer of Accounts (June 24)

| S.No | Question-Answer | Marks |
|--------|--|------------|
| Q1 (a) | <p>State with reasons, whether the following statements are True or False:</p> <p>(i) If closing stock appears in Trial balance then it does not enter in trading Account. It is only shown in Balance Sheet.</p> <p>(ii) If the amount is posted in wrong account or it is written on the wrong side of the account, it is called error of Principle.</p> <p>(iii) Accounting Standards can override the statue.</p> <p>(iv) Promissory Note is different from Bill of Exchange because the amount is paid by the maker in case of former and by the acceptor in the later.</p> <p>(v) All errors are rectified by means of journal entries.</p> <p>(vi) Revaluation account is also known as Profit and Loss Adjustment Account.</p> | 12 |
| Ans | <p>(i) True: The closing Stock appears in the trial balance only when it is adjusted against purchases by passing the entry. In this case, closing stock is not entered in Trading Account and is shown only in Balance Sheet</p> <p>(ii) False: When amount is written on wrong side, it is known as an error of commission.</p> <p>(iii) False: Difficulties in making choice between different treatments is one of the limitation of accounting standard.</p> <p>(iv) True: In case of the promissory note, it is generally the maker who makes the payment, but in case of the bill of exchange, the person accepting the bill shall be liable to make the payment to the holder of the bill.</p> <p>(v) False: Errors detected before preparation of trial balance can be rectified either through rectification statements (not entries) or through rectification entries. There are some errors which affect one side of an account norwich affect more than one account in such a way that it is not possible to pass a complete rectification entry.</p> <p>(vi) True: Revaluation is also called as profit and loss adjustment account.</p> | |
| Q1 (b) | <p>(i) Define accounting policy. What are the conditions under which a company can change its accounting policy?</p> <p>(ii) Explain the following</p> <p style="padding-left: 20px;">(1) Cash Basis of Accounting</p> <p style="padding-left: 20px;">(2) Going Concern Concept</p> | 2 2 |

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|-----|---|--|
| Ans | <p>(i) Accounting Policies refer to specific accounting principles and methods of applying these principles adopted by the enterprise in the preparation and presentation of financial statements.</p> <p>Conditions under which company can change its accounting policy</p> <p>(a) It is required by some statute or for compliance with an Accounting Standard</p> <p>(b) Change would result in more appropriate presentation of financial statement</p> <p>(ii) (1) Cash Basis of Accounting</p> <p>Cash Basis of Accounting is the method of recording transactions by which revenues and costs and assets and liabilities are reflected in the accounts in the period in which actual receipts or actual payments are made.</p> <p>(2) Going Concern Concept</p> <p>The financial statements are normally prepared on the assumption that an enterprise is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the enterprise has neither the intention nor the need to liquidate or curtail materially the scale of its operations.</p> | |
|-----|---|--|

| | | |
|--------|---|---|
| Q1 (c) | <p>Pass Journal Entries for the following transactions in the books of Mr. Kapil:</p> <p>(i) Purchase Goods from Sonu ₹1,50,000 at the trade discount of 10% plus CGST and SGST @6% each.</p> <p>(ii) Sold Goods to Mohit for ₹ 50,000 and charged CGST & SGST @5% each. Out of the amount due 40% is received by cheque immediately.</p> <p>(iii) Goods costing ₹ 25,000 withdrawn for personal use. Such goods were purchased by paying CGST & SGST @6%</p> <p>(iv) Machinery purchased from M/s Bright Industries for ₹2,00,000 plus CGST and SGST @9% each. Paid ₹1,00,000 immediately by cheque and balance to be paid after two months.</p> | 4 |
|--------|---|---|

| | | | | |
|-----|---------------------------|--------------------------------|----------|----------|
| Ans | In the books of Mr. Kapil | | | |
| | Date | Particulars | Dr(₹) | Cr(₹) |
| | (i) | Purchases A/c (1,50,000 ✕ 90%) | 1,35,000 | |
| | | ..Dr | 8,100 | |
| | | Input CGST A/c (1,35,000 ✕ 6%) | 8,100 | |
| | | ..Dr | | 1,51,200 |
| | | Input SGST A/c (1,35,000 ✕ 6%) | ..Dr | |

| | | | |
|-------|---|------------------------------|--------------------------|
| | To Sonu's A/c (Being goods purchased from Sonu, with 10% trade discount, CGST & SGST applicable @6%) | | |
| (ii) | Bank A/c (55,000 ✕ 40%) ..Dr Mohit A/c (55,000 ✕ 60%) ..Dr To Sales A/c To Output CGST (50,000 ✕ 5%) To Output SGST (50,000 ✕ 5%) (Being goods Sold to mohit, CGST & SGST Charged @ 6% Each, 40% amount received immediately) | 22,000 33,000 | 50,000 2,500 2,500 |
| (iii) | Drawings A/c ..Dr To Purchase A/c To Input CGST (25,000 ✕ 6%) To Input SGST (25,000 ✕ 6%) (Being Goods withdrawn by proprietor for personal use) | 28,000 | 25,000 1500 1500 |
| (iv) | Machinery A/c ..Dr Input CGST A/c (200000 ✕ 9%) ..Dr Input SGST A/c (200000 ✕ 9%) ..Dr To Bank A/c To M/s Bright Industries A/c (Being machinery purchase from M/s Bright industries, Charged CGST & SGST @ 9% each, 1,00,00 paid immediately) | 2,00,000 18,000 18,000 | 1,00,000 1,36,000 |

- Q2(a)** The Trial Balance of Mr. Sarvesh Kumar as on 31st March, 2024 did not tally and the difference was posted to Suspense Account. On a scrutiny of the books, the following errors were detected :
- (i) The total of Sales Returns Book for January 2024 has been casted short by ₹ 1,000.
- (ii) Freight paid for installation of a Machine ₹6,500 was posted to the Freight accounts as ₹5,600.

12

- (iii) Goods of the value of ₹ 2,500 returned by a customer were entered in the Sales day Book and posted there from o the credit of his account.
- (iv) ₹ 18,000 paid for purchase of old Motorcycle for personal use of Mr. Sarvesh Kumar was debited to conveyance account.
- (v) A purchase of ₹6,700 had been posted to creditor's account as ₹6,000.
- (vi) Receipt of cash ₹ 5,000 from Mr. Avinash was posted to the debit of his account.
- (vii) A cheque for ₹2,500 received from Mr.Alok had been dishonoured and was posted to the debit of Mr. Ashok.
- (viii) Sale of ₹8,500 to Mr. Deepak was recorded in the sales book correctly but while posting in ledger credited to his account
- (ix) The total of "Discount Allowed" column in the cash book for the month of December 2023 amounting to ₹3,800 was not posted.
- (x) Sale of old office table for ₹ 2,200 treated as sale of goods.
- You are required to pass necessary journal entries with narrations to rectify the above errors.

Ans

In the Books of Mr Sarvesh Kumar
Journal Entries

| Date | Particulars | Dr (₹) | Cr (₹) |
|------|---|----------------|--------------|
| i) | Sales Return A/c ..Dr To Suspense A/c (Being total of sales return book casted short now rectified) | 1,000 | 1,000 |
| ii) | Machine A/c ..Dr To Freight To Suspense A/c (Being freight paid for installation wrong posted to freight now rectified) | 6,500 | 5,600 900 |
| iii) | Sales A/c ..Dr Sales Return A/c ..Dr To Suspense A/c (Being goods returned by customer wrongly entered in sales book, now rectified) | 2,500 2,500 | 5,000 |
| iv) | Drawings A/c ..Dr | 18,000 | |

| | | | |
|-------|---|--------|--------|
| | To Conveyance A/c (Being motorcycle purchased for personal use wrongly debited to conveyance now rectified) | | 18,000 |
| v) | Suspense A/c ..Dr To Creditor's A/c (Being short posting of customer account now rectified) | 700 | 700 |
| vi) | Suspense A/c ..Dr To Avinash A/c (Being receipt from avinash posted on wrong side of his ledger now rectified) | 10,000 | 10,000 |
| vii) | Mr. Alok ..Dr To Mr. Ashok (Being cheque of Mr. Alok dishonoured wrongly debited to Mr Ashok, Now Rectified) | 2,500 | 2,500 |
| viii) | Mr. Deepak ..Dr To Suspense A/c (Being sale to Mr. deepak wrongly credited to his account, Now Rectified) | 17,000 | 17,000 |
| ix) | Discount Allowed A/c ..Dr To Suspense A/c (Being total of discount allowed column omitted to posted, Now Rectified) | 3,800 | 3,800 |
| x) | Sales A/c ..Dr To Furniture A/c (Being sale of furniture treated as sales now rectified) | 2,200 | 2,200 |

Q2(b) On 1st April, 2022, LMP Cd. which depreciates its machinery @ 10% p.a. on diminishing balance method, had ₹9,72,000 to the debit of Machinery Account. On 1st October, 2022, part of machinery purchased on 1st April, 2020 for ₹80,000 was sold for ₹ 45,000. Also, a new machinery at a cost of ₹ 1,50,000 was purchased on

8

1st October, 2022 and installed on the same date and installation charges being ₹ 8,000. The company changed the method of depreciation from diminishing balance method to straight line method with effect from 1st April, 2020 and adjusted the difference on 31st March, 2023. The rate of depreciation remains the same. Show the Machinery Account and ascertain the amount chargeable to Profit and Loss Account as depreciation in 2022-23.

Ans

Machinery A/c

| Date | Particulars | ₹ | Date | Particulars | ₹ |
|-------------|----------------|-----------|--------------|--|-----------|
| 2022 1.4 | To Balance b/d | 9,72,000 | 2022 1.10 | By Bank A/c | 45,000 |
| 1.10 | To Bank A/c | 1,58,000 | | By Depreciation A/c (80000*10%*6/12) | 4,000 |
| | | | | By P/L (loss) [WN 1] | 15,000 |
| | | | 2023 31.3 | By Depreciation [WN 3] | 1,19,900 |
| | | | | By P/L [WN 2] (Depreciation undercharged) | 12,000 |
| | | | | By Balance c/d | 9,34,100 |
| | | 11,30,000 | | | 11,30,000 |

Working Note:

1. Loss on Sale

| Particulars | ₹ |
|---|---------------|
| Book Value | 80,000 |
| Less: Depreciation @10% for 2.5 yrs (SLM) | <u>20,000</u> |
| WDV on 1.10.22 | 60,000 |
| Less: Sales Proceeds | 45,000 |
| Loss on Sale | 15,000 |

2. Depreciation undercharged

| Particulars | ₹ |
|---|------------------|
| Book Value (8,00,000*100/90*100/90) | <u>12,00,000</u> |
| Depreciation @10% for 2 years (12,00,000*10%*2) | 2,40,000 |
| Less: already charged (1,20,000+ 1,08,000) | <u>2,28,000</u> |

| | |
|---------------------------|--------|
| Depreciation Undercharged | 12,000 |
|---------------------------|--------|

3. Depreciation for 2020

| Old Machine-1 | | New Machine- 2 | |
|-------------------------|---------------|----------------|--------|
| On 1.4.20 (book value) | 12,00,000 | On 1.10.22 | 15,800 |
| Less: Sold | <u>80,000</u> | Less: Dep @10% | 7,900 |
| | 11,12,000 | | |
| Less: Depreciation @10% | 1,12,000 | | |

Total Depreciation= 112000+ 7900= ₹1,19,900

Q3(a) The Receipts and Payments Account of Vandana Sports Club for the year ended 31st March, 2024 are as follows :

12

Receipt & Payment A/c

| Receipts | ₹ | Payments | ₹ |
|---------------------------|---------------|-------------------------|---------------|
| To balance b/d | | By Salaries | 1,55,000 |
| Cash in hand | 5,200 | By Rent & Electricity | 69,750 |
| Cash at bank | <u>35,500</u> | By Library Books | 10,500 |
| To Subscription | 2,95,000 | By Newspaper & Magazine | 16,600 |
| To Entrance Fees | 50,000 | By Sports Equipment | 28,500 |
| To Miscellaneous Income | 19,850 | By Sundry Expenses | 71,050 |
| To Interest on Investment | 8,000 | By balance c/d | |
| | | Cash in Hand | 8,750 |
| | | Cash at bank | <u>53,400</u> |
| | 4,13,550 | | 62,150 |
| | | | 4,13,550 |

Details of other assets and liabilities are furnished as follows:

| Particulars | 31st March,2023(₹) | 31st March,2024(₹) |
|--------------------------------|--------------------|--------------------|
| Salaries Outstanding | 10,200 | 12,400 |
| Outstanding Rent & Electricity | 6,500 | 7,600 |
| Investment (8% Govt, Bonds) | 1,00,000 | 1,00,000 |
| Interest Accrued on Bonds | 2,000 | 2,000 |
| Subscription receivable | 18,700 | 2,600 |

| | | |
|----------------------------------|--------|-------|
| Subscription received in advance | 7,000 | 8,400 |
| Furniture | 65,500 | - |
| Sports Equipment | 41,500 | - |
| Library Books | 22,000 | - |

The closing values of furniture and sports equipment are to be determined after charging depreciation at 10% and 15% respectively inclusive of additions, if any during the year. The Club's library books are revalued at the end of every year and the value at the end of 31 st March, 2024 was ₹30,000. 60% of the Entrance fee is to be capitalized.

You are required to prepare:

- (i) Income and Expenditure Account for the year ended 31 st March, 2024
- (ii) Balance Sheet as on 31 st March, 2024

Ans

**Vandana Sports Club
Income and Expenditure Account
for the year ended 31st March, 2024**

| Expenditure | ₹ | Income | ₹ |
|-----------------------------|----------|---------------------------|----------|
| To Salaries (WN3) | 1,57,200 | By Subscription (WN2) | 2,95,500 |
| To Rent & electricity (WN3) | 70,850 | By Interest (1,00,000*8%) | 8,000 |
| To Depreciation (WN4) | 19,550 | By Entrance fees | |
| To Newspaper & Magazines | 16,600 | (50,000*40%) | 20,000 |
| To Sundry Expenses | 71,050 | By Miscellaneous Income | |
| To Surplus | 8,100 | | 19,850 |
| | 3,43,350 | | 3,43,350 |

**Balance Sheet of Vandana Sports Club
as on 31st March, 2024**

| Liabilities | ₹ | Assets | ₹ |
|---------------|--------------|---------------------|----------|
| Capital | 2,66,700 | Furniture | 58,950 |
| Add: Entrance | 30,000 | Sports Equipment | 59,500 |
| (50,000*60%) | | Library Books | 30,000 |
| Add: Surplus | <u>8,100</u> | 8% Bonds Investment | 1,00,000 |
| | 3,04,800 | | |

| | | | |
|------------------------|----------|-------------------------|----------|
| O/s Salary | 12,400 | Interest Accrued | 2,000 |
| O/s Rent & Electricity | 7,600 | Subscription receivable | 20,600 |
| Advance Subscription | 8,400 | Cash in Hand | 8,750 |
| | | Cash at bank | 53,400 |
| | 3,33,200 | | 3,33,200 |

Working Note:

1. Balance Sheet of Vandana Sports Club
as on 31st March, 2023

| Liabilities | ₹ | Assets | ₹ |
|---------------------------|----------|-------------------------|----------|
| Capital Fund (B/F) | 2,66,700 | Furniture | 65,500 |
| O/s Salary | 10,200 | Sports Equipment | 41,500 |
| O/s Rent & Electricity | 6,500 | Library Books | 22,000 |
| Advance Subscription | 7,000 | 8% Bonds Investment | 1,00,000 |
| | | Interest Accrued | 2,000 |
| | | Subscription receivable | 18,700 |
| | | Cash in hand | 5,200 |
| | | Cash at Bank | 35,500 |
| | 2,90,400 | | 2,90,400 |

2. Calculation of Subscription Income

| Particulars | ₹ |
|--|-----------------|
| Received during the year | 2,95,000 |
| Add: Outstanding as on 31st March, 2024 | 20,600 |
| Less: Outstanding as on 31st March, 2023 | (18,700) |
| Less: Outstanding as on 31st March, 2023 | (8,400) |
| Add: Advance as on 31st March, 2023 | 7000 |
| Expenditure for the year | 2,95,500 |

3. Calculation of Salary and Rent & electricity expense

| Particulars | Salary | Rent & Electricity |
|---|----------|--------------------|
| Paid during the year | 1,55,000 | 69,750 |
| Add: Outstanding as on 31st March, 2024 | 12,400 | 7,600 |

| | | |
|--|----------|---------|
| Less: Outstanding as on 31st March, 2023 | (10,200) | (6,500) |
| Expenditure for the year | 1,57,200 | 70,850 |

4. Calculation of Depreciation

| Particulars | | ₹ |
|------------------------------------|---------------|---------------|
| On Furniture =65,500*10% | | 6,550 |
| On Sports Equipment | | |
| Opening Balance | 41,500 | |
| Add: Purchased during the year | <u>28,500</u> | |
| | <u>70,000</u> | |
| Depreciation= 70,000*15% | | 10,500 |
| On Library Books | | |
| Opening Library Books | 22,000 | |
| Add: Purchased during the year | <u>10,500</u> | |
| | <u>32,500</u> | |
| Less: Closing Value | (30,000) | 2,500 |
| Total Depreciation | | 19,550 |

Q3 (b) P, Q, and R were partners sharing profit & losses in the ratio of 3:2:1. They decided to dissolve the business as on 31 st March, 2024 when their Balance Sheet was as follows :

8

| Liabilities | ₹ | Assets | ₹ |
|--------------------------|------------------|-------------------|----------|
| Capital A/c: | | Land and Building | 4,85,000 |
| P | 3,55,000 | Machinery | 1,88,000 |
| Q | 2,20,000 | Furniture | 1,05,000 |
| R | <u>1,25,000</u> | Stock | 55,800 |
| General Reserve | 1,50,000 | Trade Debtors | 1,56,000 |
| Employees Provident Fund | 60,000 | Cash & Bank | 44,200 |
| Trade Creditors | 1,24,000 | | |
| | 10,34,000 | | |

The following information is given to you

- (i) There was an unrecorded investment which was sold for ₹30,000.
- (ii) One of the creditors agreed to take over some items of furniture of Book value ₹25,000 at ₹ 24,000. The rest of the creditors were paid at a discount of 5%.
- (iii) Out of the Debtors ₹ 9,000 proved bad, remaining were fully realized
- (iv) The other assets were realised as under:

| | |
|-----------------|---------------------------------------|
| Land & Building | ₹ 5,25,000 |
| Machinery | ₹ 1,70,000 |
| Furniture | Remaining taken over by P at ₹ 75,000 |
| Stock | ₹ 60,000 |
- (v) Expenses of dissolution amounted to ₹18,700.
- (vi) There was an outstanding bill for repairs which had to be paid for ₹ 3,500.

You are required to prepare

- (1) Realisation A/c
- (2) Cash & Bank A/c
- (3) Partner's Capital A/c in the books of partnership firm.

Ans

1. Realisation A/c

| Particulars | ₹ | Particulars | ₹ |
|-----------------------------|--------------|--------------------------------|-----------|
| To Land & Building | 4,85,000 | By Employees PF | 60,000 |
| To Machinery | 1,88,000 | By Trade Creditors | 1,24,000 |
| To Furniture | 1,05,000 | By P's capital A/c (Furniture) | 75,000 |
| To Stock | 55,800 | By Cash & Bank A/c | |
| To Trade debtors | 1,56,000 | Land & Building | 5,25,000 |
| To Cash & bank | | Machinery | 1,70,000 |
| Creditors | 95,000 | Stock | 60,000 |
| Dissolution Expenses | 18,700 | Trade Debtors | 1,47,000 |
| o/s bill for repairs | 3,500 | Investment | 30,000 |
| Employees PF | 60,000 | | |
| <u>To Partner's Capital</u> | | | |
| P | 12,000 | | |
| Q | 8,000 | | |
| R | <u>4,000</u> | | |
| | 24,000 | | |
| | 11,91,000 | | 11,91,000 |

2. Cash & Bank

| Particulars | ₹ | Particulars | ₹ |
|--------------------|----------|----------------------|----------|
| To Balance b/d | 44,200 | By Realisation A/c | 1,17,200 |
| To Realisation A/c | 9,32,000 | By Realisation A/c | 60,000 |
| | | By Partner's Capital | |
| | | P | 3,67,000 |
| | | Q | 2,78,000 |
| | | R | 1,54,000 |
| | 9,76,200 | | 9,76,200 |

3. Partner's Capital A/c

| Particulars | P | Q | R | Particulars | P | Q | R |
|----------------|----------|----------|----------|--------------------|----------|----------|----------|
| To Realisation | 75,000 | | | By Balance b/d | 3,55,000 | 2,20,000 | 1,25,000 |
| To Cash & Bank | 3,67,000 | 2,78,000 | 1,54,000 | By General reserve | 75,000 | 50,000 | 25,000 |
| | | | | By Realisation | 12,000 | 8,000 | 4,000 |
| | 4,42,000 | 2,78,000 | 1,54,000 | | 4,42,000 | 2,78,000 | 1,54,000 |

Q4 (a) Anu and Manu are carrying on business in partnership and sharing profits & losses in the ratio of 5 : 3. The firm's Balance Sheet as on 31st March, 2024 was as follows:

12

Balance Sheet as on 31st March, 2024

| Liabilities | Amount | Assets | Amount |
|---------------------------|----------|-------------------|-----------------|
| Capital Accounts : | | Building | 3,80,000 |
| Anu | 2,80,000 | Machinery | 1,43,000 |
| Manu | 2,50,000 | Furniture | 85,000 |
| Long Term Loan | 2,00,000 | Trade Receivables | 1,64,000 |
| Trade Payables | 1,19,500 | Inventories | 48,400 |
| Outstanding liabilities | 16,200 | Cash & Bank | 30,100 |
| | 8,65,700 | | 8,65,700 |

They decided to admit Ranu as a partner with effect from 1st April, 2024 on the following terms :

(i) Ranu will be paid 1/5 share in the future profits and new profit sharing ratio would be 5 : 3 : 2.

(ii) Ranu will bring ₹1,00,000 as his capital.

(iii) Goodwill of firm is to be valued at 2 years' purchase of average profit of past 3 years and Ranu will bring his share of goodwill in cash. The profits of past 3 years ending on 31st March were as under :

31st March, 2022 ₹87,000

31st March, 2023 ₹1,06,000

31st March, 2024 ₹1,22,000

(iv) It was also agreed that the partners will not withdraw their share of goodwill nor will the goodwill appear in the books of account.

(v) It was also decided to value the assets .

Building is to be appreciated by ₹50,000 and Machinery is to be depreciated by 10%. Furniture is revalued at ₹80,000, Investments at ₹16,000 and Inventories at ₹47,500. Provision for doubtful debts is to be created on debtors @ 5%.

You are required to prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the reconstituted firm as on 1st April, 2024.

Ans

In the Books of Anu, Manu & Ranu
Revaluation Account

| Particular | Amount | Particulars | Amount |
|--|--------|---------------|--------|
| To Machinery (143000 * 10%) | 14,300 | By Building | 50,000 |
| To Furniture | 5,000 | By Investment | 800 |
| To Inventories (48400-47500) | 900 | | |
| To Provision for Doubtful debts (164000 * 5%) | 8,200 | | |
| To Anu's Capital A/c (22,400 * 5/8) | 14,000 | | |
| To Manu's Capital A/c (22,400 * 3/8) | 8,400 | | |
| | 50,800 | | 50,800 |

Partners Capital A/c

| Particulars | Anu | Manu | Ranu | Particulars | Anu | Manu | Ranu |
|-------------|-----|------|------|-------------|-----|------|------|
| | | | | | | | |

| | | | | | | | |
|-----------------|----------|----------|----------|-------------------|----------|----------|----------|
| To Anu Capital | | | 26,250 | By Balance B/d | 2,80,000 | 2,50,000 | |
| To Manu Capital | | | 15,750 | By Bank | | | 1,42,000 |
| To Balance C/d | 3,20,250 | 2,74,150 | 1,00,000 | By Ranu's Capital | 26,250 | 15,750 | |
| | | | | By Revaluation | 14,000 | 8,400 | |
| | 3,20,250 | 2,74,150 | 1,42,000 | | 3,20,250 | 2,74,150 | 1,42,000 |

Balance Sheet as on 1st April, 2024

| Liabilities | ₹ | Assets | ₹ |
|------------------------|------------------|--|------------------|
| Capital A/c | | Building | 4,30,000 |
| Anu | 3,20,250 | Machinery (1,43,000 - 10%) | 1,28,700 |
| Manu | 2,74,150 | Furniture | 80,000 |
| Ranu | <u>1,00,000</u> | Investment | 16,000 |
| | 6,94,400 | Inventories | 47,500 |
| Long Term Loans | 2,00,000 | Trade receivable | 1,64,000 |
| Trade Payable | 1,19,500 | less: RDD | <u>(8,200)</u> |
| O/s Liabilities | 16,200 | Cash & Bank (30,100 + 1,00,000 + 42,000) | 1,72,100 |
| | | | |
| | 10,30,100 | | 10,30,100 |

Working Note:

1. Calculation of Goodwill

Average Profits = $87,000 + 1,06,000 + 1,22,000 / 3$

Average Profits = ₹1,05,000 C C E S S P A T H

Goodwill = $1,05,000 * 2$ years of Purchase

Goodwill = ₹2,10,000

Ranu's Share of goodwill = $2,10,000 * 1/5 = ₹42,000$

2. Sacrificing Ratio

Anu = $5/8 - 5/10 = 10/80$

Manu = $3/8 - 3/10 = 6/80$

Sacrificing Ratio = 10:6

3. Journal Entry for Goodwill

Ranu's Capital A/c Dr 42,000

To Anu's Capital A/c 26250 ($42000 * 10/16$)

To Manu Capital A/c

15750 (42000 * 6/16)

Q4 (b) Harshit Traders are carrying on the retail business of electrical goods. They keep their books of account under single entry system. The Balance Sheet as on 31st March, 2023 was as follows :

8

| Liabilities | Amount | Asset | Amount |
|-----------------|----------|------------------------|----------|
| Capital A/c | 6,05,000 | Motor Vehicle | 1,10,000 |
| Trade Creditors | 75,200 | Furniture | 73,500 |
| Salary Payable | 9,000 | Stock in Trade | 1,70,800 |
| | | Trade Debtor | 1,45,400 |
| | | 6% Investment | 60,000 |
| | | Cash in hand & at Bank | 1,29,500 |
| | 6,89,200 | | 6,89,200 |

The summary of Cash and Bank Book for the year ended 31st March, 2024 was given as below :

| Receipt | ₹ | Payments | ₹ |
|---|-----------|---|----------|
| Cash in hand & at bank on 1st April, 2023 | 1,29,500 | Cash Purchases | 9,48,400 |
| Cash sales | 10,22,400 | Payment to trade creditors | 7,54,500 |
| Receipt from trade debtors | 8,55,200 | Salaries | 4,12,800 |
| Interest on Inv | 3,600 | Rent & rates | 2,51,600 |
| | | Sundry Expenses | 1,38,400 |
| | | Drawings | 2,40,000 |
| | | Cash in hand & at bank on 31st March 2024 | 1,71,300 |
| | 9,70,750 | | 9,70,750 |

Additional Information :

- (i) Gross Profit ratio of 12.5% on Sales is maintained throughout the year.
- (ii) During the year, discount allowed to Trade debtors was for ₹ 62,500 and discount received from Trade Creditors amounted to ₹ 35,000.

(iii) As on 31st March, 2024, the closing balances of Trade Debtors and Trade Creditors were ₹ 2,20,500 and ₹ 1,05,600 respectively.
 (iv) On 31st March, 2024 an amount of ₹ 14,800 was outstanding towards Salary.
 (v) Depreciation @ 10% p.a. to be charged on Motor Vehicle and Furniture.
 You are required to prepare Trading and Profit & Loss account for the year ended 31st March 2024, and Balance Sheet as on that date.

Ans

In the books of Harshit Traders
 Trading & Profit and Loss Account
 for the year ended 31st March, 2024

| Particular | Amount | Particular | Amount |
|---------------------------|------------------|-----------------------------|------------------|
| To Opening Stock | 1,70,800 | By Sales | |
| To Purchase | | Credit Sales 86,89,600 | |
| Credit Purchase(WN.2) | | (WN1) | |
| 76,10,400 | | Cash Sales <u>10,22,400</u> | 97,12,000 |
| Cash Purchase 9,48,400 | 85,58,800 | By Closing Stock (Bal | |
| To Gross Profit | | Fig) | <u>2,31,600</u> |
| (97,12,000 * 12.5%) | <u>12,14,000</u> | | <u>99,43,600</u> |
| | <u>99,43,600</u> | By Gross Profit | 12,14,000 |
| To Depreciation (11,000 + | 18,350 | By Discount received | 35,000 |
| 7,350) | | By Int. on Investment | 3,600 |
| To Discount Allowed | 62,500 | | |
| To Salaries (WN.3) | 4,18,600 | | |
| To Rent & Taxes | 2,51,600 | | |
| To Sundry Expenses | 1,38,400 | | |
| To Net Profit | 3,63,150 | | |
| | <u>12,52,600</u> | | <u>12,52,600</u> |

Balance Sheet as on 31st March, 2024

| Liabilities | ₹ | Asset | ₹ |
|---------------------------------|----------|--------------------------------|--------|
| Capital A/c 6,05,000 | | Motor Vehicle 1,10,000 | |
| Less: Drawings (2,40,000) | | Less: Dep @10% <u>(11,000)</u> | 99,000 |
| Add: Net Profit <u>3,63,150</u> | 7,28,150 | Furniture 73,500 | |
| Trade Creditors | 1,05,600 | Less: Dep @10% <u>(7,350)</u> | 66,150 |

| | | | |
|----------------|----------|----------------|----------|
| Salary Payable | 14,800 | Trade Debtors | 2,20,500 |
| | | Stock in Trade | 2,31,600 |
| | | 6% Investment | 60,000 |
| | | Cash & Bank | 1,71,300 |
| | 8,48,550 | | 8,48,550 |

Working Note 1:

Debtor A/c

| Particulars | Amount | Particulars | Amount |
|--------------------|-----------|---------------------|-----------|
| To Balance B/d | 1,45,400 | By cash & Bank | 85,52,000 |
| To Sales (Bal Fig) | 86,89,600 | By Discount Allowed | 62,500 |
| | | By Balance C/d | 2,20,500 |
| | 88,35,000 | | 88,35,000 |

Working Note 2:

Creditor A/c

| Particulars | Amount | Particulars | Amount |
|----------------------|-----------|-----------------------|-----------|
| To Cash & Bank | 75,45,000 | By Balance B/d | 75,200 |
| To Discount Received | 35,000 | To Purchase (Bal Fig) | 76,10,400 |
| To Balance C/d | 1,05,600 | | |
| | 76,85,600 | | 76,85,600 |

Working Note 3:

Salary Payable A/c

| Particulars | Amount | Particulars | Amount |
|----------------|----------|-----------------------|----------|
| To Cash & Bank | 4,12,800 | By Balance B/d | 9,000 |
| To Balance C/d | 14,800 | To Purchase (Bal Fig) | 4,18,600 |
| | 4,27,600 | | 4,27,600 |

Q5 (a) Manish closed his books of account on 31st March, each year. Inventory taking for the year ended 31st March, 2024 was completed by 10 th April, 2024 on which date value of the stock available in godown was of ₹ 4,50,000 at cost.

5

Following are the details of transactions that took place between 31st March, 2024 and 10th April, 2024 :

- (i) Goods sold to customers ₹1,10,000.
 - (ii) Sales return ₹ 10,000.
 - (iii) Purchases ₹ 85,000 (Including Cash Purchases ₹10,000).
 - (iv) Purchases return amounted to ₹ 2,500.
 - (v) Goods costing ₹ 15,000 received in March, for sale on consignment basis, out of which 60% of goods had been sold by 10th April. These sales are not included in above sales.
 - (vi) After the stock was taken it was found that there was certain very old slow-moving items costing ₹14,850, which should be taken at ₹9,500 to ensure disposal to an interested customer.
- Goods are sold at a profit margin of 25% on cost. Ascertain the value of inventory for inclusion in the final accounts for the year ended 31st March, 2024.

Ans

Statement of Inventory Valuation as on 31st March 2024

| Particulars | Amount |
|---|-----------------|
| Value of Inventory as on 10th April, 2024 | 4,50,000 |
| Add: Sales During 31 March to 10th April | 1,10,000 |
| Less: Sales return | (10,000) |
| | 1,00,000 |
| (-) Gross Profit 20% on Sales | (20,000) |
| Less: Purchase during 31st March to 10 April | 85,000 |
| (-) Purchase return | (2,500) |
| Less: Goods received on consignment Basis (15000 * 40%) | (6,000) |
| Less: Loss on revaluation of slow moving Inventory (14850-9500) | (5,350) |
| ∴ Value of Inventory as on 31st March 2024 | 4,36,150 |

Q5 (b)

(i) Mr. Prakash runs a factory which produces Pressure Cookers. The following details were obtained about his manufacturing expenses for the year ended 31st March 2024 :

5

| Particular | Amount |
|------------|--------|
|------------|--------|

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| | |
|-----------------------------------|-----------|
| Opening Work-in-Progress | 6,25,000 |
| Closing Work-in-Progress | 7,15,000 |
| Opening Inventory of Raw material | 5,85,000 |
| Closing Inventory of Raw material | 4,70,000 |
| Purchases | 18,74,000 |
| Purchase Returns | 95,000 |
| Indirect Material | 1,88,000 |
| Direct Wages | 3,97,000 |
| Indirect Wages | 82,000 |
| Power & Electricity | 1,76,000 |
| Repairs and Maintenance | 2,65,000 |
| Depreciation on Factory Shed | 1,44,000 |
| Depreciation on Plant & Machinery | 1,62,000 |
| Sale of scrap | 36,000 |

You are required to prepare Manufacturing Account for the year ended 31st March, 2024.

Ans

In the books of Mr Prakash
Manufacturing Account
for the year ended 31st March, 2024

| Particulars | Amount | Particulars | Amount |
|------------------------------------|-----------|------------------|--------|
| To Opening WIP | 6,25,000 | By sale of Scrap | 36,000 |
| To Raw Material Consumed | | By Closing WIP | 715000 |
| Opening Inventory 5,85,000 | | | |
| Add: Purchase 18,74,000 | | | |
| Less: Purchase Return (95,000) | | | |
| Less: Closing Inventory (4,70,000) | 18,94,000 | | |

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| | | | |
|---------------------------|-----------|-----------|-----------------|
| To Direct Wages | 3,97,000 | | |
| To manufacturing Overhead | | | |
| Indirect material | 1,88,000 | | |
| Indirect wages | 82,000 | | |
| Power & Electricity | 1,76,000 | | |
| Repairs & Maintenance | 2,65,000 | | |
| Dep on Factory shed | 1,44,000 | | |
| Dep on Plant & Machine | 1,62,000 | 10,17,000 | |
| | | | By Trading A/c |
| | | | (Cost of |
| | | | Manufacturing |
| | | | Finished Goods) |
| | | | 3182000 |
| | 39,33,000 | | 3933000 |

(ii) From the following particulars, prepare the Bank Reconciliation Statement of businessmen as on 31st March, 2024 .

5

| Particulars | ₹ |
|--|--------|
| Bank Overdraft as per cashbook | 24,000 |
| Cheque deposited as per bank statement but not recorded in cash book | 4,000 |
| Cash received from Exe was entered in bank column of cash book | 3150 |
| Debit side of the bank column casted short | 1000 |
| A cheque for ₹ 9,000 deposited but collection as per bank statement | 8950 |
| Bills sent to the bank for collection, collected by the bank but not recorded in cash book | 4200 |
| Bank charges recorded twice in cash book | 40 |
| Noting charges debited in Pass Book for Discounted bill dishonored | 60 |
| Cheques deposited on 25th March, 2024 but collected by Bank on 5th April, 2024 | 4800 |
| Cheques issued on 26 th March, 2024 but presented for encashment on 6 th April, 2024 | 3000 |

Ans

Bank Reconciliation Statement

| Particulars | ₹ | ₹ |
|--------------------------------|---|--------|
| Bank overdraft as per cashbook | | 24,000 |

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| | | |
|---|-------------|-----------------|
| Add: Cash Receipt wrongly recorded as bank receipt | 3150 | |
| Cheque of 9000, collected Rs 8950 (Rs50 Short) | 50 | |
| Noting Charges not recorded | 60 | |
| Cheques deposited but not cleared | <u>4800</u> | <u>8060</u> |
| | | 32060 |
| Less: Cheque deposited but not recorded in cashbook | 4000 | |
| Debit side of bank column casted short | 1000 | |
| Bills sent for collection collected by bank | 4200 | |
| Bank Charges recorded twice | 40 | |
| Cheques issued but not Presented | <u>3000</u> | <u>(12,240)</u> |
| Overdraft as per Passbook | | 19,820 |

Note: It has been assumed that 31st march is not year end hence no adjusted Cashbook

You can make cashbook & BRS also

Q5 (c) The following is the abstract of Balance Sheet of Happy Ltd. as on 31st March, 2024 10

| Particular | Amount |
|---|----------|
| Issued and paid-up capital | |
| 90,000 Equity shares of ₹10 each fully paid - up 9,00,000 | |
| Less : Calls-in-arrear (10,000 Equity shares of ₹ 2 each) | 8,80,000 |
| | (20,000) |
| 40,000 Equity shares of ₹ 10 each, ₹4 cash paidup | 1,60,000 |
| Reserves and Surplus : | |
| Capital Reserve (realized in cash) | 60,000 |
| Capital Redemption Reserve | 1,60,000 |
| Securities Premium | 1,00,000 |
| General. Reserve | 1,20,000 |
| Profit and Loss Account | 7,00,000 |

On 1 st April, 2024, the company makes final call @ 6 each on 40000 equity shares. The call money is duly received by 30 th April, 2024. On 1stMay, 2024, the Board of Directors of the company decided:

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- (i) To forfeit the share on which final call of ₹2 each is due ;
 (ii) To re- issue the forfeited share @ ₹11 each as fully paid up ;
 (iii) To issue fully paid bonus shares in the ratio of one fully paid bonus share for every two fully paid shares held ; and
 (iv) To use minimum balance of Profit and Loss Account.
 Pass necessary journal entries in the books of the company on the basis of the above decisions.

Ans

In the books of Happy Ltd.
 Journal Entries

| Date | Particulars | Dr (₹) | Cr (₹) |
|---------|---|----------|--------------------|
| 1.4.24 | Equity Share Final Call A/c ..Dr To Equity Share Capital A/c (Being final call money due) | 2,40,000 | 2,40,000 |
| 30.4.24 | Bank A/c ..Dr To Equity Share Final Call A/c (Being final call money received) | 2,40,000 | 2,40,000 |
| 1.5.24 | Equity Share Capital A/c ..Dr To Call in Arrears A/c To Share Forfeiture A/c (Being shares forfeited due to non payment of final call money) | 1,00,000 | 20,000 80,000 |
| 1.5.24 | Bank A/c ..Dr To Equity Share Capital A/c To Securities Premium A/c (Being reissue of forfeited shares at premium) | 2,20,000 | 2,00,000 20,000 |
| 1.5.24 | Share Forfeiture A/c ..Dr To Capital Reserve A/c (Being balance in share forfeiture a/c transferred to capital reserve A/c) | 80,000 | 80,000 |

| | | | | |
|--------|--|------|----------|----------|
| 1.5.24 | Capital Redemption Reserve A/c | ..Dr | 1,60,000 | |
| | Capital Reserve A/c | ..Dr | 1,40,000 | |
| | Securities Premium A/c | ..Dr | 1,20,000 | |
| | General Reserve A/c | ..Dr | 1,20,000 | |
| | Profit and Loss A/c (Bal. Fig) | ..Dr | 1,10,000 | |
| | To Bonus to Share holder A/c (Being Provision for Bonus shares made by utilising various reserves) | | | 6,50,000 |
| 1.5.24 | Bonus to Share Holder A/c | ..Dr | 6,50,000 | |
| | To Equity Share Capital A/c (Being bonus shares issued) | | | 6,50,000 |

Q6 (a) The following balances appeared in the Books of Mac Ltd. as on 31st December, 2023 :

15

| Particular | Amount |
|--|-------------|
| 80,000, 10% Preference shares of ₹100 each ₹75 paid up | 60,00,000 |
| 2,00,000 Equity share of ₹100 each fully paid up | 2,00,00,000 |
| Securities Premium | 6,50,000 |
| Capital Redemption Reserve | 42,00,000 |
| General Reserve | 85,00,000 |

Under the terms of their issue, the preference shares are redeemable on 31st March, 2024 at a premium of 5%. In order to finance the redemption, the company makes a right issue of 60,000 equity shares of ₹100 each at a premium of 10%, ₹25 being payable on application, ₹45 (including premium) on allotment and the balance on 1st August, 2024. The issue was fully subscribed and the allotment made on 1st March, 2024. The amount due on allotment was duly received by 25th March, 2024.

The preference shares were redeemed after fulfilling the necessary conditions of section 55 of the Companies Act, 2013.

You are required to pass the necessary Journal Entries (including narrations) to give effect to the above arrangement. Also prepare the Notes to accounts on Share Capital, Reserves and Surplus relevant to the Balance sheet immediately after the redemption of preference shares as on 31st March, 2024. Ignore date column in Journal.

Ans

In the books of Mac Ltd.
Journal Entries

| Date | Particular | Debit (₹) | Credit (₹) |
|------|--|-----------|-----------------------|
| 1 | Preference Share Final Call A/c ..Dr To 10% Preference Share Capital A/c (Being Preference share final call money due) | 20,00,000 | 20,00,000 |
| 2 | Bank A/c ..Dr To Preference Share Final Call A/c (Being preference share final call money received) | 20,00,000 | 20,00,000 |
| 3 | Bank A/c ..Dr To Equity share Application A/c (Being share application money received) | 15,00,000 | 15,00,000 |
| 4 | Equity share application A/c ..Dr To Equity Share Capital A/c (Being share application money transferred to share capital) | 15,00,000 | 15,00,000 |
| 5 | Equity Share Allotment A/c .Dr To Equity Share Capital A/c To Securities Premium A/c (Being allotment money due along with premium) | 23,00,000 | 21,00,000 6,00,000 |
| 6 | Bank A/c .Dr To Equity Share allotment A/c (Being allotment money received along with | 27,00,000 | 27,00,000 |

| | | | | |
|----|--|------------|-----------------------|-----------|
| | premium) | | | |
| 7 | General Reserve A/c To Premium on Redemption A/c (Being provision for premium on redemption of preference share made) | .Dr | 4,00,000 | 4,00,000 |
| 8 | General Reserve A/c (80L - 15L - 21L) To Capital Redemption Reserve A/c (Being provision for CRR Made as per provision of Law) | .Dr | 44,00,000 | 44,00,000 |
| 9 | 10% Preference Share Capital A/c Premium on Redemption A/c To Preference Share holder A/c (Being amount due on redemption of preference shares) | .Dr .Dr | 80,00,000 4,00,000 | 84,00,000 |
| 10 | Preference share holder A/c To Bank A/c (Being preference shares redeemed) | .Dr | 84,00,000 | 84,00,000 |

Notes to Accounts

1) Share Capital

Authorised Capital

| | |
|--|----|
| ___ Equity Shares of Rs.100 each | XX |
| ___ 10% Preference shares of Rs.100 Each | XX |

Issued, Subscribed and Paid up

| | | |
|--|-----------|----------|
| 200000, Equity shares of Rs.100 each Fully paid up | | 20000000 |
| 60000, Equity shares of Rs. 100 each Rs.60 Paid up | | 3600000 |
| (above shares were Issued for the purpose of redemption) | | |
| 80000, 10% Preference shares of Rs. 100 each fully paid up | 8000000 | |
| Less: Redemption During the year | (8000000) | 0 |
| | | 23600000 |

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| | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|------------------------------|--------|--|--------------------------------------|---------------|---------|--------------------------------------|---------|--|----------------------------|----------------|---------|---------------------------|---------|--|--|--|---------|--|--|----------|--|
| | <p>2) Reserve and Surplus</p> <table> <tr> <td>Securities Premium (opening)</td> <td>650000</td> <td></td> </tr> <tr> <td>Add: Received on issue equity shares</td> <td><u>600000</u></td> <td>1250000</td> </tr> <tr> <td>Capital Redemption Reserve (Opening)</td> <td>4200000</td> <td></td> </tr> <tr> <td>Add: Current Year Transfer</td> <td><u>4400000</u></td> <td>8600000</td> </tr> <tr> <td>General Reserve (Opening)</td> <td>8500000</td> <td></td> </tr> <tr> <td>Less: Used for Redemption of Preference Shares (4800000)</td> <td></td> <td>3700000</td> </tr> <tr> <td></td> <td></td> <td>13550000</td> </tr> </table> | Securities Premium (opening) | 650000 | | Add: Received on issue equity shares | <u>600000</u> | 1250000 | Capital Redemption Reserve (Opening) | 4200000 | | Add: Current Year Transfer | <u>4400000</u> | 8600000 | General Reserve (Opening) | 8500000 | | Less: Used for Redemption of Preference Shares (4800000) | | 3700000 | | | 13550000 | |
| Securities Premium (opening) | 650000 | | | | | | | | | | | | | | | | | | | | | | |
| Add: Received on issue equity shares | <u>600000</u> | 1250000 | | | | | | | | | | | | | | | | | | | | | |
| Capital Redemption Reserve (Opening) | 4200000 | | | | | | | | | | | | | | | | | | | | | | |
| Add: Current Year Transfer | <u>4400000</u> | 8600000 | | | | | | | | | | | | | | | | | | | | | |
| General Reserve (Opening) | 8500000 | | | | | | | | | | | | | | | | | | | | | | |
| Less: Used for Redemption of Preference Shares (4800000) | | 3700000 | | | | | | | | | | | | | | | | | | | | | |
| | | 13550000 | | | | | | | | | | | | | | | | | | | | | |
| Q6 (b) | What are the advantages of Subsidiary Books? | 5 | | | | | | | | | | | | | | | | | | | | | |
| Ans | <p>The use of subsidiary books affords the undermentioned advantages</p> <ol style="list-style-type: none"> Division of work: Since in the place of one journal there will be so many subsidiary books, the accounting work may be divided amongst a number of clerks. Specialization and efficiency: When the same work is allotted to a particular person over a period of time, he acquires full knowledge of it and becomes efficient in handling it. Thus the accounting work will be done efficiently. Saving of the time: Various accounting processes can be undertaken simultaneously because of the use of a number of books. This will lead to the work being completed quickly. Availability of information: Since a separate register or book is kept for each class of transactions, the information relating to each class of transaction be available at one place. Facility in checking: When the trial balance does not agree, the location of the error or errors is facilitated by the existence of separate books. Even the commission of errors and frauds will be checked by the use of various subsidiary books. | | | | | | | | | | | | | | | | | | | | | | |

Note:

These answers are just for reference

The suggested answers of ICAI may be different

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