



PAPER – 1: ACCOUNTING



QUESTIONS

True and False

1. State with reasons, whether the following statements are true or false:
 - (i) The debit notes issued are used to prepare sales return book.
 - (ii) Sale of office furniture should be credited to Profit and Loss Account.
 - (iii) Outstanding salaries for the previous year shall be shown as liability in the current year balance sheet.
 - (iv) When closing inventory is overstated, net income for the accounting period will be understated.
 - (v) The results and position disclosed by final accounts are not exact.
 - (vi) In case of a public holiday, the due date of the bill falls on the next working day.
 - (vii) Goodwill is intangible asset therefore it cannot be valued
 - (viii) Where a Non-Profit organization is a separate trading activity, the profit / loss from the trading account shall be transferred to Income Expenditure Account at the time of consolidation.
 - (ix) The firm will receive surrender value of the joint life policy on the death of the partner.
 - (x) Company X Ltd. is incurring huge losses; the Board of Directors are of the opinion that in case of losses, there is no need to pay interest to debenture holders.

Theoretical Framework

2. (a) Distinguish between fundamental accounting assumption and accounting policies.
- (b) Change in accounting policy may have a material effect on the items of financial statements." Explain the statement with the help of an example.

Journal Entries

3. (a) Pass a journal entry in each of the following cases:
- (i) A running business was purchased by Mohan with following assets and liabilities:
Cash ₹ 20,000, Land ₹ 40,000, Furniture ₹ 10,000, Stock ₹ 20,000, Creditors ₹ 10,000, Bank Overdraft ₹ 20,000.
- (ii) Sold goods to Gagandeep for ₹ 1,00,000 at trade discount of 20% and charged IGST @12%
- (iii) Goods distributed by way of free samples, ₹ 10,000.
- (iv) goods of list price ₹ 40,000 returned by Gagandeep.
- (v) Kuldeep became an insolvent and could pay only 50 paise in a rupee. Amount due from him ₹ 6,000.

Capital or Revenue Expenditure

- (b) Classify the following expenditures as capital or revenue expenditure/receipt:
- (i) An extension of railway tracks in the factory area.
- (ii) Amount spent on painting the factory.
- (iii) Payment of wages for building a new office extension
- (iv) Premium received on issue of shares
- (v) Rings and Pistons of an engine were changed to get full efficiency.
- (vi) Legal fees paid to acquire a property

Subsidiary Books

4. (a) Prepare Sales Book of M/s. Alpha of Kanpur for March, 2024
- Mar. 5** Sold to M/s. ABC 10 pieces of Chairs @ ₹5,000/- each less Trade Discount 5%.
- Mar.12** Sold to M/s. PQR 25 pieces of Tables @ ₹2,000/- each less Trade Discount 10%.
- Mar.18** Sold to M/s. MTB 5 pieces of Recliner Chairs @ ₹11,000/- each less Trade Discount 10%. Payment received through cash.
- Mar.28** Sold to M/s. LMS 50 pieces of cupboards @ ₹10,000/- each less Trade Discount 20%.

Rectification of Errors

- (b) Mr. Satvik was unable to agree the Trial Balance last year and wrote off the difference to the Profit and Loss Account of that year. Next year, he appointed a Chartered Accountant who examined the old books and found the following mistakes:
- (i) Purchase of a scooter was debited to conveyance account ₹ 30,000. Mr. Ratan charges 10% depreciation on scooter.
 - (ii) The total of return inward book for July, 2024 ₹ 12,400 was not posted to the ledger.
 - (iii) A credit purchase of goods from Mr. X for ₹ 20,000 was entered as sale.
 - (iv) Receipt of cash from Mr. Preetish was posted to the account of Mr. Ravish ₹ 10,000.
 - (v) Receipt of cash from Mr. Chandu was posted to the debit of his account, ₹ 5,000.
 - (vi) While carrying forward the total in the Purchases Account to the next Page ₹ 55,950 was written instead of ₹ 65,950.
 - (vii) Sale of goods to Mr. Rohan for ₹ 20,000 was omitted to be recorded.

(viii) Freight paid on a machine ₹ 5,600 was posted to the freight Account as ₹ 6,500.

Pass the necessary rectification entries.

Bank Reconciliation Statement

5. From the following particulars of M/s Iqbal enterprises, prepare a Bank reconciliation statement:

- (1) Bank overdraft as per Pass Book as on 31st March, 2024 was ₹ 8,800
- (2) Cheques deposited in Bank for ₹ 5,800 but only ₹ 2,000 were cleared till 31st March.
- (3) Cheques issued were ₹ 2,500, ₹ 3,800 and ₹ 2,000 during the month. The cheque of ₹ 5,800 is still with supplier.
- (4) Dividend collected by Bank ₹ 1,250 was wrongly entered as ₹ 1,520 in Cash Book.
- (5) Corporation tax ₹ 1,200 paid by Bank as per standing instruction appears in Pass Book only.
- (6) Interest on overdraft ₹ 930 was debited by Bank in Pass Book and the information was received only on 3rd April 2024.
- (7) Direct deposit by M/s Rajesh Trader ₹ 400 not entered in Cash Book.
- (8) Amount transferred from fixed deposit A/c into the current A/c ₹ 2,000 appeared only in Pass Book.

Valuation of Inventories

6. (a) The following are the details of material inventory bought and used by manufacturing company:

Date	Particulars	Unit and Rate
1.10.24	Balance opening inventory	NIL
1.10.24	Material bought	200 unit, ₹60 per unit

2.10.24	Issued for use	100 unit
3.10.24	Material bought	400 unit, ₹80 per unit
4.10.24	Issued for use	200 unit
7.10.24	Issued for use	200 unit

You are required to calculate the value of inventory material as on 7.10.24 by applying weighted average method.

- (b) From the following information, calculate the historical cost of closing inventories using adjusted selling price method:

Purchase during the year	- ₹ 10,00,000
Sales during the year	- ₹ 15,00,000
Opening Inventory	Nil
Closing Inventory at selling price	₹ 2,00,000

Depreciation and Amortisation

7. M/s. Deep lakshmi purchased a second-hand machine on 1st April, 2020 for ₹ 1,60,000. Overhauling and erection charges amounted to ₹ 40,000.

Another machine was purchased for ₹ 80,000 on 1st Oct, 2020.

On 1st Oct, 2022, the machine installed on 1st April, 2020 was sold for ₹ 1,00,000. Another machine for ₹30,000 was purchased and was installed on 31st December, 2022.

Under the existing practice the company provides depreciation @ 10% p.a. on original cost. However, from 1st April,2023 it decided to adopt WDV method and to charge depreciation @ 15% p.a. You are required to prepare Machinery account for the years 2020 to 2024.

Bills of Exchange

8. On 1st April,2024, X sells goods to Y for ₹25,000 plus IGST@ 18% and draws two bills of exchange on him; the first bill for ₹15,000 for 2 months and second bill for the balance for 3 months. Y accepts and returns these bills to X. Both the bills are sent to the bank for collection

on 1st April, 2024. In due course, X receives the information from the bank on the due date of the respective bill that the bill for ₹15,000 has been duly met and the other bill has been dishonored. Noting charges paid on the dishonour of second bill are ₹500. Pass the journal entries along with narrations in the books of X.

Final accounts and Rectification of entries

9. On 31st March, 2024 the trial balance of Mr. Robin was as follows:

Particulars	Debit (₹)	Particulars	Credit (₹)
Stock on 1/4/2023		Sundry Creditors	4,50,000
Raw Materials	6,30,000	Bills Payables	2,25,000
Work-in-Progress	2,85,000	Sale of scrap	75,000
Finished Goods	4,65,000	Commission received	13,500
Sundry Debtors	7,20,000	Provision for doubtful debts	49,500
Carriages on Purchase	45,000	Capital account	30,00,000
Bills Receivables	4,50,000	Sales	50,16,000
Wages	3,90,000	Bank overdraft	2,55,000
Salaries	3,00,000		
Telephone and Internet Charges	30,000		
Repairs to office furniture	10,500		
Cash at Bank	5,10,000		
Office Furniture	3,00,000		
Repairs to Plant	33,000		
Purchases	25,50,000		
Plant and Machinery	21,00,000		
Rent	1,80,000		
Lighting	40,500		
General Expenses	45,000		
	90,84,000		90,84,000

The following additional information is available:

Stocks on 31st March,2024 were:

Raw material	₹ 4,86,000
Finished goods	₹ 5,43,000
Work-in-progress	₹ 2,34,000

Salaries and wages unpaid for the year ended 31st March,2024 were respectively, ₹ 27,000 and ₹ 60,000. Machinery is to be depreciated by 10% and office furniture by 7½%. A provision for doubtful debts is to be maintained @1% of sales. Rent is to be charged as to 3/4 to factory and 1/4 to office. Lighting is to be charged as to 2/3 to factory and 1/3 to office.

Prepare the Manufacturing Account, Trading Account and Profit and Loss Account for the year ended on 31st March,2024.

Financial Statements of Not for Profit Organizations

10. The following is the Receipts and payments account of Masters Club for the year ended on 31st March, 2024

Receipts and payments A/c for the year ended on 31st march 2024

Receipts	Amount (₹)	Payments	Amount (₹)
To balance b/d	8,450	By Salaries and wages	12,250
To Subscription	23,000	By Supply of refreshment	18,250
To Sale of refreshments	22,000		27,500
To Entrance fees	26,000	By Sports equipment	2,800
		By Telephone Charges	
To interest on investments @ 7%	4,550	By Electricity charges	15,600
		By Honorarium charges	6,500
		By balance c/d	1,100
	84,000		84,000

Additional information:

1. Following are the assets and liabilities on 31st March, 2023:
 Assets- Sports equipment- ₹ 32,000; Subscription in arrears- ₹ 7,600; furniture- ₹ 12,480
 Liabilities- Outstanding Electricity charges- ₹ 5,400; Subscription in advance- ₹ 6,250
2. Following are the assets and liabilities on 31st March, 2024-
 Assets- Sports equipment- ₹ 50,500; Subscription in arrears- ₹ 5,200; furniture- ₹ 11,180
 Liabilities- Outstanding Electricity charges- ₹ 3,800; Subscription in advance- ₹ 4,850
3. 50% of the entrance fees to be capitalized.
4. Interest on the investments is being received in full, and the investments have been made on 1.4.2022

You are required to prepare Income and Expenditure account and the Closing balance sheet as of 31st March 2024 in the books of Masters Club.

Accounts from Incomplete Records

11. Following is the incomplete information of Moonlight Traders:
 The following balances are available as on 31.03.2023 and 31.03.2024.

Balances	31.03.2023	31.03.2024
Land	5,00,000	5,00,000
Plant and Machinery	2,20,000	3,30,000
Office equipment	1,05,000	85,000
Debtors	?	2,25,000
Creditors for purchases	95,000	?
Creditors for office expenses	20,000	15,000
Stock	?	65,000

Long term loan from FBI @ 12%.	1,60,000	100,000
Bank	25,000	?

Other Information	In ₹
Collection from debtors	9,25,000
Payment to creditors for purchases	5,25,000
Payment of office expenses (excluding interest on loan)	42,000
Salary paid	32,000
Selling expenses	15,000
Cash sales	2,50,000
Credit sales (80% of total sales)	
Credit purchases	5,40,000
Cash purchases (40% of total purchases)	
GP Margin at cost plus 25%	
Discount Allowed	5,500
Discount Received	4,500
Depreciation to be provided as follows:	
Plant and Machinery	10%
Office Equipment	15%

Other adjustments:

- (i) On 01.10.23 they sold machine having Book Value ₹ 40,000 (as on 31.03.2023) at a loss of ₹ 15,000. New machine was purchased on 01.01.2024.
- (ii) Office equipment was sold at its book value on 01.04.2023.
- (iii) Loan was partly repaid on 31.03.24 together with interest for the year.

You are required to prepare Trading, Profit & Loss Account and Balance Sheet as on 31.03.2024.

Partnership Accounts**Profit and Loss Appropriation Account**

12. (a) Akbar and Bali are partners in a firm sharing profits and losses equally. On 1st April, 2023 the balance of their Capital Accounts were : Akbar ₹ 50,000 and Bali ₹ 40,000. On that date the balances of their Current Accounts were: Akbar ₹ 10,000 (credit) and Bali ₹ 3,000 (debit). Interest @ 5% p.a. is to be allowed on the balance of Capital Accounts as on 1.4.2023. Bali is to get annual salary of ₹ 3,000 which had not been withdrawn. Drawings of Akbar and Bali during the year were ₹ 1,000 and ₹ 2,000 respectively. The profit for the year ended 31st March, 2024 before charging interest on capital but after charging Bali salary was ₹ 70,000. It is decided to transfer 10% of divisible profit to a Reserve Account. Prepare Profit & Loss Appropriation Account for the year ended 31st March, 2024 and show Capital and Current Accounts of the Partners for the year.

Calculation of goodwill

- (b) The following information given below:
- (i) Total Assets ₹10,00,000
 - (ii) External Liabilities ₹1,80,000
 - (iii) Normal Rate of Return 10%
 - (iv) Average Net Profit of last five years ₹1,00,000
- You are required to calculate goodwill by applying:
- (i) Capitalization Method and
 - (ii) 3 year's purchase of super profits.

Admission and Retirement of Partner

13. Acme & Co. is a partnership firm with partners Mr. X, Mr. Y and Mr. Z, sharing profits and losses in the ratio of 10:6:4. The balance sheet of the firm as at 31st March, 2024 is as under:

Liabilities		₹	Assets	₹
Capitals:			Land	30,000
Mr. X	2,40,000		Buildings	6,00,000
Mr. Y	60,000		Plant and machinery	3,90,000
Mr. Z	90,000	3,90,000	Furniture	1,29,000
Reserves			Investments	36,000
(un-appropriated profit)		60,000	Inventories	3,90,000
Long Term Debt		9,00,000	Trade receivables	4,17,000
Bank Overdraft		1,32,000		
Trade payables		5,10,000		
		19,92,000		19,92,000

It was mutually agreed that Mr. Y will retire from partnership and in his place Mr. P will be admitted as a partner with effect from 1st April, 2024. For this purpose, the following adjustments are to be made:

- (a) Goodwill is to be valued at ₹3 lakh but the same will not appear as an asset in the books of the reconstituted firm.
- (b) Buildings and plant and machinery are to be depreciated by 5% and 20% respectively. Investments are to be taken over by the retiring partner at ₹ 45,000. Provision of 20% is to be made on Trade receivables to cover doubtful debts.
- (c) In the reconstituted firm, the total capital will be ₹ 6 lakhs which will be contributed by Mr. X, Mr. Z and Mr. P in their new profit sharing ratio, which is 2:2:1.
 - (i) The surplus funds, if any, will be used for repaying bank overdraft.
 - (ii) The amount due to retiring partner shall be transferred to his loan account.

You are required to prepare

- (a) Revaluation account;
- (b) Partners capital accounts;
- (c) Bank account; and
- (d) Balance sheet of the reconstituted firm as on 1st April, 2024.

Dissolution of Partnership

14. Neptune, Jupiter, Venus and Pluto had been carrying on business in partnership sharing profits and losses in the ratio of 3 : 2 : 1 : 1. They decide to dissolve the partnership on the basis of the following Balance Sheet as on 30th April, 2024:

Liabilities	₹	₹	Assets	₹	₹
Capital Account:			Premises		1,20,000
Neptune	1,00,000		Furniture		40,000
Jupiter	<u>60,000</u>	1,60,000	Stock		1,00,000
General Reserve		56,000	Debtors		40,000
Capital Reserve		14,000	Bank		8,000
Sundry Creditors		20,000	Capital Overdrawn:		
Mortgage Loan		80,000	Venus	10,000	
			Pluto	<u>12,000</u>	22,000
		<u>3,30,000</u>			<u>3,30,000</u>

(i) The assets were realised as under:

	₹
Debtors	24,000
Stock	60,000
Furniture	16,000
Premises	90,000

- (ii) Expenses of dissolution amounted to ₹ 4,000.
- (iii) Further creditors of ₹ 12,000 had to be met.

- (iv) General Reserve unlike Capital Reserve was built up by appropriation of profits.

You are required to draw up the Realisation Account, Partners' Capital Accounts and the Bank Account assuming that Venus became insolvent and nothing was realised from his private estate. Apply the principles laid down in Garner vs Murray.

Issue and Forfeiture of Shares

15. Kunal Fortune Ltd invited applications for issuing 30,000 Equity Shares of ₹ 10 each. The amount was payable as follows:

- (i) On Application ₹ 1 per share
- (ii) On Allotment ₹ 2 per share
- (iii) On First call ₹ 3 per share
- (iv) On Second and final Call ₹ 4 per share

The issue was fully subscribed. Arun to whom 300 shares were allotted, failed to pay the allotment money and his shares were forfeited immediately after the allotment. Ajeet to whom 450 shares were allotted, failed to pay the first call. His shares were also forfeited after the first call. Afterwards the second and final call was made. Mohan to whom 150 shares were allotted failed to pay the second and final call. His shares were also forfeited. All the forfeited shares were re-issued at ₹ 9 per share fully paid-up.

Pass necessary Journal entries in the books of Kunal Fortune Ltd.

Bonus Issue and Redemption of Preference Shares

16. The following is the summarized Balance Sheet of Trinity Ltd. as at 31.3. 2023:

Liabilities	₹	Assets	₹
Share Capital		Fixed Assets 3,00,000	
Authorised		Less:Dep <u>1,00,000</u>	2,00,000
10,000 10% Redeemable Preference		Investments	1,00,000

Shares of ₹ 10 each	1,00,000		
90,000 Equity Shares of ₹10 each	9,00,000		
	10,00,000		
Issued, Subscribed and Paid-up Capital		Current Assets and Loans and Advances	
10,000 10% Redeemable Preference Shares of ₹ 10 each	1,00,000	Inventory	45,000
10,000 Equity Shares of ₹ 10 each	1,00,000	Trade receivables	25,000
(A)	2,00,000	Cash and Bank Balances	50,000
Reserves and Surplus			
General Reserve	1,20,000		
Securities Premium	70,000		
Profit and Loss A/c	18,500		
(B)	2,08,500		
Current Liabilities and Provisions (C)	11,500		
Total (A + B + C)	4,20,000	Total	4,20,000

For the year ended 31.3. 2024, the company made a net profit of ₹ 35,000 after providing ₹ 20,000 depreciation.

The following additional information is available with regard to company's operation :

1. The preference dividend for the year ended 31.3. 2024 was paid.
2. Except cash and bank balances other current assets and current liabilities as on 31.3. 2024, was the same as on 31.3.2023.
3. The company redeemed the preference shares at a premium of 10%.

4. The company issued bonus shares in the ratio of two share for every equity share held as on 31.3.2024.
5. To meet the cash requirements of redemption, the company sold investments.
6. Investments were sold at 90% of cost on 31.3.2024.

You are required to prepare necessary journal entries to record redemption and issue of bonus shares.

Issue of Debentures

17. On 1st April 2023, Globex Ltd. took over assets of ₹9,00,000 and liabilities of 1,20,000 of Himalayan Ltd. for the purchase consideration of ₹ 8,80,000. It paid the purchase consideration by issuing 8% debenture of ₹ 100 each at 10% premium on same date. XY Ltd. issued another 6000, 8% debenture of ₹ 100 at discount of 10% redeemable at premium of 5% after 5 years. According to the terms of the issue ₹ 30 is payable on application and the balance on the allotment on debentures. It has been decided to write off the entire loss on issue of discount in the current year itself.

You are required to pass the journal entries in the books of XY Ltd. for the financial year 2023-24

18. Write short notes on:
 - (i) Going Concern concept.
 - (ii) Objective of Accounting Standards.
 - (iii) Retirement of bills of exchange.
 - (iv) Importance of bank reconciliation to an industrial unit.



SUGGESTED ANSWERS/HINTS

1. (i) **False:** The debit notes issued are used to prepare purchases return book.

- (ii) **False:** Sale of office furniture should be credited to Furniture account since it is a capital receipt.
- (iii) **False:** It shall be disclosed as a current liability in the opening balance sheet.
- (iv) **False:** When closing inventory is overstated, net income for the accounting period will be overstated.
- (v) **True:** They are prepared on the basis of assumptions, conventions, concepts and personal judgements of the person who prepare them.
- (vi) **False:** In case of a public holiday, the due date of the bill falls on the preceding working day.
- (vii) **False:** Even though Goodwill is intangible asset it can be valued in terms of money. It can be measured in terms of physical units.
- (viii) **True:** Where in case of the trading activities for Non-Profit organization, the profit/loss from such activity is to be transferred to the Income and Expenditure Account at the time of consolidation.
- (ix) **False:** the firm will receive full value of sum assured of the joint life policy on the death of the partner
- (x) **False:** Even if the company incurs losses, it has to pay interest on debentures. Debenture being debts on the company & debenture holders are not concerned with the profit or loss of the company, the interest is to be paid at the rate fixed on it at the time of issue of debenture.

2. (a)

Fundamental Accounting Assumption	Accounting Policies
There are three fundamental accounting assumptions viz. Going Concern, Consistency and Accrual.	There is no single list of accounting policies which are applied in all circumstances. As a result, there may be different

	accounting policies adopted by different enterprises.
No disclosures is required if all the fundamental assumptions have been followed.	Disclosure is required if a particular accounting policy has been followed.
If fundamental accounting assumption is not followed, it is to be disclosed in the financial statements together with the reasons.	If the policy is changed in subsequent year, the effect of such change should be disclosed in the financial statements.
There is no option to choose fundamental accounting assumptions.	The firm has an option to select a particular policy.

- (b) Change in accounting policy may have a material effect on the items of financial statements. For example, cost formula used for inventory valuation is changed from weighted average to FIFO. Unless the effect of such change in accounting policy is quantified, the financial statements may not help the users of accounts.

3. (a)

		₹	₹
(i) Cash A/c	Dr.	20,000	
Land A/c	Dr.	40,000	
Furniture A/c	Dr.	10,000	
Stock A/c	Dr.	20,000	
	To Creditors		10,000
	To Bank overdraft		20,000
	To Capital A/c		60,000
(Being commencement of business by Mohan by taking over a running business).			

(ii)	Gagandeep's A/c To Sales A/c To Output GST A/c (being goods sold to Gagandeep at trade discount of 20% and charged IGST @12%)	Dr.	89,600	80,000 9,600
(iii)	Advertisement Expenses A/c To Purchases A/c (Being goods distributed as free sample)	Dr.	10,000	10,000
(iv)	Sales Return A/c Output IGST A/c To Gagandeep A/c (Being goods returned by Gagandeep and output IGST charged at the time of sales now reversed)	Dr. Dr.	32,000 3,840	35,840
(v)	Cash A/c Bad Debts A/c To Kuldeep (Being Kuldeep become insolvent)	Dr. Dr.	3,000 3,000	6,000

- (b)
- (i) Expenses incurred for extension of railway tracks in the factory area should be treated as a Capital Expenditure because it will yield benefit for more than one accounting period.
 - (ii) Painting of the factory should be treated as a Revenue Expenditure because it has been incurred to maintain the factory building.
 - (iii) Payment of wages for building a new office extension should be treated as a Capital Expenditure.
 - (iv) Premium received on issue of shares is an example of capital receipt.

- (v) Expenditure incurred for changing Rings and Pistons of an engine is a Revenue Expenditure because, the change of rings and piston will restore the efficiency of the engine only and it will not add anything to the capacity of the engine.
- (vi) Legal fees paid to acquire a property is a part of the cost of that property. Hence, it is taken as capital expenditure.

4. (a) **Sales book of M/s. Alpha for March '24**

Date	Particulars	Gross Amount (₹)	Trade Discount (₹)	Net Amount (₹)
2024 March				
5	M/s. ABC 10 pieces of Chairs @ ₹ 5,000/- each less Trade Discount 5%	50,000	2,500	47,500
12	M/s. PQR 25 pieces of Tables @ ₹ 2,000/- each less Trade Discount 10%	50,000	5,000	45,000
28	M/s. LMS 50 pieces of cupboards @ ₹ 10,000/- each less Trade Discount 20%.	5,00,000	1,00,000	4,00,000
	Total	6,00,000	1,07,500	4,92,500

Note : Transaction dated : 18 March will not be recorded in sales book being cash transaction

(b)

Date	Particulars	Dr. ₹	Cr. ₹
(1)	Scooter A/c Dr. To Profit and Loss Adjustment A/c (Purchase of scooter wrongly debited to conveyance account now rectified-capitalization of ₹ 27,000, i.e., ₹30,000 less 10% depreciation)	27,000	27,000
(2)	Profit & Loss adjustment A/c Dr. To suspense A/c (Total of return inward book for July, 2021 omitted to be ported now rectified).	12,400	12,400
(3)	Profit & Loss Adjustment A/c Dr. To X's A/c (Credit purchase from X ₹20,000, entered as sales last year, now rectified)	40,000	40,000
(4)	Ravish's A/c Dr. To Preetish's A/c (Amount received from Mr. Preetish wrongly posted to the account of Mr. Ravish; now rectified)	10,000	10,000
(5)	Suspense A/c Dr. To Chandu's A/c (₹ 5,000 received from Chandu wrongly debited to his account; now rectified)	10,000	10,000

(6)	Purchases A/c To Profit & Loss Adjustment A/c (Carry forward of total of purchase a/c to next page 55,950 instead of 65,950 now rectified)	Dr.	10,000	10,000
(7)	Rohan's A/c To Profit & Loss Adjustment A/c (Sales to Rohan omitted last year; now adjusted)	Dr.	20,000	20,000
(8)	Machinery A/c Suspense A/c To Profit & Loss Adjustment A/c (Freight paid for machine 5,600 was posted to freight A/c at 6,500 now rectified)	Dr. Dr.	5,600 900	6,500
(9)	Profit & Loss Adjustment A/c To Satvik's Capital A/c (Balance of Profit & Loss Adjustment A/c transferred to Capital Account)	Dr.	11,100	11,100
(10)	Suspense A/c To Satvik Capital A/c (Balance of Suspense Account transferred to Capital Account)	Dr.	1,500	1,500

5. Bank Reconciliation Statement as on 31st March, 2024

Particulars	Amount ₹
Overdraft as per Pass Book	8,800
Add:	
(i) Cheques issued but not presented till 31st March	5,800
(ii) Transfer from fixed deposit	2,000
(iii) Direct deposit by M/s Rajesh Trader	<u>400</u>
	8,200
	17,000
Less:	
(i) Cheques deposited but not cleared (5,800 - 2,000)	3,800
(ii) Dividend collected excess recorded in Cash Book (1,520-1,250)	270
(iii) Interest on overdraft debited in Pass Book only	930
(iv) Corporation tax paid appeared in Pass Book only	<u>1,200</u>
	6,200
Overdraft as per Cash Book	10,800

6. (a) Calculation of value of inventory as on 7.1.2024 of manufacturing company.

Date	Receipts	Rate	Amount	Issue	Rate	Amount (₹)	Balance Units	Rate	Amount (₹)
1.10.24	Balance						Nil		
1.10.24	200	60	12,000				200	60	12,000
2.10.24				100	60	6000	100	60	6,000
3.10.24	400	80	32,000				500	76	38,000
4.10.24				200	76	15200	300	76	22,800
7.10.24				200	76	15200	100	76	7,600

The value of 100 units of inventory as on 7.10.24 ₹ 7,600

(b) Sales	15,00,000
Add: Closing inventory (at selling price)	<u>2,00,000</u>
Selling price of goods available for sale:	17,00,000
Less: Cost of goods available for sale	<u>10,00,000</u>
Gross margin	7,00,000

$$\text{Rate of gross margin} = \frac{7,00,000}{17,00,000} \times 100 = 41.18\%$$

$$\begin{aligned} \text{Cost of closing inventory} &= 2,00,000 \text{ less } 41.18\% \text{ of } ₹ 2,00,000 \\ &= ₹ 1,17,640 \end{aligned}$$

*This rate may also be considered as 41.176% in that case, the closing inventory will be valued at ₹ 1,17,640

OR as 41.17% in that case, the closing inventory will be valued at ₹ 1,17,640

7. Machinery Account in the books of M/s. Deep Lakshmi

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
1.4.2020	To Bank A/c	1,60,000	31.03.2021	By Depreciation A/c	24,000
	To Bank A/c	40,000		(₹ 20,000 + ₹ 4,000)	
	(Erection charges)		31.03.2021	By Balance c/d	2,56,000
1.10.2020	To Bank A/c	80,000		(₹ 1,80,000 + ₹ 76,000)	
		2,80,000			2,80,000
1.4.2021	To Balance b/d	2,56,000	31.03.2022	By Depreciation A/c	28,000
				(₹ 20,000 + ₹ 8,000)	
			31.03.2022	By Balance c/d	2,28,000
				(₹ 1,60,000 + ₹ 68,000)	
		2,56,000			2,56,000

1.4.2022	To Balance b/d	2,28,000	1.10.2022	By Bank A/c	1,00,000
31.12.2022	To Bank A/c	30,000	1.10.2022	By Profit and Loss A/c (Loss on Sale – W.N. 1)	50,000
			31.03.2023	By Depreciation A/c (₹ 10,000 + ₹ 8,000 + ₹ 750)	18,750
			31.03.2023	By Balance c/d (₹ 60,000 + ₹ 29,250)	89,250
		2,58,000			2,58,000
1.4.2023	To Balance b/d	89,250	31.3.2024	By Depreciation A/c (₹ 9,000 + ₹ 4,387.5)	13,387.5
			31.3.2024	By Balance c/d (₹ 51,000 + ₹ 24,862.5)	75,862.5
		89,250			89,250

Working Notes:

Book Value of machines (Straight line method)

	Machine I ₹	Machine II ₹	Machine III ₹
Cost	2,00,000	80,000	30,000
Depreciation for 2020-21	20,000	4,000	
Written down value as on 31.03.2021	1,80,000	76,000	
Depreciation for 2021-22	20,000	8,000	
Written down value as on 31.03.2022	1,60,000	68,000	
Depreciation for 2022-23 (Mach I- 6	10,000	8,000	750

months)			
Written down value as on 01.10.2022	1,50,000		
Written down value as on 31.03.2023		60,000	29,250
Sale proceeds	1,00,000		
Loss on sale	50,000		

8.

Date 2024	Particulars	L.F	Dr. ₹	Cr. ₹
Apr.1	Y Dr. To Sales A/c To Output IGST A/c (Being the inter-state sale of goods to Y, charged to IGST@ 18%)		29,500	25,000 4,500
Apr 1	Bills Receivable (No. 1) A/c Dr. Bills Receivable (No. 2) A/c Dr. To Y (Being the two bills acceptance-one for ₹ 15,000 and the other for ₹ 14,500 received)		15,000 14,500	29,500
Apr.1	Bills sent for collection A/c Dr. To Bills Receivable (No. 1) A/c To Bills Receivable (No.2) A/c (Being the Bills sent to bank for collection)		29,500	15,000 14,500
July.4	Bank A/c Dr. To Bills sent for collection A/c (Being the amount duly collected by bank on first bill)		15,000	15,000

Aug.4	Y	Dr.	15,000	
	To Bills sent for collection A/c			14,500
	To Bank A/c			500
	(Being the second bill dishonored and bank paid ₹ 500 as noting charges)			

9.

In the books of Mr. Robin

Manufacturing Account for the year ended 31st March, 2024

Particulars		₹	Particulars	₹
Raw material consumed:			By Closing Stock of Work in Progress	2,34,000
To Opening Stock of Raw Materials	6,30,000		By Sale of Scrap	75,000
Add: Purchases	25,50,000		By Cost of goods Manufactured (Transferred to Trading Account)	35,70,000
Less: Closing Stock	4,86,000	26,94,000		
To Opening Stock of WIP		2,85,000		
To Wages	3,90,000			
Add: Outstanding Wages	60,000	4,50,000		
To Carriage on Purchases		45,000		
To Repairs to Plant		33,000		
To Rent (3/4)		1,35,000		
To Lighting (2/3)		27,000		
To Depreciation of Plant		2,10,000		
		38,79,000		38,79,000

Trading Account for the year ended 31st March, 2024

Particulars	₹	Particulars	₹
To Opening Stock of finished goods	4,65,000	By Sales	50,16,000
To Cost of goods transferred from Manufacturing A/c	35,70,000	By Closing Stock	5,43,000
To Gross Profit c/d	15,24,000		
	55,59,000		55,59,000

Profit and Loss Account for the year ended 31st March, 2024

Particulars		₹	Particulars	₹
To Salaries	3,00,000		By Gross Profit b/d	15,24,000
Add: Outstanding	27,000	3,27,000	By Commission	13,500
To Telephone & Internet Charges		30,000		
To Repairs to Furniture		10,500		
To Depreciation of furniture		22,500		
To Rent (1/4)		45,000		
To Lighting (1/3)		13,500		
To General Expenses		45,000		
To Provision for doubtful Debts: Required (1% of ₹50,16,00)	50,160			
Less: Existing Provision	49,500	660		
To Net Profit		10,43,340		
		15,37,500		15,37,500

10. **In the books of Masters Club**
Income and expenditure Account for the year ended on
31st March, 2024

Expenditure	Amount (₹)	Income	Amount (₹)
To Salaries and wages	12,250	By Subscriptions (W.N. 4)	22,000
To Depreciation (W.N. 3)	10,300	By Net proceeds from refreshments (22,000-18,250)	3,750
To Telephone Charges	2,800	By Entrance fees (50% x 26,000)	13,000
To Electricity charges (W.N. 5)	14,000	By Interest on investments	4,550
To Honorarium charges	6,500	By Excess of expenditure over income	2,550
	45,850		45,850

Balance sheet as at 31st March, 2024

Liabilities	Amount (₹)	Assets	Amount (₹)
Opening capital	1,13,880	Sports Equipment	50,500
Less: Deficit	(2,550)	Furniture	11,180
Entrance fees	13,000	7% Investments	65,000
Outstanding electricity charges	3,800	Subscription in arrears	5,200
Subscription in advance	4,850	Cash	1,100
	1,32,980		1,32,980

Working notes

1. Investments made $\frac{\text{Income earned during the year}}{\text{Rate of interest}} = \frac{4,550}{7\%} = 65,000$

2. **Balance sheet as at 31st March, 2023**

Liabilities	Amount (₹)	Assets	Amount (₹)
Opening capital fund (B/f)	1,13,880	Sports Equipment	32,000
Accrued electricity charges	5,400	Furniture	12,480
Subscription advance in	6,250	7% Investments	65,000
		Subscription Outstanding	7,600
		Cash	8,450
Total	1,25,530		1,25,530

3. **Calculation of depreciation of Sports equipment**

Particulars	Amount (₹)
Sports equipment as on 31 st , March 2023	32,000
Add: Purchases during the year	27,500
Less: Closing balance of equipment as on 31 st , March 2024	(50,500)
Depreciation on sports equipment for the year ended 31 st , March 2024	9,000

Calculation of depreciation of Furniture

Particulars	Amount (₹)
Furniture as on 31 st , March 2023	12,480
Add: Purchases during the year	-
Less: Closing balance of equipment as on 31 st , March 2024	(11,180)
Depreciation on furniture for the year ended 31st, March 2024	1,300

Total Depreciation = ₹ 10,300 (9,000+1,300)

4. Subscription to be credited to income and expenditure account for the year 2024

Dr. Subscription A/c (year ended on 31st March, 2024) **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Outstanding at the beginning (2023)	7,600	By Advance at the beginning (2023)	6,250
To Income and Expenditure A/c	22,000	By Receipts and payments A/c	23,000
To Advance at the end (2025)	4,850	By Outstanding at the end (2024)	5,200
	34,450		34,450

5. Electricity charges to be debited to Income and expenditure Account-

Electricity charges paid for year 2024	15,600
Add: Outstanding charges for year 2024	3,800
Less: Outstanding charges for year 2023	(5,400)
Electricity charges to be debited to Income and Expenditure A/c	14,000

11. In the Books of Moonlight Traders

Trading Account for the year ended 31.03.2024

Particulars	₹	Particulars	₹
To Opening Stock A/c (Bal. fig.)	1,65,000	By Sales (W.N.1)	12,50,000
To Purchases (W.N.2)	9,00,000	By Closing Stock	65,000
To Gross profit (12,50,000x25/125)	2,50,000		
	13,15,000		13,15,000

Profit and Loss Account for the year ended 31.03.2024

Particulars	₹	Particulars	₹
To Discount	5,500	By Gross profit	2,50,000
To Salaries Expenses	32,000	By Discount	4,500
To Office expenses (W.N.3)	37,000		
To Selling expenses	15,000		
	84,000		
To Interest on loan (12% on ₹1,60,000)	19,200		
To Loss on sale of Machinery (WN4(c))	15,000		
To Depreciation:			
Plant & Machinery (W.N 4b)	23,750		
Office Equipment (W.N. 5)	12,750		
	36,500		
To Net profit after tax	94,300		
	2,54,500		2,54,500

Balance sheet as at 31.3.2024

Liabilities	₹	₹	Assets	₹
Capital (W.N. 6)	8,95,500		Land	5,00,000
Add: Net Profit	94,300	9,89,800	Plant and Machinery (W.N.4a)	3,08,250
			(3,30,000-21,750)	
Creditors for Purchases (W.N. 8)		1,05,500	Office Equipment	72,250
			(85,000-12,750)	

Outstanding expenses		15,000	Debtors (W.N. 7)	2,25,000
Loan from FBI		1,00,000	Stock	65,000
			Bank Balance (W.N. 9)	39,800
		12,10,300		12,10,300

Working Notes:

1. Calculation of Total Sales

	₹
Cash Sales	2,50,000
Credit Sales (80% of total sales)	
Cash Sales (20% of total sales)	
Thus, total Sales (2,50,000 x 100/20)	12,50,000
Credit Sales (12,50,000 x 80/100)	10,00,000

2. Calculation of Total Purchases

	₹
Credit Purchases	5,40,000
Cash Purchases (40% of total purchases)	
Credit Purchases (60% of total purchases)	
Thus total Purchases (5,40,000 x 100/60)	9,00,000
Cash Purchases (9,00,000 x 40/100)	3,60,000

3. Office Expenses Account

	₹		₹
To Bank A/c	42,000	By Balance b/d	20,000
To Balance c/d	15,000	By Profit & loss A/c (bal fig)	37,000
	57,000		57,000

4. (a) **Plant and Machinery Account**

	₹		₹
To Bal b/d	2,20,000	By Sale	40,000
To Purchases (bal fig)	1,50,000	By Bal c/d	3,30,000
	<u>3,70,000</u>		<u>3,70,000</u>

(b) **Depreciation calculations on Plant & Machinery**

		₹
Depreciation on	1,80,000 x 10% (for full year)	18,000
	1,50,000 x 10% x 3/12 (for 3 months)	3,750
	40,000 x 10% x 6/12 (for 6 months)	2,000
		<u>23,750</u>

(c) **Sale of Machinery Account**

	Amount (₹)		Amount (₹)
To Plant & Machinery	40,000	By Depreciation	2,000
		By Profit and Loss A/c	15,000
		By Bank	23,000
	<u>40,000</u>		<u>40,000</u>

5. **Depreciation calculations on Office Equipments**

	₹
Opening Balance	1,05,000
Less: Closing Balance	(85,000)
Sale of Office Equipments	20,000
Balance of Office Equipments after sale	85,000
Depreciation @15%	12,750

6. **Balance Sheet as on 31.03.2023**

	₹		₹
Creditors	95,000	Land	5,00,000
Creditor for Exp.	20,000	Plant & Machinery	2,20,000
Loan	1,60,000	Office Equipment	1,05,000
Capital (Bal. fig.)	8,95,500	Debtors	1,55,500
		Stock	1,65,000
		Bank	25,000
	11,70,500		11,70,500

7. **Sundry Debtors A/c**

	₹		₹
To Balance b/d	1,55,500	By Bank	9,25,000
To Sales	10,00,000	By Discount	5,500
		By Bal. c/d	2,25,000
	11,55,500		11,55,500

8. **Sundry Creditors A/c**

	₹		₹
To Bank	5,25,000	By Balance b/d	95,000
To Discount	4,500	By Purchases	5,40,000
To Balance c/d	1,05,500		
	6,35,000		6,35,000

9. **Bank Account**

	₹		₹
To Balance b/d	25,000	By Creditors	5,25,000
To Debtors	9,25,000	By Office Expenses	42,000
To Cash Sales	2,50,000	By Salary Expense	32,000
To Sale of Machinery (W.N. 4c)	23,000	By Selling Expenses	15,000

To Sale of equipment	20,000	By Purchases (cash)	3,60,000
		By Purchase of Machinery	1,50,000
		By Bank Loan & Interest (60,000+19,200)	79,200
		By Balance c/d	39,800
	12,43,000		12,43,000

**12. (a) Profit and Loss Appropriation Account
for the year ended 31st March, 2024**

	₹	₹		₹
To Salary - Bali		3,000	By Net profit	73,000
To Interest on Capitals:				
Akbar	2,500			
Bali	2,000	4,500		
To Reserve (10% of 65,500)		6,550		
To Partners' current accounts:				
Akbar	29,475			
Bali	29,475	58,950		
		73,000		73,000

Partners' Capital Account

Date		Akbar	Bali	Date		Akbar	Bali
31.03.24	To Balance c/d	50,000	40,000	01.04.23	By Balance b/d	50,000	40,000
		50,000	40,000			50,000	40,000

Partners' Current Account

Date		Akbar	Bali	Date		Akbar	Bali
01.04.23	To Balance b/d	-	3,000	01.04.23	By Balance b/d	10,000	
31.03.24	To Drawings A/c	1,000	2,000	31.03.24	By Interest on Capital	2,500	2,000
31.03.24	To Balance c/d	40,975	29,475	31.03.24	By Salary		3,000
				31.03.24	By Profit and Loss App A/c	29,475	29,475
		41,975	34,475			41,975	34,475

Note: Profit before charging interest on Capital and Salary to Bali = 70,000+3,000 =73,000

(b) Goodwill as per Capitalization Method:

(i) Capital Employed (Net Assets)

= Total Assets – External Liabilities

= ₹ 10,00,000 – ₹ 1,80,000 = ₹ 8,20,000

Normal Profit = 10% of ₹ 8,20,000 = ₹ 82,000

Super Profit = Average Profit – Normal Profit

= ₹ 1,00,000 – ₹ 82,000

= ₹ 18,000

Goodwill = Super Profit x 100/Normal rate of Return

= 18,000 X 100/10= ₹1,80,000

(ii) Goodwill as per 3 year's purchase of super profits:

Goodwill = Super Profit x Number of Year's purchased

= ₹ 18,000 x 3 = ₹ 54,000

13. Revaluation Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Buildings A/c	30,000	By Investments A/c	9,000
To Plant and Machinery A/c	78,000	By Loss to Partners:	
To Provision for Doubtful Debts A/c	83,400	X 91,200	
		Y 54,720	
		Z <u>36,480</u>	1,82,400
	1,91,400		1,91,400

Partners' Capital A/c

Particulars	X	Y	Z	P	Particulars	X	Y	Z	P
	₹	₹	₹	₹		₹	₹	₹	₹
To Revaluation A/c	91,200	54,720	36,480	-	By Balance b/d	2,40,000	60,000	90,000	-
To Investments A/c	-	45,000	-	-	By Reserves A/c	30,000	18,000	12,000	-
To X and Y's Capital A/c	-	-	60,000	60,000	By Z and P's Capital A/c	30,000	90,000	-	-
To Y's Loan A/c	-	68,280	-	-	By Bank A/c (balancing figure)	31,200	-	2,34,480	1,80,000
To Balance c/d	2,40,000	-	2,40,000	1,20,000					
	3,31,200	1,68,000	3,36,480	1,80,000		3,31,200	1,68,000	3,36,480	1,80,000

Bank Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To X's capital A/c	31,200	By Bank overdraft A/c	1,32,000
To Z's capital A/c	2,34,480	By Balance c/d	3,13,680
To P's capital A/c	1,80,000		
	4,45,680		4,45,680

Balance Sheet of Acme & Co.

as at 1st April, 2024

Liabilities	₹	Assets	₹
Capital Accounts:		Land	30,000
X 2,40,000		Buildings	5,70,000
Z 2,40,000		Plant and Machinery	3,12,000
P <u>1,20,000</u>	6,00,000	Furniture	1,29,000
Long Term Debts	9,00,000	Inventories	3,90,000
Trade payables	5,10,000	Trade receivables 4,17,000	
Y's Loan Account	68,280	Less: Provision for Doubtful Debts <u>(83,400)</u>	3,33,600
		Balance at Bank	3,13,680
	20,78,280		20,78,280

14.

Realisation Account

	₹		₹	₹
To Sundry assets A/c (transfer):		By Sundry creditors A/c		20,000
Premises	1,20,000	By Mortgage loan		80,000
Furniture	40,000	By Bank A/c (assets realised):		
Stock	1,00,000	Premises	90,000	
Sundry Debtors	40,000	Furniture	16,000	
To Bank A/c (creditors paid)	32,000	Stock	60,000	
To Bank A/c (Mortgage loan)	80,000	Debtors	24,000	1,90,000
		By Loss transferred to Capital Accounts:		

To Bank (expenses) A/c	4,000	Neptune	54,000	
		Jupiter	36,000	
		Venus	18,000	
		Pluto	18,000	1,26,000
	4,16,000			4,16,000

Bank Account

		₹		₹
To Balance b/d		8,000	By Realisation (creditors) A/c	32,000
To Realisation A/c (assets realised)		1,90,000	By Realisation (expenses) A/c	4,000
To Capital A/c (realisation loss made good):			By Mortgage loan	80,000
Neptune	54,000		By Neptune's Capital A/c	1,18,857
Jupiter	36,000		By Jupiter's Capital A/c	73,143
Pluto	18,000	1,08,000		
To Pluto's Capital A/c		2,000		
		3,08,000		3,08,000

Partners' Capital Account

Particulars	Neptune	Jupiter	Venus	Pluto	Particulars	Neptune	Jupiter	Venus	Pluto
	₹	₹	₹	₹		₹	₹	₹	₹
To Balance b/d	–	–	10,000	12,000	By Balance b/d	1,00,000	60,000	–	–

To Realisation A/c (loss)	54,000	36,000	18,000	18,000	By General reserve A/c (3 : 2 : 1 :1)	24,000	16,000	8,000	8,000
To Venus's Capital A/c (loss) (W.N.1)	11,143	6,857	–	–	By Capital reserve A/c (3 : 2 : 1 :1)	6,000	4,000	2,000	2,000
To Bank A/c	1,18,857	73,143	–	–	By Bank A/c (loss on realization)	54,000	36,000	–	18,000
					By Neptune's Capital A/c	–	–	11,143	–
					By Jupiter's Capital A/c	–	–	6,857	–
					By Bank A/c	–	–	–	2,000
	<u>1,84,000</u>	<u>1,16,000</u>	<u>28,000</u>	<u>30,000</u>		<u>1,84,000</u>	<u>1,16,000</u>	<u>28,000</u>	<u>30,000</u>

W.N. 1: Statement showing distribution of Loss of Venus

Particulars	Neptune	Jupiter
Opening Capital	1,00,000	60,000
General Reserve	24,000	16,000
Capital reserve	6,000	4,000
Total	1,30,000	80,000
Ratio	13	8
Loss of Venus of ₹ 18,000 is to be distributed in the ratio of (13:8)	11,143	6,857

15.

In the books of Kunal Fortune Ltd.

Journal Entries

Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
Bank A/c Dr.		30,000	
To Equity Share Application A/c (Money received on applications for			30,000

30,000 shares @ ₹ 1 per share)			
Equity Share Application A/c Dr.		30,000	
To Equity Share Capital A/c			30,000
(Transfer of application money of 30,000 shares to share capital)			
Equity Share Allotment A/c Dr.		60,000	
To Equity Share Capital A/c			60,000
(Amount due on the allotment of 30,000 shares @ ₹ 2 per share)			
Bank A/c Dr.		59,400	
To Equity Share Allotment A/c			59,400
(Allotment money received on 29,700 shares)			
OR			
Bank A/c Dr.		59,400	
Calls in arrears A/c Dr.		600	
To Equity Share Allotment A/c			60,000
(Allotment money received except 300 shares)			
Equity Share Capital A/c Dr.		900	
To Share Forfeiture A/c			300
To Equity Shares Allotment A/c			600
(300 Shares of Arun forfeited)			
OR			
Equity Share Capital A/c Dr.		900	
To Shares Forfeiture A/c			300
To Calls in arrears A/c			600
(300 shares forfeited due to non-payment of allotment money)			
Equity Share First Call A/c Dr.		89,100	

To Equity Share Capital A/c (First call made due on 29,700 shares at ₹ 3 per share)			89,100
Bank A/c Dr.		87,750	
To Equity Share First Call A/c (First call money received on 29,250 shares at ₹ 3 per share)			87,750
OR			
Bank A/c Dr.		87,750	
Calls in arrears A/c Dr.		1,350	
To Equity Share First Call A/c (First Call money received except 450 shares)			89,100
Equity Share Capital A/c Dr.		2,700	
To Share Forfeiture A/c			1350
To Equity Share First Call A/c (450 Shares of Ajeet forfeited)			1350
OR			
Equity Share Capital A/c Dr.		2,700	
To Share Forfeiture A/c			1,350
To Calls in arrears A/c (450 shares forfeited due to non - payment of First call money)			1,350
Equity Share Second and Final Call A/c Dr.		1,17,000	
To Equity Share Capital A/c (Second and Final call made due on 29,250 shares at ₹ 4 per share)			1,17,000
Bank A/c Dr.		1,16,400	
To Equity Share Second and			1,16,400

Final Call A/c (Second and Final call money received on 29,100 shares at ₹ 4 per share)			
OR			
Bank A/c	Dr.	1,16,400	
Calls in arrears A/c	Dr.	600	
To Equity Shares Second and Final call A/c (Second and Final call money received except 150 shares)			1,17,000
Equity Share Capital A/c	Dr.	1,500	
To Share Forfeiture A/c			900
To Equity Share Second and Final Call A/c (150 Shares of Mohan forfeited)			600
OR			
Equity Share Capital A/c			
To Shares Forfeiture A/c	Dr.	1,500	
To Calls in arrears A/c (50 shares forfeited due to non-payment of Second and final call money)			900
			600
Bank A/c	Dr.	8,100	
Share Forfeiture A/c	Dr.	900	
To Equity Share Capital A/c (900 shares reissued at ₹ 9 per share)			9,000
Share Forfeiture A/c	Dr.	1,650	
To Capital Reserve A/c (W.N.1) (Profit on re-issue transferred to Capital Reserve)			1,650

Working Note-1:

Calculation of amount to be transferred to Capital Reserve:

Surplus out of 300 shares of Arun forfeited	₹ 300
Surplus out of 450 shares of Ajeet forfeited	₹ 1,350
Surplus out of 150 shares of Mohan forfeited	<u>₹ 900</u>
	₹ 2,550
Less: Loss on re-issue of shares	<u>₹ 900</u>
Transferred to Capital Reserve	<u>₹1,650</u>

16. Journal Entries in the Books of Trinity Ltd.

Particulars		Dr.	Cr.
		₹	₹
Dividend A/c	Dr.	10,000	
To Bank A/c			10,000
(Dividend on preference paid)			
Profit & Loss A/c	Dr.	10,000	
To Dividend A/c			10,000
(Dividend on preference shares written off to profit and loss account)			
10% Redeemable Preference Capital	Dr.	1,00,000	
Premium on redemption of Preference Shares	Dr.	10,000	
To Preference Shareholders			1,10,000
(Amount payable to preference shareholders on redemption)			
Profit & Loss A/c	Dr.	10,000	
To Premium on Redemption of Preference shares			10,000
(Amount of premium payable on redemption of preference shares)			

Bank A/c	Dr.	90,000	
Profit and Loss A/c	Dr.	10,000	
To Investments A/c			1,00,000
(Amount realised on sale of Investments and loss thereon adjusted)			
Preference shareholders A/c	Dr.	1,10,000	
To Bank			1,10,000
(Payment made to preference shareholders)			
General Reserve A/c	Dr.	1,00,000	
To Capital Redemption Reserve A/c			1,00,000
(Transfer to the Capital redemption reserve account on redemption of shares)			
Capital Redemption Reserve A/c	Dr.	1,00,000	
Securities Premium A/c	Dr.	70,000	
General Reserve A/c	Dr.	20,000	
Profit & Loss A/c	Dr.	10,000	
To Bonus to Equity Shareholders A/c			2,00,000
(Amount adjusted by issuing bonus shares in the ratio of 2:1)			
Bonus to Equity Shareholders A/c	Dr.	2,00,000	
To Equity Share Capital			2,00,000
(Balance on former account transferred to latter)			

17. In the books of XY Ltd.

Journal Entries

Date	Particular	L.F	Dr.	Cr.
2023	Sundry Assets A/c	Dr.	9,00,000	
April	Goodwill A/c (Bal. fig)	Dr.	1,00,000	
	To Himalayan Ltd. A/c			8,80,000

	To Sundry Liabilities A/c (Assets and liabilities taken over for a net consideration of ₹ 8,80,000)			1,20,000
	Himalyan Ltd. A/c Dr.	8,80,000		
	To 8% Debentures A/c		8,00,000	
	To Securities Premium A/c (8000; 8% Debenture of ₹ 100 each issued at a premium of 10%)		80,000	
	Bank A/c Dr.	1,80,000		
	To Debenture Application A/c (Application money received for 6000, 8% Debenture)		1,80,000	
	Debenture Application A/c Dr.	1,80,000		
	To 8% Debenture A/c (6000; 8% Debenture allotted)		1,80,000	
	Debentures allotment A/c Dr.	3,60,000		
	Loss on issue of debenture A/c Dr.	90,000		
	To 8% Debentures A/c		4.20,000	
	To Premium on redemption of debentures A/c (Allotment money due on 6000; 8% Debentures at 10% discount and redeemable at 5% premium)		30,000	
	Bank A/c Dr.	3,60,000		
	To Debentures Allotment A/c (Allotment money received)		3,60,000	
2024 Mar,31	Profit and Loss A/c Dr.	90,000		

To Loss on issue of Debenture A/c (Loss on issue of debenture written off)			90,000
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18. (i) **Going Concern concept:** 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; if such an intention or need exists, the financial statements may have to be prepared on a different basis and, if so, the basis used is disclosed.
- (ii) Accounting Standards are selected set of accounting policies or broad guidelines regarding the principles and methods to be chosen out of several alternatives. The main objective of Accounting Standards is to establish standards which have to be complied with, to ensure that financial statements are prepared in accordance with generally accepted accounting principles. Accounting Standards seek to suggest rules and criteria of accounting measurements. These standards harmonize the diverse accounting policies and practices at present in use in India.
- (iii) **Retirement of bills of exchange:** Sometimes, the acceptor of a bill of exchange has spare funds much before the maturity date of the bill of exchange accepted by him. He may, therefore, desire to pay the bill before the due date. In such a circumstance, the acceptor shall ask the payee or the holder of the bill to accept cash before the maturity date. If the payee agrees, the acceptor may be allowed a rebate or discount on such early payment. This rebate is generally the interest at an agreed rate for the period between the date of payment and date of maturity. The interest/rebate/discount becomes the income of the acceptor and expense of the payee. It is a consideration for premature payment. When a bill is paid before due date, it is said to be retired under rebate.

- (iv) Banks are essential to modern society, but for an industrial unit, it serves as a necessary instrument in the commercial world. Most of the transactions of the business are done through bank whether it is a receipt or payment. Rather, it is legally necessary to operate the transactions through bank after a certain limit. All the transactions, which have been operated through bank, if not verified properly, the industrial unit may not be sure about its liquidity position in the bank on a particular date. There may be some cheques which have been issued, but not presented for payment, as well as there may be some deposits which has been deposited in the bank, but not collected or credited so far. Some expenses might have been debited or bills might have been dishonoured. It is not known to the industrial unit in time, it may lead to wrong conclusions. The errors committed by bank may not be known without preparing bank reconciliation statement. Preparation of bank reconciliation statement prevents the chances of embezzlement. Hence, bank reconciliation statement is very important and is a necessity of an industrial unit as it plays a key role in the liquidity control of the industry.