

Roll No.

12 JAN 2025

Total No. of Questions – 6

FOUNDATION EXAM
PAPER -1
ACCOUNTING

Total No. of Printed Pages – 12

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Time Allowed – 3 Hours

Maximum Marks – 100

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Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate who has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

Question No. 1 is compulsory.

Answer any **four** questions from the remaining **five** questions.

Working notes should form part of the answers.

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1. (a) State with reasons, whether the following statements are True or False : **6×2 =12**
- (i) Matching concept is based on accrual concept.
 - (ii) Customers of business should not be considered as users of accounts prepared by business. They are not interested in knowing the performance of the business.
 - (iii) Under inflationary conditions, FIFO will not show lowest value of cost of goods sold.
 - (iv) For redemption of preference shares, proceeds from fresh issue of equity shares and debentures can be utilized.
 - (v) Book keeping and accounting are not synonymous terms; they are different from each other.
 - (vi) A ledger is also known as the principal books of accounts.

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- (b) Explain four main functions of Accounting. 4
- (c) From the following transactions, prepare the Sales Return Book of Kay & Co., a readymade garments dealer : 4

Date	Particulars
06/12/2024	Return received from Aar Store 30 shirts @ ₹ 300/- and 15 trousers @ ₹ 500/- each Less : Trade Discount @ 8%
12/12/2024	Modern tailors returned 10 frocks (which were sold for cash) @ ₹ 200/- each.
16/12/2024	Return received from Tulip Store - 12 T-shirts @ ₹ 100/- each. Less : Trade discount @ 10%.

2. (a) A firm purchased a second-hand machinery on April 1, 2021 for ₹ 15,00,000 subsequent to which ₹ 2,00,000 were spent on its repairs and installation. On October 1, 2021 another machinery was purchased for ₹ 9,00,000 and cost of installing the machine in a new plant is ₹ 20,000. The firm also shifted the machinery purchased on April 1, 2021 to the new plant and incurred freight of ₹ 10,000. They adopted a policy of charging depreciation @ 12% per annum on diminishing balance method. 10
- On April 1, 2023 it was decided to change the method and rate of depreciation to straight line basis. On this date, the remaining useful life was assessed as 5 years for both the machines purchased with no scrap value.
- On October 1, 2023 the first machine become outdated and sold for ₹ 2,50,000. On the same date, another machinery was purchased for ₹ 8,50,000. The estimated useful life of the machine is 10 years and residual value is ₹ 30,000.
- You are required to prepare the machinery account for the year ending March 31, 2024.

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- (b) From the following information, prepare a Bank Reconciliation Statement as on June 30, 2024 for M/s XYZ Limited : 10

- (i) The Bank column of Cash Book was overdrawn to the extent of ₹ 24,768.
- (ii) Bank charges amounting to ₹ 350 had not been entered in the Cash Book.
- (iii) Cheque amounting to ₹ 88,678 issued before June 30, 2024 but not yet presented to Bank.
- (iv) One payment of ₹ 4,590 was recorded in the Cash Book as if there is no bank column.
- (v) The company paid ₹ 15,500 to a creditor and received a cash discount @ 2%. The cashier erroneously entered the gross amount in the bank column of the Cash Book.
- (vi) A debit of ₹ 5,700 appeared in the Bank Statement for an unpaid cheque, which had been returned marked 'out of date'. The cheque had been re-dated by the customer and paid into the Bank again on July 8, 2024.
- (vii) Cheques deposited in bank but not yet cleared amount to ₹ 45,789.
- (viii) Dividends of ₹ 1,980 collected by the Bank was not recorded in the Cash Book.
- (ix) Amount of ₹ 2,340 wrongly credited by bank to company account for which no details are available.
- (x) On June 25, 2024 the credit side of bank column of the Cash Book was overcast by ₹ 6,789.

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3. (a) From the following schedule of balances extracted from the books of Mr. Piyush, prepare Trading and Profit and Loss Account for the year ended 31st March, 2024 and the Balance Sheet as on that date after making the necessary adjustments : 15

Particulars	Dr. (₹)	Cr. (₹)
Capital Account		8,85,000
Stock on 1.4.2023	3,86,000	
Cash in hand	18,500	
Cash at Bank	73,500	
Investments (at 9%) as on 1.4.2023	50,000	
Deposits (at 10%) as on 1.4.2023	3,00,000	
Drawings	78,000	
Purchases	24,95,000	
Sales		29,86,000
Return Inwards	1,10,000	
Return outwards		1,38,000
Carriage inwards	1,26,000	
Rent	66,000	
Salaries	1,15,000	
Sundry Debtors	2,35,000	
Sundry Creditors		1,37,500
Bank Loan (at 12%) as on 1.10.2023		2,00,000
Furniture as on 1.4.2023	25,000	
Interest paid	12,500	
Interest received		28,500
Advertisement	40,300	
Printing & Stationery	32,200	
Electricity Charges	57,700	
Discount allowed	55,200	
Discount received		24,600
Bad debts	18,500	
General expenses	36,800	
Motor Car Expenses	8,500	
Insurance Premium	30,000	
Travelling Expenses	21,800	
Postage & Courier	8,100	
	43,99,600	43,99,600

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Adjustments :

- (i) The value of stock as on 31st March, 2024 is ₹ 7,65,000. This includes goods returned by customers on 31st March, 2024 to the value of ₹ 25,000 for which no entry has been passed in the books.
- (ii) Purchases include one furniture item purchased on 1st January, 2024 for ₹ 10,000. Depreciation @ 10% p.a. is to be provided on furniture.
- (iii) One months' rent is outstanding and ₹ 12,000 is payable towards salary.
- (iv) Interest paid includes ₹ 9,000 paid against Bank loan and Interest received pertains to Investments and Deposits.
- (v) Provide for interest payable on Bank Loan and interest receivable on investments and deposits.
- (vi) Make provision for doubtful debts at 5% on the balance under sundry debtors.
- (vii) Insurance premium includes ₹ 18,000 paid towards proprietor's life insurance policy.

- (b) X and Y are partners sharing profits and losses in the ratio of their effective capital. As on 1st April, 2023, they had ₹ 2,80,000 and ₹ 1,60,000 respectively in their Capital Accounts. 5

X introduced a further capital of ₹ 20,000 on 1st June, 2023 and another ₹ 15,000 on 1st October 2023. On 31st January 2024, X withdrew ₹ 25,000.

On 1st August, 2023 Y introduced further capital of ₹ 30,000.

During the Financial year 2023-24, the partners drew the following amounts in anticipation of profit :

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X drew ₹ 5,000 at the beginning of each quarter and Y drew ₹ 1,500 per month at the end of each month beginning from April, 2023

As per partnership agreement, the profits were to be shared in capital ratio. The interest on Capital @ 12% p.a. is allowable and interest on drawings @ 10% p.a. is chargeable.

You are required to calculate - (i) Profit-sharing ratio; (ii) Interest on capital; and (iii) interest on drawings.

4. (a) A, B and C are partners sharing profits & losses in the ratio of 3:2:1. **15**

The following is the Balance Sheet of their firm M/s ABC Trading Corporation as on 31st March, 2024 :

Balance Sheet as on 31st March, 2024

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Accounts :		Land & Building	2,40,000
A	2,80,000	Machinery	1,50,000
B	1,90,000	Furniture & Fixtures	1,05,000
C	1,50,000	Trade Receivables	1,55,200
General Reserve	1,35,000	Less : Provision for	
Trade Payables	97,400	Doubtful debts	<u>5,700</u>
			1,49,500
		Stock	85,600
		Joint Life Policy	90,000
		Cash & Bank	32,300
	8,52,400		8,52,400

C died on 30th June, 2024. As per Partnership deed the following arrangement was to be put into effect :

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- i. Goodwill of firm was to be valued at 2 years' purchase of average profit of four years to 31st March preceding the death of partner. The profits were as under:

31st March, 2021 ₹ 1,14,000

31st March, 2022 ₹ 1,22,000

31st March, 2023 ₹ 1,19,000

31st March, 2024 ₹ 1,25,000

Goodwill Account will not be opened in the books of accounts and C was to be credited with his share. The new profit-sharing ratio of A and B will be 5:3.

- ii. Profit till the date of death to be ascertained on the basis of average profit of previous four years and share of C was to be credited to his capital account.
- iii. Assets were to be revalued: Land & Building was appreciated by 15%, Machinery to be depreciated by 5%, Furniture & Fixtures to be revalued at ₹ 1,00,000 and the value of Stock to be taken at ₹ 90,000.
- iv. Provision for doubtful debts to be increased by ₹ 1,800.
- v. A sum of ₹ 2,40,000 was received from insurance company against Joint Life Policy.
- vi. Amount due to C was paid to the executors.

You are required to prepare Revaluation Account, Partners Capital Accounts and Balance Sheet as on 30th June, 2024, along with necessary workings.

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- (b) Following are the details of Assets and Liabilities of Mr. Sarthak for 5
the year ended 31st March, 2023 and 31st March, 2024 :

	31 st March, 2023	31 st March, 2024
	(₹)	(₹)
Assets :		
Building	2,00,000	?
Furniture	75,000	?
Inventory	1,05,000	1,95,000
Sundry Debtors	68,000	94,000
Cash at Bank	72,500	86,800
Cash in hand	2,400	3,800
Liabilities :		
Loans	1,50,000	1,25,000
Sundry Creditors	58,400	79,500

It was decided to depreciate Building by 5% p.a. and Furniture by 10% p.a. On 1st June, 2023 an additional capital of ₹ 40,000 was brought in the business. Proprietor has withdrawn @ ₹ 2,500 p.m. for meeting the family expenses.

Prepare Statement of Affairs as on 31st March, 2023 and 31st March, 2024. Find the profit or loss earned by Mr. Sarthak for the year ended 31st March, 2024.

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5. (a) From the following income and expenditure account of a Club for the year ending 31st March, 2024, you are required to prepare receipt and payment account for the year ending 31st March, 2024 and Balance Sheet as on 1st April, 2023. 10

INCOME AND EXPENDITURE ACCOUNT

For the year ending 31st March, 2024

Expenditure	Amount ₹	Income	Amount ₹
To Lawn Maintenance	42,000	By Subscription	1,05,000
To General Expenses	13,000	By Admission fees	12,000
To Stationery (depreciation)	1,500	By Sports material (Sale of second-hand material)	2,400
To Depreciation on Sports material	22,000	By Entertainment	14,000
To Honorarium	10,400		
To Excess of income over Expenditure	44,500		
	1,33,400		1,33,400

Additional Information :

(Amount in ₹)

Particulars	1 st April, 2023	31 st March, 2024
Cash at bank	60,000	—
Stock of sports material	30,000	—
Tournament fund (after deducting tournament expenses of ₹ 14,000)		6,000
Donations for club building		1,40,000
Subscription due	10,000	15,000
Stationery stock	4,000	—

Stationery was depreciated by 25% and Sports material by 50%.

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(b) Attempt any **ONE** of the two sub-parts i.e. either (i) or (ii) :

- (i) Mr. A accepts two bills of exchange on June 1, 2024 for **5**
₹ 1,50,000 and ₹ 60,000 drawn on him by Mr. B. The bill of
exchange for ₹ 1,50,000 is for two months while the bill of
exchange for ₹ 60,000 is for three months. Mr. B got the first bill
discounted with the bank for ₹ 1,49,000 on June 3, 2024. On
August 2, 2024 Mr. A requested Mr. B to cancel both the bills
and drew a new bill on him with the combined amount of both
the bills along with interest @ 12% per annum for a period of
two months. Before the due date of the renewed bill on
September 3, 2024, Mr. A becomes insolvent and only 40 paise
in a rupee could be recovered from his estate.

You are required to give the journal entries in the books of
Mr. B.

OR

- (ii) The following details are available of raw material of a **5**
manufacturing unit :

1-5-2024	Opening Inventory	100 units @ ₹ 15 per unit
2-5-2024	Purchases	300 units @ ₹ 18 per unit
5-5-2024	Issued for consumption	250 units
16-5-2024	Purchases	500 units @ ₹ 21 per unit
21-5-2024	Issued for consumption	100 units
25-5-2024	Issued for consumption	450 units

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The manufacturer also incurred the following expenses :

- Freight of ₹ 300 and unloading charges of ₹ 150 at the time of every purchase respectively.
- Warehouse rent of ₹ 2,000 per month.
- Administrative Expenses of ₹ 1,500 per month.

You are required to find out the value of inventory as on May 31, 2024 if the company follows :

- (a) Weighted Average method for inventory valuation.
- (b) First in First Out method for inventory valuation.

- (c) A company had issued 20,000, 8% partly convertible debentures of ₹ 100 each on April 1, 2023. The debentures are due for redemption on June 1, 2024. The terms of issue of debentures provided that 30% of the debentures will be converted into equity shares (Nominal Value ₹ 10) at a price of ₹ 20 per share and remaining will be redeemable at a premium of 5%. 5
- (i) Calculate the number of equity shares to be allotted to the debenture holders at the time of conversion.
 - (ii) Give the necessary journal entries related to the conversion and redemption of debentures assuming that the company has created the Debenture Redemption Reserve and also invested required amount for redemption of debentures at the time of issue. Debenture Redemption Reserve Investment are sold at par value.

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6. (a) Arpit Ltd., with an authorized capital of ₹ 20,00,000 divided into **15**

Equity shares of ₹ 10 each, on 1st June, 2023, invited applications for issuing 3,00,000 Equity shares at a premium of ₹ 5 per share. The amount was payable as follows :

On Application ₹ 2 per share

On Allotment (1st July, 2023) ₹ 7 (including premium) per share

On First call (1st Nov., 2023) ₹ 3 per share

On Final call (1st Jan., 2024) ₹ 3 per share

All the shares were applied for and allotted. Mr. Naresh who held 20,000 shares paid the whole of the amount due on calls along with allotment money. The final call was fully paid except a shareholder having 5,000 shares who paid his due amount on 1st March, 2024 i.e. after 2 months along with interest on calls in arrears @ 10 % p.a. Company also paid interest @ 12% p.a. on calls in advance to Mr. Naresh on 1st Jan., 2024.

Give journal entries with narrations to record all these transactions in the books of Arpit Ltd.

(b) What are the advantages of Double Entry System ?

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

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=12

- (i) Nominal Accounts are balanced at the end of the Accounting Year.
- (ii) Overhaul Expenses of a second-hand machinery purchased are Revenue Expenditure.
- (iii) Valuation of inventory at cost or net realizable value is based on Principle of Conservatism.
- (iv) A Promissory Note can be made payable to the Bearer.
- (v) The Receipts and payment account for a non – profit organization follows the accrual concept of accounting.
- (vi) Legal heirs of a deceased partner are entitled to his capital account balance only.

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- (b) Differentiate between Book-keeping and Accounting. **4**
- (c) Pass the necessary Journal entries to rectify the following errors, using a Suspense Account : **4**
- (i) Goods of the value of ₹ 500 returned by Mr. A were entered in the Sales Day Book and posted there from to the credit of his account;
- (ii) ₹ 250 entered in the Sales Returns Book, has been posted to the debit of Mr. R, who returned the goods;
- (iii) A sale of ₹ 700 made to Mr. Q was correctly entered in the Sales Day Book but wrongly posted to the debit of Mr. S as ₹ 70;
- (iv) The total of "Discount allowed" Column in the Cash Book for September amounting to ₹ 350 was not posted.

2. (a) The cash book of Hari showed a debit balance of ₹ 1,36,800 as on 31.12.2023 which was in disagreement with balance as per pass book. Following discrepancies were noticed : **10**
- (i) Dividend of ₹ 18,000 was deposited in the bank of which Hari had no information.
- (ii) Cheque was issued to Suresh of ₹ 14,780 on 18.12.2023 which was recorded in cash book as ₹ 14,870.
- (iii) Cheques totalling of ₹ 55,000 were deposited into bank on 30.12.2023 which were not cleared until 31.12.2023.

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- (iv) Mediclaim premium of ₹ 14,160 was paid as per the standing instruction of Hari which was not recorded in cash book.
- (v) Goods amounting ₹ 1,60,000 were sold to Ajay in November 2023. He deposited cheque on 15.12.2023 after deducted 4% cash discount. This entry was missed while preparing cash book.
- (vi) Bank charges for issue of cheque book ₹ 150 was skipped while preparing cash book.
- (vii) Hari received a UPI of ₹ 1,000 on 29.12.2023 for sale of scrap which was not entered in cash book.
- (viii) Cheques amounting to ₹ 1,80,000 were issued during the month but cheques of ₹ 1,44,000 were only presented during the month for payment.

Prepare Bank Reconciliation Statement on 31.12.2023 and ascertain balance as per pass book.

- (b) Harry draws a bill on Sejal for ₹ 60,000 on 01.01.2023 for 3 months. Sejal accepts the bill and sends it back to Harry to get it discounted for ₹ 56,000. Harry remits $\frac{1}{4}$ th amount to Sejal. On the due date, Harry was unable to remit his share to Sejal, rather accepts a bill of ₹ 80,000 for a period of 3 months. This bill was discounted by Sejal for ₹ 74,600. Sejal after making the payment of first bill sent $\frac{3}{4}$ th of the amount remaining to Harry. On maturity of the bill, Harry became bankrupt and his estate paying 40 paise in the rupee.

Give journal entries in the books of Sejal. Also prepare ledger account of Harry. All workings should form part of the answer.

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3. (a) The following Trial Balance is the Trial Balance of a Proprietor as on March 31st 2024. Prepare Trading and Profit & Loss Account for the year ending March 31st 2024 and a Balance Sheet as at that date. **10**

Particulars	Amount (₹)	Particulars	Amount (₹)
Plant and Machinery	5,00,000	Capital	4,00,000
Office Furniture	26,000	Sundry Creditors	5,20,000
Opening Stock	4,80,000	Sales	48,00,000
Motor Van	1,20,000	Bills Payable	56,000
Sundry Debtors	4,57,000	Provision for Doubtful Debts	25,000
Cash in hand	4,000	Return Outwards	55,000
Cash at Bank	65,000	Discount Received	37,000
Wages	15,00,000		
Salaries	1,40,000		
Purchases	21,35,000		
Bills Receivable	72,000		
Return Inwards	93,000		
Drawings	70,000		
Advertisements	60,000		
Factory Rent	8,000		
Insurance	63,000		
General Expenses	10,000		
Bad debts	25,000		
Discount allowed	65,000		
	58,93,000		58,93,000

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- (i) Closing Stock on March 31st 2024 is ₹ 5,20,000.
- (ii) During the year, Plant and Machinery was purchased for ₹ 3,00,000 but it was debited to Purchase Account.
- (iii) 3 months factory rent is due but not paid ₹ 3,000.
- (iv) Provide depreciation at 5% per annum on furniture and 10% on plant and machinery and motor van.
- (v) Further bad debts ₹ 7,000.
- (vi) Provision for doubtful debts to be increased to ₹ 30,000 at year-end.
- (vii) Provision for discount on Debtors to be made at 2%.

- (b) The following is the Balance Sheet of Krish and Bala, sharing profit and loss in the ratio 3 : 2 **10**

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Accounts :		Land & Buildings	28,000
Krish 25,000			
Bala <u>15,000</u>	40,000		
General Reserve	30,000	Plant & Machinery	15,000
Workmen's		Stock	10,000
Compensation			
Reserve	10,000		
Creditors	10,000	Debtors 25,000	
Employee's		Less : Provision for	
Provident Fund	8,000	doubtful debts <u>4,000</u>	21,000
		Bank	20,000
		Advertisement	
		Expenditure	4,000
	98,000		98,000

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On admission of Sobha for $\frac{1}{6}$ th share in the profits, it was decided that :

- (1) Value of land and buildings to be increased by ₹ 5,000.
- (2) Value of stock to be increased by ₹ 3,500.
- (3) Provision of doubtful debts to be increased by ₹ 1,500.
- (4) Liabilities of workmen's compensation reserve was determined to be ₹ 8,000.
- (5) Sobha was to bring in further cash of ₹ 25,000 as her capital.
- (6) Sobha brought in her share of goodwill ₹ 12,000 in cash.

Prepare the Revaluation Account, the Capital Account and the Balance Sheet of the new firm.

4. (a) X, Y and Z were in a firm sharing profit and loss as 3 : 2 : 1. Their Balance Sheet on 31st March, 2024 was as follows :

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Liabilities	Amount (₹)	Assets	Amount (₹)
X's Capital	78,000	Goodwill	12,000
Y's Capital	42,000	Patents	30,000
Z's Capital	31,000	Machinery	60,000
Investment		Investment (Market	
Fluctuation Fund	6,000	value ₹ 27,600)	25,000
Workmen's			
Compensation	12,000		
Trade Creditors	31,000	Stock	30,650
Employee's Provident		Debtors 50,000	
Fund	12,000		
		Less : Provision for	
		doubtful debts <u>4,000</u>	46,000
		Cash at Bank	8,350
TOTAL	2,12,000	TOTAL	2,12,000

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Z retired on the above date on the following terms :

- (1) Goodwill of the firm was valued at ₹ 60,000.
- (2) Value of patents was to be reduced by 20% and that of machinery to 90%.
- (3) Provision for doubtful debts was to be raised to 10%.
- (4) Liability on account of Provident fund was only ₹ 6,000.
- (5) Liability for workmen compensation to the extent of ₹ 6,000 is to be created.
- (6) Z took over the investment at market value.
- (7) Amount due to Z is to be settled on the following basis-
50% on retirement, 50% of the balance within one year and the balance by a bill of exchange (without interest) at 3 months.

You are required the following :

- (i) Show entries for the treatment of goodwill,
- (ii) Prepare Revaluation Account,
- (iii) Partner Capital Account, &
- (iv) Balance Sheet.

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- (b) From the following Receipts and Payments Account of Delhi Club, 10
prepare Income & Expenditure Account for the year ended 31.12.2023
and its Balance Sheet as on that date.

Receipts	Amount (₹)	Payments	Amount (₹)
Cash in hand (Opening)	8,100	Salary	3,000
Cash at Bank (Opening)	15,000	Repair Expenses	500
Donations	7,000	Purchase of furniture	7,000
Subscriptions	10,000	Miscellaneous Expenses	500
Entrance fees	1,500	Purchase of Investments	6,000
Interest on Investments	100	Insurance Premium	300
Interest received from Bank	400	Billiards Table	10,000
Sale of Old Newspaper	250	Paper, Ink, etc.	250
Sale of Drama Tickets	1,250	Drama Expenses	500
		Cash in hand (Closing)	4,500
		Cash at Bank (Closing)	11,050
	43,600		43,600

Information :

- (1) Subscriptions in Arrear for 2023 ₹ 1,200, subscription in advance for 2024 ₹ 550.
- (2) Insurance Premium outstanding ₹ 80, Miscellaneous Expenses prepaid ₹ 90.

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- (3) 50% of Donation is to be capitalized.
- (4) Entrance fee are to be treated as Revenue Income.
- (5) 8% Interest has accrued on Investments for 5 months.
- (6) Billiards Table costing ₹ 30,000 were purchased during the last year and ₹ 20,000 were paid for it.

5. (a) Physical verification of stock in a business was done on 23rd June, 2023. The value of the stock was ₹ 4,80,000. The following transactions took place between 23rd June, 2023 and 30th June, 2023 : **5**
- (i) Out of the Goods sent on consignment, Goods at cost worth ₹ 24,000 were unsold.
 - (ii) Purchase of ₹ 40,000 were made out of which Goods worth ₹ 16,000 were delivered on 5th July, 2023
 - (iii) Sales were ₹ 1,36,000 which include Goods worth ₹ 32,000 sent on approval. Half of these Goods were returned before 30th June 2023, but no information is available regarding the remaining goods.
 - (iv) Goods are sold at cost plus 25%. However, Goods costing ₹ 24,000 had been sold for ₹ 12,000.

Determine the value of stock on 30th June, 2023.

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Marks

(b) Attempt any **ONE** of the two sub-parts i.e. **either (i) or (ii)** :

5

- (i) PQR associates bought a computer set on 01.04.2020 for ₹ 2,00,000 and charged depreciation @ 20% p.a. on diminishing balance method. They made further additions as follows :

<u>Date</u>	<u>Amount</u>
01.04.2021	₹ 1,50,000
01.04.2023	₹ 1,00,000

On 01.04.2023 it was decided to change the method to straight line basis and charge depreciation assuming the expected life of all the computers to be 8 years from 01.04.2023. Prepare Computers A/c for year ending 31.03.2024.

OR

- (ii) Following information relates to Mr. Prem who maintains his books under single entry system. He is not able to ascertain the amount of bad debts incurred by him and seeks your help.

5

Debtors as on 01.04.2023 ₹ 6,50,000

Debtors as on 31.03.2024 ₹ 8,50,000

Sale for FY 2023-2024 is 16,00,000 out of which 80% is on credit.

Payment received during the year is ₹ 7,50,000 out of which cheques of ₹ 18,000 were dishonored. Bills of exchange accepted by customers ₹ 2,90,000

Discount allowed is 1% of the credit sale.

FAM

(11)

FAM

Marks

- (c) XYZ Ltd. an unlisted company issued 6000, 12% debentures of ₹ 100 each at a discount of 5% on 01.04.2021. Interest is payable annually on 31st March every year. The debentures are redeemable at premium of 10% in 3 equal annual installments beginning from 31.03.2022. The company invested in specified securities for the redemption of debentures. Entire loss on issue to be booked in the 1st year. You are required to pass journal entries for all the 3 years. **10**

6. (a) P Limited issued 6,00,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share, payable as ₹ 3 on application, ₹ 5 on allotment (including premium) and the balance in two calls of equal amount. **15**

Applications were received for 8,00,000 shares and pro-rata allotment was made to all the applicants. The excess application money was adjusted towards allotment. Harish to whom 1600 shares were allotted failed to pay both calls and his shares were subsequently forfeited after second call. You are required to pass journal entries in the books of P Limited and prepare bank account.

- (b) Differentiate between Periodic Inventory System and Perpetual Inventory System. **5**

FAM

(12)
FAM

FAM

Roll No.

Total No. of Printed Pages : 16

Total No. of Questions : 6

Maximum Marks : 100

Time allowed : 3 Hours

INSTRUCTIONS TO CANDIDATES

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate who has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

Question No. 1 is compulsory.

Answer any **four** questions from the remaining **five** questions.

Working notes should form part of the answers.

1. (a) State with reasons, whether the following statements are True or False :
 - (i) If Closing Stock appears in the Trial Balance then it does not enter in Trading Account. It is shown only in the Balance Sheet.
 - (ii) If the amount is posted in the wrong account or it is written on the wrong side of the account, it is called error of principle.
 - (iii) Accounting Standards can override the statute.
 - (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.
 - (v) All errors are rectified by means of journal entries.
 - (vi) Revaluation Account is also known as Profit and Loss Adjustment account.

(6 × 2 = 12 Marks)

(2)

CPF

- (b) (i) Define accounting policy. What are the conditions under which a company can change its accounting policy?

- (ii) Explain the following :

(1) Cash Basis of Accounting

(2) Going Concern concept

(2 × 2 = 4 Marks)

- (c) Pass journal entries for the following transactions in the books of Mr. Kapil :

- (i) Purchased goods from Sonu for ₹1,50,000 at a trade discount of 10% plus CGST and SGST @ 6% each.
- (ii) Sold goods to Mohit for ₹50,000 and charged CGST and SGST @ 5% each. Out of the amount due 40% is received by cheque immediately.
- (iii) Goods costing ₹25,000 withdrawn for personal use. Such Goods were purchased by paying CGST and SGST @ 6% each.
- (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.

(4 × 1 = 4 Marks)

2. (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 Account as ₹5,600.
- (iii) Goods of the value of ₹2,500 returned by a customer were entered in the Sales day Book and posted therefrom to the credit of his account.

CPF

(3)

CPF

- (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.

- (12 Marks)
- (b) On 1st April, 2022, LMP Co. 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 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.

(8 Marks)

CPF

P.T.O.

(4)

CPF

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

Receipts and Payments Account

Receipts	Amount (₹)	Payment	Amount (₹)
To Balance b/d		By Salaries	1,55,000
Cash in hand 5,200		By Rent & Electricity	69,750
Cash at Bank 35,500	40,700	By Library Books	10,500
To Subscriptions	2,95,000	By Newspaper & Magazines	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 Investments	8,000	By Balance c/d	
		Cash in hand 8,750	
		Cash at Bank 53,400	62,150
	4,13,550		4,13,550

Details of other assets and liabilities are furnished as follows :

Particulars	31 st March 2023 (₹)	31 st 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	20,600
Subscription received in advance	7,000	8,400
Furniture	65,500	
Sports Equipment	41,500	
Library Books	22,000	

CPF

(5)

CPF

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 31st 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 31st March, 2024
- (ii) Balance Sheet as on 31st March, 2024

(12 Marks)

- (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 31st March, 2024 when their Balance Sheet was as follows :

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital A/c :		Land & Building	4,85,000
P 3,55,000		Machinery	1,88,000
Q 2,20,000		Furniture	1,05,000
R 1,25,000	7,00,000	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		10,34,000

CPF

P.T.O.

(6)

CPF

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.

(8 Marks)

CPF

(7)

CPF

4. (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 :

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	Investments	15,200
		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 $\frac{1}{5}$ 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 :

31 st March, 2022	₹87,000
31 st March, 2023	₹1,06,000
31 st March, 2024	₹1,22,000

CPF

P.T.O.

(8)

CPF

- (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.

(12 Marks)

- (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 :

Liabilities	Amount (₹)	Assets	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 Debtors	1,45,400
		6% Investments	60,000
		Cash in hand & at Bank	1,29,500
	6,89,200		6,89,200

CPF

(9)

CPF

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

Receipts	Amount (₹)	Payments	Amount (₹)
Cash in hand & at Bank on 1 st April, 2023	1,29,500	Cash Purchases	9,48,400
Cash Sales	10,22,400	Payment to Trade Creditors	75,45,000
Receipts from Trade Debtors	85,52,000	Salaries	4,12,800
Interest on investments	3,600	Rent & taxes	2,51,600
		Sundry Expenses	1,38,400
		Drawings	2,40,000
		Cash in hand & at Bank on 31 st March, 2024	1,71,300
	97,07,500		97,07,500

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.

(8 Marks)

CPF

P.T.O.

(10)

CPF

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

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.

(5 Marks)

CPF

(11)

CPF

(b) **Attempt any ONE of the two sub-parts i.e. either (i) or (ii)**

- (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 :

	Amount (₹)
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.

(5 Marks)

OR

CPF

P.T.O.

(12)

CPF

- (ii) From the following particulars, prepare the Bank Reconciliation Statement of businessman as on 31st March, 2024 :

Sl. No.	Particulars	₹
1	Bank Overdraft as per cash book	24,000
2	Cheque deposited as per bank statement but not recorded in cash book	4,000
3	Cash received from Exe was entered in bank column of cash book.	3,150
4	Debit side of the bank column casted short	1,000
5	A cheque for ₹9,000 deposited but collection as per bank statement	8,950
6	Bills sent to the bank for collection, collected by the bank but not recorded in cash book	4,200
7	Bank charges recorded twice in cash book	40
8	Noting charges debited in Pass Book for Discounted bill dishonored	60
9	Cheques deposited on 25 th March, 2024 but collected by Bank on 5 th April, 2024	4,800
10	Cheques issued on 26 th March, 2024 but presented for encashment on 6 th April, 2024	3,000

(5 Marks)

CPF

(13)

CPF

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

	₹
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)	<u>20,000</u>
40,000 Equity shares of ₹ 10 each, ₹ 4 cash paid up	1,60,000
<u>Reserves and Surplus :</u>	
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 1st April, 2024, the company makes final call @ 6 each on 40000 equity shares. The call money is duly received by 30th April, 2024.

On 1st May, 2024, the Board of Directors of the company decided :

- To forfeit the share on which final call of ₹ 2 each is due ;
- To re- issue the forfeited share @ ₹ 11 each as fully paid up ;
- To issue fully paid bonus shares in the ratio of one fully paid bonus share for every two fully paid shares held ; and
- 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.

(10 Marks)

CPF

P.T.O.

(14)

CPF

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

	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.

(15 Marks)

- (b) What are the advantages of Subsidiary Books?

(5 Marks)

CPF

(15)

CPF

SPACE FOR ROUGH WORK

CPF

P.T.O.

(16)

CPF

SPACE FOR ROUGH WORK

SEAL

CPF