

**CA FOUNDATION**  
**ACCOUNTING**  
**FULL SYLLABUS TEST**

**Solution**

**State with reasons whether the following are true or false**

**A-1**

**(a)**

**(i)** False

**(ii)** False

**(iii)** False

**(iv)** True

**(v)** False

**(5 x 1 = 5 marks)**

**(b)** Bank Reconciliation statement of M/s R.K. Brothers as on 30<sup>th</sup> June, 2018

	<b>Rs</b>	<b>Rs</b>
<b>Debit balance as per pass book (overdraft)</b>		<b>25,000</b>
Add: Cheque directly deposited into bank, but not entered in cash book	400	
Cheque issued but not presented for payment till 30 <sup>th</sup> June, 2018	14,000	
Bank charges charged by bank, recorded twice.	80	14,480
		<b>39,480</b>

Less: Cheque entered in cash book but not sent to the bank	4,000	
Cheques sent but not collected by bank (4,000 + 2,000)	6,000	
Direct payment made by bank, not recorded in cash book	600	
Interest on overdraft charged by bank, not recorded in cash book	1,600	
Insurance charges directly paid by bank	70	
Credit side of bank column of cash book under casted	2,000	14,270
<b>Credit balance as per cash book (overdraft)</b>		<b>25,210</b>

(5 marks)

(c) Case I-

Working Note-

Plant I		Plant II		Plant III	
<b>On Jan 1, 2015</b>	<b>60,000</b>	<b>On July 1, 2015</b>	<b>50,000</b>	<b>On Oct 1, 2016</b>	<b>30,000</b>
Part I- $60,000 \times \frac{1}{3} =$	20,000	Less: Dep.	2,500	Less: Dep.	750
Less: Dep.	2,000		47,500		29,250
	18,000	Less: Dep.	5,000	Less: Dep.	3,000
Less: Dep.	1,500		42,500		26,250
	16,500	Less: Dep.	5,000		
Less: Sold	11,000		37,500		
Loss	5,500				
Part II- $60,000 \times \frac{2}{3} =$	40,000				
Less: Dep.	4,000				
	36,000				
Less: Dep.	4,000				
	32,000				
Less: Dep.	4,000				
	28,000				

### Plant Account

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
<b>2015</b>				<b>2015</b>			
Jan. 1	To bank plant I		60,000	Dec. 31	By depreciation on		
Jan. 1	To bank: plant II		50,000		Plant I		
					6,000		
					Plant II		8,500
					2,500		
					By balance c/d		
					plant I		
					54,000		
					Plant II		1,01,500
					47,500		
	<b>Total</b>		<b>1,10,000</b>		<b>Total</b>		<b>1,10,000</b>
<b>2016</b>				<b>2016</b>			
Jan 1.	To balance b/d Plant I 54,000			Oct 1.	By depreciation on plant I <sup>1/3</sup>		1,500
Oct 1.	Plant II 47,500		1,01,500		By cash		11,000
	To bank plant III		30,000		By P & L A/c (loss)		5,500
					By depreciation on plant I <sup>(2/3)</sup>	4,000	
					Plant II	5,000	
					Plant III	750	9,750
					By balance c/d		
					Plant I <sup>(2/3)</sup>	32,000	
					Plant II	42,500	

					Plant III 29,250		1,03,750
	<b>Total</b>		<b>1,31,500</b>		<b>Total</b>		<b>1,31,500</b>
2017				2017	By depreciation on		
Jan 1.	To balance b/d			Dec.31	Plant I <sup>(2/3)</sup> 4,000		
	Plant I(2/3) 32,000				Plant II 5,000		
	Plant II 42,500				Plant III 3,000		12,000
	Plant III 29250		1,03,750		By balance c/d		
					Plant I (2/3) 28,000		
					Plant II 37,500		
					Plant III 26,250		91,750
	<b>Total</b>		<b>1,03,750</b>		<b>Total</b>		<b>1,03,750</b>

#### Case II-

#### Working Note-

Plant I		Plant II		Plant III	
<b>On Jan 1, 2015</b>	<b>60,000</b>	<b>On July 1, 2015</b>	<b>50,000</b>	<b>On Oct 1, 2016</b>	<b>30,000</b>
Part I- 60,000x1/3=	20,000	Less: Dep.	2,500	Less: Dep.	750
Less: Dep.	2,000		47,500		29,250
	18,000	Less: Dep.	4,750	Less: Dep.	2,925
Less: Dep.	1,350		42,7500		26,325
	16,650	Less: Dep.	4,275		
Less: Sold	11,000		38,475		
Loss	5,650				
Part II- 60,000x2/3=	40,000				
Less: Dep.	4,000				
	36,000				
Less: Dep.	3,600				

	32,400		
Less: Dep.	3,240		
	29,160		

**Plant Account**

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
<b>2015</b>				<b>2015</b>			
Jan. 1	To bank plant I		60,000	Dec. 31	By depreciation on		
Jan. 1	To bank: plant II		50,000		Plant I		
					6,000		
					Plant II		8,500
					2,500		
					By balance c/d		
					plant I		
					54,000		
					Plant II		1,01,500
					47,500		
	<b>Total</b>		<b>1,10,000</b>		<b>Total</b>		<b>1,10,000</b>
<b>2016</b>				<b>2016</b>			
Jan 1.	To balance b/d			Oct 1.	By depreciation on		1,350
	Plant I 54,000				plant I <sup>1/3</sup>		
Oct 1.	Plant II 47,500		1,01,500		By cash		11,000
	To bank plant III		30,000		By P & L A/c (loss)		5,650
					By depreciation on		
					plant I <sup>(2/3)</sup> 3,600		
					Plant II 4,750		
					Plant III 750		9,100

					By balance c/d		
					Plant I <sup>(2/3)</sup> 32,400		
					Plant II 42,750		
					Plant III 29,250		1,04,400
	<b>Total</b>		<b>1,31,500</b>		<b>Total</b>		<b>1,31,500</b>
<b>2017</b>				<b>2017</b>	<b>By depreciation on</b>		
Jan 1.	To balance b/d			Dec.31	Plant I <sup>(2/3)</sup> 3,240		
	Plant I(2/3) 32,400				Plant II 4,275		
	Plant II 42,750				Plant III 2,975		10,440
	Plant III 29250		1,04,400		By balance c/d		
					Plant I (2/3) 29,160		
					Plant II 38,475		
					Plant III 26,325		93,960
	<b>Total</b>		<b>1,04,400</b>		<b>Total</b>		<b>1,04,400</b>

(10 marks)

A-2

(a)

(i)

**1) Capital commitment:** Capital commitment is a future liability for capital expenditure in respect of which contracts have been made.

**2) Expired cost:** Expired cost means the portion of an expenditure from which no further benefit is expected. It is termed as an expense.

**3) Floating charge:** Floating charge is a general charge on some or all assets of an enterprise, which is not attached to specific assets and is given as security against a debt.

**4) Obsolescence:** Obsolescence is the diminution in the value of an asset by reason of its becoming out of fashion or less useful due to change in technology, improvement in methods of production, change in the demand of market for the product or service output of the asset, or legal or other restrictions.

**(5 marks)**

**(ii)** Statement showing the valuation of stock as on 31<sup>st</sup> March, 2016

	Rs
a) Stock in godown (physical inventory) as on 15-3-2016	50,000
b) Less: (a) Cost of sales between 15.3 to 31.3 net of return 80% of (Rs 41,000 – Rs 1,000)	- 32,000
c) Add: (a) Purchases during the period	+ 5,034
d) Stock as on March 31, 2016 (at cost)	23,034

**(2 marks)**

**(iii)** Stock Ledger

Date 2021	Receipts			Issues			Balance		
	Qty. (units)	Rate Rs	Amt. Rs	Qty. (units)	Rate Rs	Amt. Rs	Qty. (units)	Rate Rs	Amt. Rs
1 <sup>st</sup> Jan.	--	--	--	--	--	--	Nil	--	Nil
1 <sup>st</sup> Jan.	10	300	3000	--	--	--	10	300	3000
15 <sup>th</sup> Jan.	--	--	--	5	300	1500	5	300	1500

1 <sup>st</sup> Feb	20	400	8000	--	--	--	25	380	9500
15 <sup>th</sup> Feb.	--	--	--	10	380	3800	15	380	5700
20 <sup>th</sup> Feb.	--	--	--	10	380	3800	5	380	1900
31 <sup>st</sup> Mar.	--	--	--	--	--	--	5	280	1900

Value of inventory as on 31<sup>st</sup> March, 2021 is Rs 1,900

(3 marks)

(b) In the books of hare Rama & Sons

**Journal Entries**

S. No.		Amt. (Dr.)	Amt. (Cr.)
(i)	Repair A/c Dr. To Building A/c (Being repair made to building wrongly debited to building A/c now corrected)	1,850	1,850
(ii)	Shyam Lal A/c Dr. To Bad debt recovered A/c (being bad debts recovered wrongly credited to Shyam Lal A/c, now corrected)	3,000	3,000
(iii)	Furniture A/c Dr. To purchases A/c (being furniture purchased wrongly recorded in purchases book, now corrected)	20,000	20,000
(iv)	Purchases A/c Dr. To Ram Singh A/c (being goods purchased from Ram Singh not recorded)	8,000	8,000



	earlier, now recorded)			
<b>(v)</b>	Drawings A/c To Audit fees A/c (Being college fees of proprietor's son wrongly debited to audit fees A/c, now corrected)	Dr.	15,000	15,000
<b>(vi)</b>	Pinki Rani A/c To Meet Kumar A/c (Being amount received from Meet kumar wrongly credited to Pinki Rani A/c, now corrected)	Dr.	4,500	4,500
<b>(vii)</b>	Sales Returns A/c To customer A/c (Being sales return from a customer not recorded earlier, now recorded)	Dr.	6,200	6,200
<b>(viii)</b>	Furniture A/c To Wages A/c (Being wages paid furniture wrongly debited to wages A/c, now corrected)	Dr.	1,500	1,500
<b>(ix)</b>	Salary A/c To clerk personal A/c (Being salary paid to clerk wrongly debited to his personal A/c, now corrected)	Dr.	12,000	12,000
<b>(x)</b>	Purchases A/c Sales A/c To Raghav A/c (being purchase of goods wrongly recorded in sales book, now corrected)	Dr.	20,000 20,000	40,000

**(10 marks)**

**A-3**

(a) In the books of M/s. Shyam & Co. Purchase Book

Date	Particulars	Details	Amount (Rs)
(i)	Red and company		
	10 pair of black shoes @ Rs 800 per pair	8,000	
	5 pair of brown shoes @ Rs 900 per pair	4,500	
		12,500	
	Less: 10% trade discount	(1,250)	11,250
	<b>Total</b>		<b>11,250</b>

Note:

- a) Purchase of computer is not recorded in purchase book.
- b) Purchase of goods in cash is not recorded in purchase book.

(5 marks)

(b) Journal Entries

Date	Books of H		Books of J		Books of G			
1.7.2015	G A/c Dr.	80,000			B.R. A/c	80,000		
	To B.P. A/c		80,000	-	Dr.			
					To H A/c			80,000
1.7	-			G A/c Dr.	81,000	Purchase	81,000	
						Dr. A/c		
1.7	-			To Sales		To J A/c		81,000

				A/c					
1.9	J.A/c Dr.	90,000		B.R A/c Dr.	80,000		J A/c Dr.	81,000	
	To sale A/c		90,000	Discount Dr.	1,000		To B.R. A/c		81,000
1.9	B.P A/c Dr.	80,000		To G A/c		81,000	To discount A/c		1000
	Bank A/c Dr.	9,000		Purchase Dr. A/c	90,000		-		
	Discount A/c Dr.	1,000		To H A/c		90,000	-		
	To J. A/c (our B.P is endorsed in our favour hence cancelled)		90,000	H A/c Dr.	90,000				
1.10	Purchase A/c Dr.	1,00,000		To B.R. A/c		80,000	H A/c Dr.	1,00,000	
	To G A/c		1,00,000	To Bank A/c		9000	To sale A/c		1,00,000
1.10	G A/c Dr.	20,000		To discount A/c		1000	Bank A/c Dr.	20,000	
	To bank A/c		20,000				To H A/c		20,000

**In the books of 'H'**

**G's A/c**

1.7.2019	To B.P A/c	80,000	1.10.2015	By purchases A/c	1,00,000
9.10.2015	To cash bank A/c	20,000			
		<b>1,00,000</b>			<b>1,00,000</b>

**B.P A/c**

1.9.2015	To J's A/c	80,000	1.7.2015	By G A/c	80,000
		<b>80,000</b>			<b>80,000</b>

**J's A/c**

1.9.2015	To sales A/c	90,000	1.9.2015	By B.P. A/c	80,000
				By bank /Cash A/c	9,000
				By discount A/c	1,000
		<b>90,000</b>			<b>90,000</b>

**In the books of J G's A/c**

1.7.2015	To sales A/c	81,000	1.7.2015	By B.R. A/c	80,000
				By discount A/c	1,000
		<b>81,000</b>			<b>81,000</b>

**BR A/c**

1.7.2015	To G's A/c	80,000	1.9.2015	By H's A/c	80,000
		<b>80,000</b>			<b>80,000</b>

**H's A/c**

1.9.2015	To B.R. A/c	80,000	1.9.2015	By purchase A/c	90,000
	To cash /Bank A/c	9,000			
	To discount	1,000			
		<b>90,000</b>			<b>90,000</b>

**In the books of G**

**H's A/c**

1.10.2015	To sales A/c	1,00,000	1.7.2015	By B.R. A/c	80,000
			1.10.2015	By cash/bank A/c	20,000
		<b>1,00,000</b>			<b>1,00,000</b>

**B.R. A/c**

1.7.2015	To H' A/c	80,000	1.7.2015	By J's A/c	80,000
		<b>80,000</b>			<b>81,000</b>

**J A/c**

1.7.2015	To B.R A/c	81,000	1.7.2015	By purchases A/c	81,000
	To discount A/c	1,000			
		<b>81,000</b>			<b>81,000</b>

**(8 marks)**

**(c) Raw Material A/c**

<b>Particulars</b>	<b>Rs</b>	<b>Particulars</b>	<b>Rs</b>
--------------------	-----------	--------------------	-----------

To opening stock	1,27,000	By raw material consumed	9,15,000
To creditors (purchase of raw material)	14,40,000	By closing stock (bal. fig)	6,52,000
	<b>15,67,000</b>		<b>15,67,000</b>

#### Creditors A/c

Particulars	Rs	Particulars	Rs
To bank A/c	23,50,000	By balance b/d	15,70,000
To balance c/d	6,60,000	By purchase of raw material (bal.fig)	14,40,000
<b>Total</b>	<b>30,10,000</b>	<b>Total</b>	<b>30,10,000</b>

#### Revised manufacturing A/c

Particulars	Rs	Particulars	Rs
To raw material A/c (bal. fig)	9,15,000	By trading A/c <sup>(3)</sup>	18,32,000
To wages (3,65,000-50,000)	3,15,000		
To depreciation <sup>(1)</sup>	3,95,000		
To direct expenses <sup>(2)</sup>	2,07,000		
<b>Total</b>	<b>18,32,000</b>	<b>Total</b>	<b>18,32,000</b>

#### Working Notes:

##### 1. Actual depreciation:

$$= \text{Rs } 2,15,000 + (12,00,000 \times 15\%)$$

$$= \text{Rs } 2,15,000 + \text{Rs } 1,80,000$$

$$= \text{Rs } 3,95,000$$

2. Actual direct expenses:

= 2,49,000 – (80,000 x 25%) (electricity of office) – 22,000 (delivery charges)

= 2,49,000 – 20,000 – 22,000

= Rs 2,07,000

3. Revised balance to be transferred to trading account: Rs

Amount as per manufacturing account	17,44,000
Add: Depreciation not recorded earlier	1,80,000
Less: Wages of office	(50,000)
Less: Delivery charges to customer wrongly Included in direct expenses	(22,000)
Less: Office electricity wrongly included in direct expenses (80,000 x 25%)	(20,000)
	<b>18,32,000</b>
	<b>(7 marks)</b>

**A-4**

**(a) In the books of Fashion Garments Ltd.**

**Journal Entries**

S. No.	Particulars	L.F.	Amt. Dr. (Rs)	Amt. Cr. (Rs)
1	Bank A/c To Equity share application A/c	Dr.	10,000	10,000

	(being application money received @ Rs 1 per share On 10,000 equity shares)			
<b>2</b>	Equity share application A/c Dr. To equity share capital A/c (being application money transferred to equity share capital A/c)		10,000	10,000
<b>3</b>	Equity share allotment A/c Dr. To equity share capital A/c  (being allotment money made due on 20,000 equityshares)		20,000	20,000
<b>4</b>	Bank A/c Dr. To equity share allotment A/c (being allotment money received)		19,800	19,800
	OR			
	Bank A/c Dr. Calls in arrears A/c Dr. To equity share allotment A/c (Allotment Amount received except 100 shares)		19,800 200	<b>20,000</b>
<b>5</b>	Equity Share Capital A/c Dr. To Share Forfeiture A/c To Equity Shares Allotment A/c (100 Shares of Ram forfeited) OR Equity Share Capital A/c Dr. To Shares Forfeiture A/c To Calls in arrears A/c (100 shares forfeited due to non-payment of allotment money)		300       300	100 200      100 200



6	<p>Equity Share First Call A/c Dr.  To Equity Share Capital A/c  (First call made due on 9,900 shares at Rs 3 per share)</p>		29,700	29,700
7	<p>Bank A/c Dr.  To Equity Share First Call A/c  (First call money received on 9,750 shares at ` 3 per share)  OR  Bank A/c  Calls in arrears A/c  To Equity Share First Call A/c  (First Call money received except 150 shares)</p>		29,250  29250 450	29,250  29,700
8	<p>Equity Share Capital A/c Dr.  To Share Forfeiture A/c  To Equity Share First Call A/c  (150 Shares of Shyam forfeited)  OR  Equity Share Capital A/c  To Share Forfeiture A/c  To Calls in arrears A/c  (150 shares forfeited due to non - payment of First call money)</p>		900  900	450 450  450 450
	<p>Equity Share Second and Final Call A/c Dr.  To Equity Share Capital A/c  (Second and Final call made due on 9,750 shares atRs4 per share)</p>		39,000	39,000

<p><b>9</b></p>	<p>Bank A/c Dr. To Equity Share Second and Final Call A/c (Second and Final call money received on 9,700 shares atRs4 per share) OR Bank A/c Calls in arrears A/c To Equity Shares Second and Final call A/c (Second and Final call money received except 50 shares)</p>		<p>38,800  38,800 200</p>	<p>38,800  39,000</p>
<p><b>10</b></p>	<p>Equity Share Capital A/c Dr. To Share Forfeiture A/c To Equity Share Second and Final Call A/c (50 Shares of Mohan forfeited)</p>		<p>500</p>	<p>300 200</p>
<p><b>11</b></p>	<p>Bank A/c Dr. Share Forfeiture A/c To Equity Share Capital A/c (300 shares reissued atRs9 per share)</p>		<p>2,700 300</p>	<p>3,000</p>
<p><b>12</b></p>	<p>Share Forfeiture A/c To Capital Reserve A/c (W.N.1) (Profit on re-issue transferred to Capital Reserve)</p>		<p>550</p>	<p>550</p>

Working Note-

1: Calculation of amount to be transferred to Capital Reserve:

Surplus out of 100 shares of Ram forfeited	Rs100
Surplus out of 150 shares of Shyam forfeited	Rs450

Surplus out of 50 shares of Mohan forfeited	Rs300
	Rs 850
Less: Loss on re-issue of shares	Rs300
Transferred to Capital Reserve	Rs550

(10 marks)

(b) Realisation A/c

Particulars	Rs	Particulars	Rs
To building	1,20,000	By trade creditors	47,000
To stock	85,500	By bills payable	20,000
To investment	29,000	By cash	
To debtors	42,000	Building	1,26,000
To cash-creditors paid (w.n.1)	37,828	Stock	78,000
To cash expenses	4,900	Investments (w.n.2)	23,000
To cash-bills payable (20,000-400)	19,600	Debtors (w.n.3)	33,176
To partner's capital A/cs		By debtors unrecorded	4,300
A	171	By investments unrecorded	7,900
B	171		
C	137		
D	69		
	548		
	<b>3,39,376</b>		<b>3,39,376</b>

Cash A/c

Particulars	Rs	Particulars	Rs
To balance b/d	14,500	By realisation creditors paid	37,828
To realisation assets realized		By realisation bills payable	19,600
Building	1,26,000	By realisation expenses	4,900

Stock	78,000		By capital account	
Investments	23,000		A	90,528
Debtors	33,176	2,60,176	B	90,528
To C's capital A/c		4,000	C	35,2,92
		<b>2,78,676</b>		<b>2,78,676</b>

### Partner's Capital A/c's

Particulars	A	B	C	D	Particulars	A	B	C	D
	Rs	Rs	Rs	Rs		Rs	Rs	Rs	Rs
To balance b/d			15,000		By balance b/d	90,000	90,000	-	35,000
To debtors-misappropriation			4,300		By general reserve	7,500	7,500	6,000	3,000
To investment-misappropriation			7,900		By realisation profit	171	171	137	69
To C's capital A/c(w.n.4)	7,143	7,143			By cash A/c			4,000	
To cash A/c	90,528	90,528		35,292	By A's capital A/c			7,143	
					By B's capital A/c			7,143	
					By D's capital A/c			2,777	
	<b>97,671</b>	<b>97,671</b>	<b>27,200</b>	<b>38,069</b>		<b>97,671</b>	<b>97,671</b>	<b>27,200</b>	<b>38,069</b>

#### Working Notes:

##### 1. Amount paid to creditors

	<b>Rs</b>
Book value	47,000
Less: creditors taking over investments	(8,400)

	38,600
less: discount @ 2%	(772)

**2. Amount received from sale of investments** **Rs**

Book value	29,000
Less: Misappropriated by C	(5,400)
	23,600

Less: Taken over by a creditor	(5,400)
--------------------------------	---------

	18,200
--	--------

Add: Profit on sale of investments	4,800
------------------------------------	-------

	23,000
--	--------

**3. Amount collected from debtors** **Rs**

Book value	42,000
------------	--------

Less: Unrecorded receipt	(4,300)
--------------------------	---------

	37,700
--	--------

Less: Discount @ 12%	(4,524)
----------------------	---------

	33,176
--	--------

**4. Deficiency of C** **Rs**

Balance of capital as on 31 <sup>st</sup> March, 2010	15,000
---	--------

Debtors-misappropriation	4,300
--------------------------	-------

Investment misappropriation	7,900
-----------------------------	-------

	27,200
Less: Realisation profit	(137)
General reserve	(6,000)
Contribution from private assets	(4,000)
Net deficiency of capital	17,063

This deficiency of Rs 17,063 in C's capital account will be shared by other partners A, B and D in their capital ratio of 90:90:35

Thus,

A's share of deficiency =  $*17,063 \times (90/215) = \text{Rs } 7,143$

B's share of deficiency =  $*17,063 \times (90/215) = \text{Rs } 7,143$

D's share of deficiency =  $*17,063 \times (35/215) = \text{Rs } 2,777$

**(10 marks)**

**A-5**

**(a)**

**(i)** In the books of Mumbai club

Income & expenditure A/c for the ended 31<sup>st</sup> March, 2021

Receipts		(Rs)	Payments		(Rs)
To ground man's fees	75,000		By bank interest	5,000	
+outstanding bonus	20,000	95,000	+outstanding	2,000	7,000
To rent of ground		25,000	By donation & subscriptions	25,000	

To club night expenses	38,000	+outstanding at the end 10,000	
To printing & office exp. 30,000		-outstanding at the beg. (15,000)	2,45,000
+outstanding at the end 8,000		By entrance fees	18,000
-outstanding at the beg. (10,000)	28,000	By contribution to club night	10,000
To repairs 50,000		By bar room receipts	20,000
+outstanding at the end 25,000		By proceeds from club night	78,000
-outstanding at the beg. (30,000)	45,000		
To depreciation on equipment w.n.1	52,000		
To honorarium (2020-21) (40,000 + 20,000)	60,000		
To surplus	35,000		
<b>Total</b>	<b>3,78,000</b>	<b>Total</b>	<b>3,78,000</b>

Balance sheet as at 31, March, 2021

<b>Liabilities</b>	<b>(Rs)</b>	<b>Assets</b>	<b>(Rs)</b>
Capital fund 2,88,000		Machinery & equipment w.n.1	1,75,000
+surplus 35,000	3,23,000	Outstanding interest	2,000
Outstanding printing & office exp.	8,000	Outstanding subscription	10,000
Bank overdraft w.n.2	5,000	Cash	25,000
Outstanding honorarium	60,000	Saving A/c	2,04,000
Outstanding bonus	20,000		
<b>Total</b>	<b>4,16,000</b>	<b>Total</b>	<b>4,16,000</b>

Balance sheet as at 1<sup>st</sup> April, 2020

<b>Liabilities</b>	<b>(Rs)</b>	<b>Assets</b>	<b>(Rs)</b>
Honorarium outstanding	40,000	Cash in hand	20,000
Outstanding printing	10,000	Saving A/c	1,93,000

Capital fund (bal.fig)	2,88,000	Current accountw.n.3	30,000
		Outstanding subscription	15,000
		Machinery & equipment	80,000
<b>Total</b>	<b>3,38,000</b>	<b>Total</b>	<b>3,38,000</b>

**Working Note:-**

**1. Calculation of depreciation on machinery & equipment**

Opening value	80,000
+purchase during the year	1,55,000
-sold	(8,000)
	2,27,000
-closing value	1,75,000
	52,000

**2. Calculation of current account balance as on 31<sup>st</sup> March**

Current A/c	20,000
(-) Un presented cheques for repairs	(25,000)
Bank overdraft	(5,000)

**3. Calculation of current account balance as on 1<sup>st</sup> April**

Current A/c	60,000
Less: Un presented cheques for repairs	(30,000)
	30,000

**(10 marks)**



**(ii) Meaning of Accounting policy:**

- The accounting policies refers to-
  - The specific accounting principal and
  - The methods of applying those principles
- Adopted by the enterprise in the preparation and presentation of financial statements
- Management has to select, follow & disclose accounting policies which it followed in preparation & presentation of financial statement, out of the different alternatives which may be permissible.
- Ex: Write off depreciation by SLM or WDV, value inventory cost by FIFO or weighted Av.
- Further examples of accounting policies: a) Recognition of contract revenue by % of completion method b) Treatment of goodwill c) Valuation of investments d) provision for retirement benefits etc.

Preparation of financial statements is the responsibility of the management of an enterprise. This includes selecting appropriate accounting policies and applying them consistently from one period to another.

**Requirements of AS-1 disclosure of accounting policies:**

For proper understanding of financial statements, all significant accounting policies adopted in the preparation and presentation of financial statements should be disclosed.

Disclose all significant policies adopted in the preparation & presentation of financial statement preferably at one place.

The primary consideration in the selection of accounting policies by an enterprise is that:

The financial statements prepared and presented on the basis of such accounting policies should represent a true and fair view of the financial position & performance.

The major considerations governing the selection and application of accounting policies are:

Prudence, substance over form and materiality. (Refer chapter 2)

If any fundamental accounting assumption is not followed- Going concern, consistency or accrual refer chapter 2. Disclosure of the same in financial statements is required.

Areas in which differing accounting policies are encountered:

<b>Areas</b>	<b>Differing accounting policies possible</b>
Methods of depreciation depletion and amortization	Straight line method, written down value method.
Treatment of expenditure during construction	Capitalize, expense treat as deferred revenue expenditure.
Valuation of inventories	Different cost formulas FIFO, weighted average cost, etc.
Treatment of goodwill	Amortize, do not amortize
Valuation of investments	Cost, lower of cost and fair value, fair value
Recognition of profit on long –term contracts	Percentage of completion method, completed contract method, different ways of measuring percentage of completion.
Valuation of fixed assets	Costs less depreciation, costs, costs less depreciation less impairment
Treatment of contingent liability	Make provision, disclosures only.

**(6 marks)**

**(b)** Computation of number of equity shares to be allotted.

<b>Particulars</b>	<b>Number of debentures</b>
Total number of debentures	25,000
Less: debentures holder not opted for conversion	(5,000)

Debenture holders opted for conversion	20,000
Option for conversion	20%
Number of debentures to be converted (20% of 20,000)	4,000
Redemption value of 4,000 debentures at a premium of 5% [4,000 x (100+5)]	Rs 4,20,000
Equity shares of Rs 10 each issued on conversion	
[Rs 4,20,000 / Rs 20]	21,000 shares

(4 marks)

A-6

(a) In the books of Mr. B

**Manufacturing Account for the year ended 31st March, 2021**

Particulars		Rs	Particulars	Rs
To Opening Stock of Raw Materials		5,25,000	By Cost of Manufactured goods transferred to Trading A/c	28,28,000
To Purchase	17,50,000			
Less: Purchase Return	17,500	17,32,500		
To Carriage Inwards		52,500		
To Direct Wages		2,80,000		
To Power		1,05,000		
To Coal and fuel		52,500		
To Factory Rent and Rates		70,000		
To Depreciation on Machinery		10,500		

		<b>28,28,000</b>		<b>28,28,000</b>
--	--	------------------	--	------------------

**Trading Account for the year ended 31st March, 2021**

<b>Particulars</b>	<b>Rs</b>	<b>Particulars</b>		<b>Rs</b>
To Opening Stock of finished goods	2,62,500	By Sales	29,75,000	
To Cost of goods transferred from Manufacturing A/c	28,28,000	Less: Sales Return	35,000	29,40,000
To Gross Profit c/d	1,99,500	By Closing Stock		3,50,000
	<b>32,90,000</b>			<b>32,90,000</b>

**Profit and Loss Account for the year ended 31st March, 2021**

<b>Particulars</b>		<b>Rs</b>	<b>Particulars</b>	<b>Rs</b>
To Carriage Outward		24,500	By Gross Profit b/d	1,99,500
To Discount Allowed		10,500	<b>By Accrued Commission*</b>	43,750
To Commission Paid		17,500	<b>By Accrued Interest</b>	52,500
To Dividend Paid		14,000		
To General Expenses		14,000		
To Advertisement		17,500		
To Salaries	70,000			
Add: Outstanding	7,000	77,000		
To Interest Paid	24,500			
Less: Prepaid	5,250	19,250		
To Provision for Bad & Doubtful Debts	7,000			
Add: Bad Debts	14,000			
Less: Old Provision for Doubtful Debts	7,000	14,000		

To Depreciation on Building		3,500		
To Net Profit c/d		84,000		
		<b>2,95,750</b>		<b>2,95,750</b>

\*Alternatively Accrued Commission may be treated as Expenses, in that case total Commission will be Rs 61,250 (Rs17,500 + Rs43,750) and Net Loss will be Rs 3,500.

### Balance Sheet as on 31st March, 2021

Capital and Liabilities		Rs	Assets		Rs
Capital	3,50,000		Plant & Machinery	1,05,000	
Add: Net Profit**	84,000		Less: Depreciation	10,500	94,500
	4,34,000		Land & Building	3,50,000	
Less: Drawings	70,000	3,64,000	Less: Depreciation	3,500	3,46,500
Bills Payable		84,000	Furniture & Fixtures		52,500
Sundry Creditors		1,75,000	Investments		87,500
Salary Outstanding		7,000	Closing Stock		3,50,000
Long-Term Loans		7,00,000	Loose Tools		1,05,000
Bank Overdraft		80,500	Sundry Debtors	1,40,000	
			Less: Provision for Bad & Doubtful Debts	7,000	1,33,000
			Bills Receivable		52,500
			Accrued Commission		43,750
			Accrued Interest		52,500
			Prepaid Interest		5,250
			Cash in Hand		70,000
			Cash at Bank		17,500
		<b>14,10,500</b>			<b>14,10,500</b>

\*\*If Accrued Commission is treated as expenses in that case Net Loss of Rs 3,500 will be deducted from Capital Account and Closing Capital figure will be Rs 2,76,500 and Accrued Commission Rs 43,750 will appear under liability side of Balance Sheet.

**(12 marks)**

**(b) Trading and Profit and Loss Account of Archana Enterprises for the year ended 31st March, 2019**

	Rs			Rs
To Opening Stock	9,15,000	By Sales		
To Purchases (W.N. 2)	125,97,000	Cash	110,70,000	
To Gross profit c/d (10% of 139,30,000)	13,93,000	Credit (W.N. 1)	28,60,000	139,30,000
		Credit (W.N. 1)By Closing stock		9,75,000
	<b>149,05,000</b>			<b>149,05,000</b>
To Sundry expenses (W.N. 4)	9,18,750	By Gross profit b/d		13,93,000
To Discount allowed	54,000	By Discount received		42,500
To Depreciation (15% Rs 1,50,000)	22,500			
To Net Profit (b.f.)				
	<b>14,35,500</b>			<b>14,35,500</b>

Balance Sheet of Archana Enterprises as at 31st March, 2019

Liabilities	Amount Rs	Assets	Amount Rs
Capital		Furniture & Fittings	1,50,000

Opening Balance	6,75,000		Less: Depreciation	(22,500)	1,27,500
Less: Drawing	(3,60,000)	3,15,000	Stock		9,75,000
Add: Net profit for the years		7,55,250	Trade Debtors		3,43,000
	4,40,250				
Trade creditors (W.N. 3)		8,29,000	Unexpired insurance		3,000
Outstanding expenses		55,200	Cash in hand & at bank		1,90,950
		<b>16,39,450</b>			<b>16,39,450</b>

### Working Notes:

#### 1. Trade Debtors Account

	Rs		Rs
To Balance b/d	3,12,000	By Cash/Bank	27,75,000
To Credit sales	28,60,000	By Discount allowed	54,000
(Bal. fig.)		By Balance c/d	3,43,000
	<b>31,72,000</b>		<b>31,72,000</b>

#### 2. Memorandum Trading Account

	Rs		Rs
To Opening stock	9,15,000	By Sales	139,30,000
To Purchases (Balancing figure)	125,97,000	By Closing stock	9,75,000
To Gross Profit (10% on sales)	13,93,000		
	<b>149,05,000</b>		<b>149,05,000</b>

#### 3. Trade Creditors Account

	Rs		Rs
To Cash/Bank	124,83,000	By Balance b/d	7,57,500
To Discount received	42,500	By Purchases (as calculated in W.N. 2)	125,97,000
To Balance c/d (balancing figure)	8,29,000		
	<b>133,54,500</b>		<b>133,54,500</b>

#### 4. Computation of sundry expenses to be charged to Profit & Loss A/c

	Rs
Sundry expenses paid (as per cash and Bank book)	9,31,050
Add: Prepaid expenses as on 31-3-2018	3,000
	9,34,050
Less: Outstanding expenses as on 31-3-2018	(67,500)
	8,66,550
Add: Outstanding expenses as on 31-3-2019	55,200
	9,21,750
Less: Prepaid expenses as on 31-3-2019 (Insurance paid till July, 2019) (9,000 x 4/12)	(3,000)
	<b>9,18,750</b>

**(8 marks)**