PAPER – 1: ACCOUNTING

Question No. **1** is compulsory. Attempt any **four** questions from the remaining **five** questions. Wherever necessary, suitable assumptions should be made and disclosed by way of note forming part of the answer. Working Notes should form part of the answer.

Question 1

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

(6 x 2 = 12 Marks)

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

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%.

(4 Marks)

Answer

- (a) 1. **True:** Matching concept is based on accrual concept as it considers the occurrence of expenses and income and do not concentrate on actual inflow or outflow of cash.
 - 2. False: Customers are concerned with the stability and profitability of the enterprise because their functioning is dependent on the supply of goods. Hence customers of business are users of accounts prepared by business.
 - **3. False:** Under inflationary conditions, LIFO and weighted average will not show lowest value of cost of goods sold.
 - 4. False: The redemption of preference shares can be done either from the proceeds of fresh issue of shares or by capitalisation of undistributed profit or combination of both. But the proceeds from issue of debentures cannot be utilised for the purpose of redemption of preference shares.
 - 5. True: Book-keeping and accounting are different from each other. Book-keeping is the recording phase while accounting is concerned with summarizing phase of an accounting system. Book keeping provides necessary data for accounting and accounting starts where book keeping ends.
 - 6. **True:** Since it classifies all the amounts related to a particular account and then it is used as the base for preparing the trial balance, a ledger is also known as principal books of accounts.
- (b) The main functions of accounting are as follows:
 - (a) **Measurement:** Accounting measures past performance of the business entity and depicts its current financial position.

- **(b) Forecasting:** Accounting helps in forecasting future performance and financial position of the enterprise using past data and analyzing trends.
- (c) **Decision-making:** Accounting provides relevant information to the users of accounts to aid rational decision-making.
- (d) **Comparison & Evaluation:** Accounting assesses performance achieved in relation to targets and discloses information regarding accounting policies and contingent liabilities which play an important role in predicting, comparing and evaluating the financial results.
- (e) **Control:** Accounting also identifies weaknesses of the operational system and provides feedback regarding effectiveness of measures adopted to check such weaknesses.
- (f) Government Regulation and Taxation: Accounting provides necessary information to the government to exercise control on the entity as well as in collection of tax revenues.

(c)

In the books of Kay & Co.

Date 2024	Particulars		Details	Amount (₹)
Dec 6	Aar Store			
	30 shirt @ 300/- each	9000		
	15 Trousers @ 500/- each	<u>7,500</u>	16,500	
	Less: Trade Discount 8%		(1,320)	15,180
Dec 16	Tulip Store			
	12 t-shirt @ 100/- each		1,200	
	Less: Trade Discount 10%		<u>(120)</u>	1,080
	Total			16,260

Returns Inward Book

Note: Returns of goods sold from modern tailors will not be included in return inward book as the sales were made in cash.

Questions 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.

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. (10 Marks)

- (b) From the following information, prepare a Bank Reconciliation Statement as on June 30, 2024 for M/s XYZ Limited:
 - (i) The Bank column of Cash Book was overdrawn to the extent of \gtrless 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.
 (10 Marks)

Answer

(a)

Machinery Account

Date	Particulars	Amount	Date	Particulars	Amount
		(₹)			(₹)
2023			2023		
April 1	To Bal b/d-		Oct. 1	By Depreciation- on	1,31,648
	Machine 1 13,16,480			machinery 1 sold	
	Machine 2 <u>7,61,024</u>	20,77,504	Oct. 1	By Bank – machinery 1	2,50,000
Oct. 1	To Bank A/c (Machine 3)	8,50,000	Oct. 1	sold	
				By Profit & Loss– Loss on	9,34,832
			2024	Sale of machinery (WN. 1)	
			Mar. 31		
				By Depreciation	
				(WN. 2)	
				Machine 2 1,52,205	
				Machine 3 4 <u>1,000</u>	1.93.205
			Mar. 31	By bal c/d	14.17.819
		29,27,504			29,27,504

Working Note 1:

Calculation of depreciation and Profit/loss on sale:

	Machine 1 purchased on April 1,2021	Machine 2 purchased on Oct 1, 2021	Total
	(₹)	(₹)	(₹)
Cost of Purchase	15,00,000	9,00,000	
	<u>2,00,000</u>	20,000	
Total Cost	17,00,000	9,20,000	
Less: Depreciation @ 12%			

Machine 1 (12 months)	(2,04,000)		
Machine 2 (6 months)		(55,200)	2,59,200
W.D.V. on 31-3-2022	14,96,000	8,64,800	
Less: Depreciation @ 12%	(1,79,520)	(1,03,776)	2,83,296
W.D.V. on 31-3-2023	13,16,480	7,61,024	
Less: Depreciation on SLM	<u>(</u> 1,31,648)	(1,52,205)	2,83,853
Basis (WN. 2)			
	11,84,832	6,08,819	
Less: Sale proceeds on	(2,50,000)		
1-10-2023			
Loss on sale of machinery	9,34,832		

Working Note 2:

Calculation of Depreciation on the basis of Straight-line method with effect from April 1,2023

- Machine 1 (purchased on 1st April,2021) = 17,00,000 2,04,000
 1,79,520 = 13,16,480 / 5 = 2,63,296 / 2 =₹ 1,31,648
- Machine 2 (purchased on 1st Oct,2021) = 9,20,000 55,200 1,03,776 = 7,61,024 / 5 = ₹ 1,52,20 5
- 3. Machine 3 (purchased on 1st Oct,2023) = $\frac{8,50,000 30,000}{10}$ = 82,000 / 2 = ₹ 41,000

Note: Freight incurred on Machinery purchased on 1st April,2021 is to be excluded from the cost of machinery since this cost is incurred only for shifting the machinery to the new plant and does not increase the operating capacity of the machinery.

(b) Bank Reconciliation Statement of M/s XYZ Limited as on 30th June, 2024

Particulars	Details ₹	Amount ₹
Balance as per the Cash Book (Cr.)		24,768

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<i>Add</i> : Bank charges not entered in the cash book	350	
Cheques issued but not recorded in cash book	4,590	
Cheques deposited but not cleared	45,789	
Cheque returned out of date in pass book	5,700	56,429
		81,197
Less: Cheque issued but not presented to Bank	(88,678)	
Discount received wrongly entered in the bank column of cash book	(310)	
Dividend collected by bank not recorded in cash book	(1,980)	
Amount wrongly credited by Bank	(2,340)	
Credit side of the bank column overcast	(6,789)	(1,00,097)
Balance as per the Pass Book (credit)		(18,900)

Alternatively, if the books are to be closed on 30th June, then adjusted cash book will be prepared. In that case the solution will be as given below:

Particulars	Amount (₹)	Particulars	Amount (₹)
To discount	310	By balance b/d	24,768
To dividends To credit side of the	1,980	By bank charges not entered in cash book	350
bank column overcast To balance c/d	6,789 26,329	By payment recorded in the cash column of cash book By cheque returned out	4,590
		of date	5,700
	35,408		35,408

Bank Reconciliation Statement

Particulars	Amount (₹)
Balance as per the Cash Book (Cr.) (corrected)	26,329
Add: Cheque deposited but not cleared	45,789
Less: Cheques issued not yet presented	(88,678)
Amount wrongly credited by bank	(2,340)
Balance as per Pass Book (Credit)	(18,900)

Alternative solution –

Alternatively, in point (v) of the question, if it is assumed that the amount paid \gtrless 15,500 is a net amount. then the discount will be \gtrless 316 {(i.e. (15,500/98 %) x 2%) and accordingly the solution will be:

Particulars	Amount (₹)	Amount (₹)
Balance as per Cash Book (Cr.)		24768
Add: Bank Charges not entered in cash book	350	
Cheques issued but not entered in cash book	4,590	
Cheque returned out of date entered in Pass Book	5,700	
Cheque deposited but not cleared	<u>45,789</u>	<u>56,429</u>
		81,197
Less: Cheque issued but not presented to bank	(88,678)	
Discount received wrongly entered in bank column of cash book	(316)	
Dividend collected by Bank not recorded in cash book	(1,980)	
Amount wrongly credited by Bank	(2,340)	
Credit side of the bank column overcast	<u>(6,789)</u>	<u>(1,00,103)</u>
Balance as per Pass Book (Cr.)		(18,906)

Bank Reconciliation Statement of M/s XYZ Limited as on June 30, 2024

Alternatively, if the books are to be closed on 30th June, then adjusted cash book will be prepared. In that case the solution will be as given below:

Date	Particulars	(₹)	Date	Particulars	(₹)
June-30	To Discount	316	June-30	By Balance b/d	24,768
	To Dividends	1,980		By bank charges	350
	To credit side of the bank column	6,789		not entered in cash book	
	overcast To Balance c/d	26 323		By payment recorded in the cash column of	4,590
		20,323		cash book By cheque returned out of	E 700
				date	5,700
		<u>35,408</u>			<u>35,408</u>

Cash Book (Bank Column only)

Bank Reconciliation Statement as on June 30, 2024

Particulars	Amount (₹)
Balance as per Cash Book (Cr)	26,323
Add: Cheque deposited but not cleared	<u>45,789</u>
	72,112
Less: Cheque issued but not presented	(88,678)
Amount wrongly credited by Bank	<u>(2,340)</u>
Balance as per Pass Book (Cr.)	<u>(18,906)</u>

Questions 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:

Particulars	Dr. (₹)	Cr. (₹)
Capital Account		8,85,000

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Stock on 1.4.2023	3,86,000	
Cash in hand	18,500	
Cash in Bank	73,500	
Investment (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	
Sunday 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	

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SUGGESTED ANSWER

Postage & Courier	8,100	
	43,99,600	43,99,600

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.
 (15 Marks)
- (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.

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

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

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

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. **(5 Marks)**

Answer

(a)

In the books of Mr. Piyush

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Opening stock	(1)	3,86,000	By Sales	29,86,000	
To Purchases	24,95,000		Less: Returns	(135,000)	28,51,000
<i>Less:</i> Transfer to furniture A/c	(10,000)		By closing stock		7,65,000
	24,85,000				
Less: Returns	(1,38,000)	23,47,000			
To Carriage inwards		1,26,000			
To Gross profit c/d		7,57,000			
		36,16,000			36,16,000
To Salaries	1,15,000		By Gross profit b/d		7,57,000
Add: Outstanding	<u>12,000</u>	1,27,000	By Interest		34,500
			By Discount		24,600
To Rent	66,000		received		
Add: Outstanding	6,000	72,000			
To Advertisement		40,300			
To Printing &		32,200			
stationery		57,700			
To Electricity charges					
To Interest (₹ 12,500 + 3000)		15,500			
To Discount allowed		55,200			
To Bad Debts	18,500				
Add: Provision for Doubtful Debts	<u>10,500</u>	29,000			

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

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To General expenses		36,800		
To Motor Car		8,500		
expenses				
To Insurance premium	30,000			
Less: Drawings	<u>18,000</u>	12,000		
To Travelling		21,800		
expenses				
To Postage & courier		8,100		
To Depreciation on		2,750		
furniture (WN 4)				
To Capital A/c (Net		2,97,250		
profit transferred)				
		8,16,100		8,16,100

Balance Sheet as at 31st March,2024

Liabilities	Amount (₹)	Amount (₹)	Assets	Amoun t (₹)	Amount (₹)
Capital account:			Furniture	25,000	
Balance on 1st April,2023	8,85,000		Additions during the year	10,000	
Add: Net profit	2,97,250			35,000	
	11,82,250		Less: Depreciation	(2,750)	32,250
Less: Drawings	(78,000)		9% Investments		50,000
<i>Less:</i> Insurance premium	(18,000)	10,86,250			
12% Bank Loan		2,00,000	10% Deposits		3,00,000
Interest accrued on bank loan (W.N.2)		3,000	Interest accrued on investment & deposits (W N. 3)		6,000
Sundry creditors		1,37,500	Stock in trade		7,65,000
Outstanding Rent		6,000	Sundry debtors (W N. 1)		1,99,500
Outstanding Salary		12,000	Cash in hand		18,500
			Cash at Bank		73,500
		14,44,750			14,44,750

Working Notes:

1.	Calculation of sundry debtors at the end	Amount (₹)
	Sundry debtors as per trial balance	2,35,000
	Less: Sales returns not recorded	(25,000)
	Adjusted balance of sundry debtors	2,10,000
	Provision for doubtful debts @ 5%	(10,500)
		1,99,500
2.	Interest Payable on bank loan:	
	Annual interest @12% for 6 months on ₹ 2,00,000	12,000
	Less: Interest paid	(9,000)
	Unpaid interest	3,000
3.	Interest accrued on investments and deposits:	
	Annual interest on investments @ 9%	4,500
	Annual interest on deposits @ 10%	<u>30,000</u>
		34,500
	Less: Interest received on investments and deposits	<u>(28,500)</u>
	Accrued interest	<u>6,000</u>

4. Depreciation on Furniture:

Depreciation @ 10% p.a. on Opening Balance ₹ 25000	2,500
On new purchase of ₹ 10,000 for 3 months (Jan to March)	250
Depreciation to be charged	<u>2,750</u>

(b) (a) Calculation of Effective Capital

х	Amount	Y	Amount
₹ 2,80,000 invested for 2 months i.e.,		₹ 1,60,000 invested for 4 months i.e.,	
₹ 5,60,000 invested for 1 month	5,60,000	₹ 6,40,000 invested for 1 month	6,40,000
₹ 3,00,000 invested for 4 months i.e.,		₹ 1,90,000 invested for 8 months, i.e.,	

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₹ 12,00,000 invested for 1 month.	12,00,000	₹ 15,20,000 invested for 1 month	15,20,000
			21,60,000
₹ 3,15,000 invested for 4 months i.e.,			
₹ 12,60,000 invested for 1 month.	12,60,000		
₹ 2,90,000 invested for 2 months, i.e.,			
₹ 5,80,000 invested for 1 month.	5,80,000		
	36,00,000		

Effective capital is in the ratio 36,00,000: 21,60,000 therefore profit-sharing ratio i.e. 5:3.

(b) Calculation of Interest on Capital

X = ₹ 36,00,000 x 12/100 x 1/12 Y = ₹ 21,60,000 x 12/100 x 1/12 = ₹ 36,000 = ₹ 21,600

(c) Calculation of Interest on Drawings

X = ₹ 5,000 x4x 10/100 x 7.5/12 Y = ₹ 1,500x12 x 10/100 x 5.5/12 = ₹ 1,250 = ₹ 825

Questions 4

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

The following is the Balance Sheet of their firm M/s ABC Trading Corporation as on 31 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
В	1,90,000	Furniture & Fixtures	1,05,000
			15

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FOUNDATION EXAMINATION: JANUARY 2025

С	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:

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

31stMarch, 2021 ₹ 1,14,000

31stMarch, 2022 ₹ 1,22,000

31stMarch, 2023 ₹ 1,19,000

31stMarch, 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 30thJune, 2024, along with necessary workings.

(15 Marks)

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

	31 st March,2023	31 st March,2023(₹)
	(₹)	
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 31stMarch, 2023 and 31stMarch, 2024. Find the profit or loss earned by Mr. Sarthak for the year ended 31stMarch, 2024.

(5 Marks)

Answer

(a)

Revaluation Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Machinery A/c	7,500	By Land and Building A/c	36,000
To Furniture and Fixtures	5,000	By Stock	4,400

FOUNDATION EXAMINATION: JANUARY 2025

Profit) A = $26,100 \times 3/6 = 13,050$ B = $26,100 \times 2/6 = 8,700$	20,100	
$C = 26,100 \times 2/6 = 8,700$ $C = 26,100 \times 1/6 = 4,350$		
	40,400	40,400

Partners' Capital Accounts

Particulars	A (₹)	B (₹)	C (₹)	Particulars	A (₹)	B (₹)	C (₹)
To Bank A/c- C's Executor's			2,46,850	By Balance b/d	2,80,000	1,90,000	1,50,000
To C's Capital A/c	30,000	10,000	_	By General reserve	67,500	45,000	22,500
To Balance c/d	4,05,550	2,83,700		By A and B's Capital A/c	-	_	40,000
				By Revaluation A/c	13,050	8,700	4,350
				By Joint Life Policy (WN. 3)	75,000	50,000	25,000
				By Profit and Loss suspense A/c (WN. 1)			5,000
	4,35,550	2,93,700	2,46,850		4,35,550	2,93,700	2,46,850

Balance Sheet of M/s ABC as at 30th June,2024

Liabilities	Amoun t (₹)	Assets	Amount (₹)
Capital accounts:		Land and Building	2,76,000
A	4,05,550	Machinery	1,42,500
В	2,83,700	Stock	90,000
		Furniture & fixtures	1,00,000
Trade payables	97,400	Trade Receivables 1,55,200	

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		Less: Prov. for Doubtful Debt	<u>7,500</u>	1,47,700
		Cash & bank (WN 2)		25,450
		Profit and Loss Suspense A/c		5,000
	7,86,650			7,86,650

Working Note:

1. Calculation of goodwill and C's share of profit

(a)	Average of last three year's profits and losses	Profit/(loss)
		(₹)
	Year ended on	
	31.3.2021	1,14,000
	31.3.2022	1,22,000
	31.3.2023	1,19,000
	31.3.2024	1,25,000
		4,80,000
	Average profit (4,80,000/4)	1,20,000
(b)	Goodwill at 2 years' purchase	
	₹ 1,20,000 x 2 = ₹ 2,40,000	
	Goodwill calculated at the time of death of partner C ₹ 2,40,000	
	C's Share in Goodwill (₹ 2,40,000/6 = ₹ 40,000)	
(c)	C's share of profits from the period 1.4.2024 to 30.06.2024	
	₹ 1,20,000 x 3/12 x 1/6 = ₹ 5,000	

Calculation of Gaining Ratio

Partner	Old Share	New Share	Gain
А	$\frac{3}{6}$	$\frac{5}{8}$	$\frac{6}{48}$
В	$\frac{2}{6}$	$\frac{3}{8}$	$\frac{2}{48}$
С	$\frac{1}{6}$	_	-

Adjusting entry:

A's Capital Account	Dr.	30,000
B's Capital Account	Dr.	10,000
To C's Capital Account		40,000

(Adjustment for goodwill on the death of C on the basis of gaining ratio)

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Bank A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance B/d	32,300	By C's executors A/c	2,46,850
To Bank	2,40,000	By Balance c/d (bal fig)	25,450
	2,72,300		2,72,300

Alternatively, the balance of Bank A/c can also be ascertained in statement form.

3. The Joint life policy is calculated on the basis of surrender value method- where in the amount shown in the balance sheet shall be deducted from the JLP proceeds received from insurance co, on the death of a partner. Hence the calculations will be ₹ 2,40,000- 90,000 (Balance Sheet value) = ₹ 1,50,000 (divided in profit sharing ratio between the partners.)

Alternatively, Joint life policy can also be routed through revaluation Account. In that case the solution shall be as follows:

Amount (₹)	Particulars	Amount (₹)
7,500	By Land and Building A/c	36,000
5,000	By Stock By Joint Life Policy (WN, 3)	4,400 1,50,000
1,800	(
	Amount (₹) 7,500 5,000 1,800	Amount (₹)Particulars7,500By Land and Building A/c5,000By Stock By Joint Life Policy (WN. 3)1,800Image: Comparison of the state of the

Revaluation Account

SUGGESTED ANSWER		ACCOUNTING
To Capital A/c (Revaluation Profit) $A = 1,76,100 \times 3/6$ = 88,050 $B = 1,76,100 \times 2/6$ = 58,700 $C = 1,76,100 \times 1/6$ = 29,350	1,76,100	
	1,90,400	1,90,400

Partners' Capital Accounts

Particulars	A (₹)	B (₹)	C (₹)	Particulars	A (₹)	B (₹)	C (₹)
To Bank A/c- C's Executor's			2,46,850	By Balance b/d	2,80,000	1,90,000	1,50,000
To C's Capital A/c	30,000	10,000	_	By General reserve	67,500	45,000	22,500
To Balance c/d	4,05,550	2,83,700		By A and B's Capital A/c	_	_	40,000
				By Revaluation A/c	88,050	58,700	29,350
				By Profit and Loss Suspense A/c (WN.1)			5,000
	4,35,550	2,93,700	2,46,850		4,35,550	2,93,700	2,46,850

Balance Sheet of M/s ABC as at 30th June,2024

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital accounts:		Land and Building	2,76,000
А	4,05,550	Machinery	1,42,500
В	2,83,700	Stock	90,000
		Furniture & fixtures	1,00,000
Trade payables	97,400	Trade Receivables 1,55,200	
		Less: Prov. for Doubtful Debt 7,500	1,47,700
		Cash & bank (WN 2)	25,450
		Profit and Loss Suspense A/c	5,000
	7,86,650		7,86,650

Working Note:

1. Calculation of goodwill and C's share of profit

(a)	Average of last three year's profits and losses	Profit/(loss) (₹)
	Year ended on	
	31.3.2021	1,14,000
	31.3.2022	1,22,000
	31.3.2023	1,19,000
	31.3.2024	1,25,000
		4,80,000
	Average profit (4,80,000/4)	1,20,000
(b)	Goodwill at 2 years' purchase	
	₹ 1,20,000 x 2 = ₹ 2,40,000	
	Goodwill calculated at the time of death of partner C ₹ 2,40,000	
	C's Share in Goodwill (₹ 2,40,000/6 = ₹ 40,000)	
(c)	C's share of profits from the period 1.4.2024 to 30.06.2024	
	₹ 1,20,000 x 3/12 x 1/6 = ₹ 5,000	

Calculation of Gaining Ratio

Partner	Old Share	New Share	Gain
А	3	5	6
	6	8	48
В	2	3	2
	6	8	48
С	1	_	_
	6		

Adjusting entry:

A's Capital Account	Dr.	30,000
B's Capital Account	Dr.	10,000

To C's Capital Account

40,000

(Adjustment for goodwill on the death of C on the basis of gaining ratio)

2. Bank A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance B/d	32,300	By C's executors A/c	2,46,850
To Bank	2,40,000	By Balance c/d (bal. fig)	25,450
	2,72,300		2,72,300

Alternatively, the balance of Bank A/c can also be ascertained in statement form.

3.	Joint Life	Policy A/c	
Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	90,000	By Bank A/c	2,40,000
To Revaluation A/c	1,50,000		
	2,40,000		2,40,000

(b)

Mr. Sarthak

Statement of Affairs as on 31-03-2023 & 31-03-2024

Liabilities	Amount	Amount	Assets	Amount	Amount
	31-03-2023	31-03-2024		31-03-2023	31-03-2024
	(₹)	(₹)		(₹)	(₹)
Capital (Bal. Fig.)	3,14,500	4,32,600	Building	2,00,000	1,90,000
Loans	1,50,000	1,25,000	Furniture	75,000	67,500
Sundry creditors	58,400	79,500	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
	5,22,900	6,37,100		5,22,900	6,37,100

Determination of profit by applying the method of the capital comparison

	Amount (₹)
Capital Balance as on 31-03-2024	4,32,600
Less: Fresh capital introduced	<u>(40,000)</u>
	3,92,600
Add: Drawings (₹ 2500 × 12)	30,000
	4,22,600
Less: Capital Balance as on 31-03-2023	<u>(3,14,500)</u>
Profit for the year ended 31 st March,2024	1,08,100

Alternatively capital account can also be prepared as follows:

Particulars	Amount (₹)	Particulars	Amount (₹)
To Drawings	30,000	By Balance b/d	3,14,500
To Balance c/d	4,32,600	By Additional capital	40,000
		By Net Profit (Bal Fig)	1,08,100
	4,62,600		4,62,600

Questions 5

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

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

SUGGESTED ANSWE	R		A	CCOUNTING	;
To Depreciation on Sport 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:

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%.

(10 Marks)

- (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 ₹ 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.

(5 Marks)

OR

(i) The following details are available of raw material of a 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		

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. (5 Marks)
- (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%.
 - (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.

(5 Marks)

Answer

(a) Receipts and Payments Account of Club for the year ended 31st March, 2024

	Receipts	Amount (₹)		Payments	Amount (₹)
То	Balance b/d	60,000	Ву	Lawn maintenance	42,000
То	Subscriptions as per1,05,000Income&ExpenditureAccount		Ву	General Expenses	13,000
	<i>Add</i> : Outstanding 10,000 for 2022-23		Ву	Honorarium	10,400
	<i>Less</i> : Outstanding (15,000) for 2023-24	1,00,000	Ву	Tournament Expenses	14,000
То	Admission Fees	12,000	Ву	Sports material (W.N.2)	14,000
То	Entertainment	14,000	Ву	Stationary (W.N.1)	2,000
То	Donation for Building	1,40,000	Ву	By balance c/d (bal. fig)	2,53,000
То	Tournament Income (6,000 + 14,000)	20,000			
То	Sale of sports material (Refer Note)	2,400			
		3,48,400			3,48,400

Liabilities	Amount	Assets	Amount
	(₹)		(₹)
Capital Fund (balancing figure)	1,04,000	Sports Material	30,000
		Stationary stock	4,000
		Subscriptions	10,000
		Outstanding	
		Cash at bank	60,000
	1,04,000		1,04,000

Balance Sheet of Club as at 1st April, 2023

Working Notes:

1. Calculation of Stationary

Stationary Account

Particulars	Amount	Particulars	Amount
	(₹)		(₹)
To Balance b/d	4,000	By Depreciation	1,500
To Cash	2,000*	By Balance c/d (bal. fig.)	4,500
	6,000		6,000

* Total Stationary during the year = ₹ 1,500 / 25% = ₹ 6,000. Since stationary worth ₹ 4,000 is the opening stock, stationary of ₹ 2,000 (6,000 - 4,000) would be considered as purchased during the year.

2. Calculation of Sports material

Sports Material Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	30,000	By Bank (Sales of Second hand sports material)	2,400
To Income and Expenditure A/c (Gain on sale of Second- hand material)	2,400	By Depreciation	22,000

ACCOUNTING

SUGGESTED ANSWER

To Cash	14,000**	By Balance c/d (bal fig)	22,000
	46,400		46,400

**Total Sports Material during the year = ₹ 22,000 / 50% = ₹ 44,000. Since Sports Material worth ₹ 30,000 is the opening stock, Sports Material of ₹ 14,000 (44,000-30,000) would be considered as purchased during the year.

Note:

The Income and Expenditure account shows the gain of second-hand sports material for ₹ 2,400. In the absence of any further information, it is assumed that written down value of second-hand sports material is Nil, and it is not appearing in the opening balance of the Stock of the Sports Material as on 1^{st} April, 2023.

Date 2024	Particulars		Amount (₹)	Amount (₹)
1 st June	Bills receivable (No. 1) A/c	Dr.	1,50,000	
	Bills receivable (No. 2) A/c	Dr.	60,000	
	To Mr. A's A/c			2,10,000
	(Being drawing of bills receivable No. 1 due for maturity on 4.8.2024 and bills receivable No. 2 due for maturity on 4.9.2024)			
3 rd June	Bank A/c	Dr.	1,49,000	
	Discount A/c	Dr.	1,000	
	To Bills receivable (No.1) A/c			1,50,000
	(Being 1 st bill discounted from bank)			
2 nd August	Mr. A's A/c	Dr.	2,10,000	
	To Bank A/c			1,50,000
	To Bills receivable (No.2) A/c			60,000
	(Being the reversal entry for cancellation of both the bills)			

(b) (i)

Journal Entries in the books of Mr. B

FOUNDATION EXAMINATION: JANUARY 2025

2 nd August	Bills receivable (No. 3) A/c	Dr.	2,14,200	
	To Interest A/c			4,200
	To Mr. A's A/c			2,10,000
	(Being the bill of exchange no. 3 drawn together with interest at 12 %p.a. in lieu of the original acceptance of Mr. A)			
3 rd Sep*	Bank A/c	Dr.	85,680	
	Bad Debts A/c	Dr.	1,28,520	
	To Bills Receivable (No. 3) A/c			2,14,200
	(Being the amount received from official assignee of Mr. A at 40 paise per rupee against dishonoured bill)			

Alternatively, two separate entries can also be passed in place of entry pertaining to 3rd September.

3 rd Sep.	Mr. A's A/c	Dr.	2,14,200	
	To Bills receivable (No. 3) A/c			2,14,200
	(Being the amount due from Mr. A on dishonour of his acceptance on presentation on the due date)			
3 rd Sep.	Bank A/c	Dr.	85,680	
	Bad Debts A/c	Dr.	1,28,520	
	To Mr. A's A/c			2,14,200
	(Being the amount received from official assignee of Mr. A at 40 paise per rupee against dishonoured bill)			

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Or

(ii) (a) Weighted Average basis

	Receipts			Issues			Balance		
Date	Units	Rate	Amount	Units	Rate	Amount	Units	Rate	Amount
			(₹)						(₹)
1-5-24	Balance						100	15	1,500
2-5-24	300	19.5	5,850				400	18.375	7,350
5-5-24				250	18.375	4593.75	150	18.375	2756.25
16-5-24	500	21.9	10,950				650	21.09	13,708.5
21-5-24				100	21.09	2,109	550	21.09	11,599.5
25-5-24				450	21.09	9,490.5	100	21.09	2,109

Calculation of the value of Inventory as on 31-5-2024

Therefore, the value of Inventory is as follows:

Value as per Weighted Method as on 31-5-2024: 100 units @ ₹ 21.09 = ₹ 2,109

(b) First-in-First out basis

Calculation of the value of Inventory as on 31-5-2024

		Receip	ts		Issues	;	Balance		ce
Date	Units	Rate	Amount (₹)	Units	Rate	Amount	Units	Rate	Amount (₹)
1-5-24	Balance						100	15	1,500
2-5-24	300	19.5	5,850				100	15	1,500
							300	19.5	5,850
5-5-24				100	15	,500			
				150	19.5	2,925	150	19.5	2,925
16-5-24	500	21.9	10,950				150	19.5	2,925
							500	21.9	10,950
21-5-24				100	19.5	1,950	50	19.5	975
							500	21.9	10,950
25-5-24				50	19.5	975			
				400	21.9	8,760	100	21.9	2,190

Therefore, the value of Inventory as on 31-5-2024 will be as follows:

Value of Inventory as per FIFO Method: 100 units @ ₹ 21.9 = ₹ 2,190

Working Note:

(i) Per unit cost of raw material purchased on May 2,2024

= <u>300 x 18 + 300 + 150</u> = ₹ 19.5

300

(ii) Per unit cost of raw material purchased on May 16,2024

500

Note:

- (a) Freight and unloading charges are directly attributable cost and are necessary to bring the inventory into present location and condition hence are included in the cost of inventory.
- (b) Warehouse rent are indirectly attributable expenses and are not considered as cost of inventory.
- (c) Administrative expenses are indirectly attributable expenses and do not usually add any specific value to inventories and hence excluded from the cost of inventory.

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Particulars	Number of debentures
Number of convertible Debenture issued	20,000
Converted into equity shares	30%
Number of debentures to be converted (30% of 20,000)	6,000
Value per Debenture	₹ 100
Equity shares of ₹ 10 each issued on conversion	
[₹ 6,000 x 100/ ₹ 20]	30,000 shares

Journal Entries

Date	Particulars		Amount (₹) Dr.	Amount (₹) Cr.
1-6-24	8% Debentures	Dr.	20,00,000	
	Premium on Redemption of Debentures	Dr.	70,000	
	To Debenture holders A/c			20,70,000
	(Being amount payable to debenture holders on redemption)			
	*Debenture holders A/c	Dr.	6,00,000	
	To Equity Share Capital			3,00,000
	To Securities Premium			3,00,000
	(Being 30,000 equity shares issued on conversion)			
	*Debenture holders A/c	Dr.	14,70,000	
	To Bank A/c			14,70,000
	(Being amount paid to debenture holders)			
	Profit and Loss A/c	Dr.	70,000	
	To Premium on redemption of Debentures			70,000
	(Being premium on redemption of debentures transferred to Profit and Loss A/c)			
	Debenture Redemption Reserve A/c	Dr.	1,40,000	
	To General Reserve			1,40,000
	(Being DRR transferred to General Reserve)			
	Bank A/c	Dr.	2,10,000	
	To DRR Investment A/c			2,10,000
	(Being DRR Investment realised)			

Alternatively, a combined entry can also be passed for the entries marked in " ". In that case, the entry will be -

Debenture holders A/c	Dr.	20,70,000	
To Bank A/c			14,70,000
To Equity Share Capital			3,00,000
To Securities Premium			3,00,000
(Being amount paid to debenture holders on redemption and 30,000 equity shares issued on conversion)			

Note:

In case of partly convertible debentures, DRR shall be created in respect of non-convertible portion of debenture issue. Amount of DRR created at the time of issue is 10% of ₹14,00,000 = ₹1,40,000

Amount of DRR investment should be 15% of 14,00,000 = ₹ 2,10,000

Questions 6

(a) Arpit Ltd., with an authorized capital of *₹ 20,00,000 divided into Equity shares of ₹10 each, on 1stJune, 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 (1 st July, 2023)	₹7(including premium) per share
On First call (1 st Nov,2023)	₹3 per share
On Final call (1 st 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. (15 Marks)

PS*: Please read authorized capital ₹ 20,00,000 as authorized capital 20,00,000

(b) What are the advantages of Double Entry System? (5 Marks)

Answer

(a)

In the books of Arpit Ltd Journal Entries

Date	Particulars		L.F.	Debit	Credit
				Amount	Amount
				(₹)	(₹)
1-6-23	Bank A/c	Dr.		6,00,000	
	To Equity Share Application A/c				6,00,000
	(Money received on applications for 3,00,000 shares @ ₹ 2 per share)				
1-7-23	Equity Share Application A/c	Dr.		6,00,000	
	To Equity Share Capital A/c				6,00,000
1-7-23	(Transfer of application money on 3,00,000 shares to share capital)				
1 7 23	Equity Share Allotment A/c	Dr.		21,00,000	
	To Equity Share Capital A/c				6,00,000
	To Securities Premium				15,00,000
	(Amount due on the allotment of 3,00,000 shares @ ₹ 2 per share and securities premium of ₹ 5 per share)				
1-7-23	Bank A/c	Dr.		22,20,000	
	To Equity Share Allotment				21,00,000

FOUNDATION EXAMINATION: JANUARY 2025

	A/c			
	To Calls in Advance			1,20,000
	(Allotment money received along with calls in advance on 20,000 shares)			
1-11-23	Equity Share First Call A/c	Dr.	9,00,000	
	To Equity Share Capital A/c			9,00,000
	(Being first call due on 3,00,000 shares at ₹ 3 per share)			
1-11-23	Bank A/c	Dr.	8,40,000	
	Calls in Advance A/c	Dr.	60,000	
	To Equity Share First Call A/c			9,00,000
	(Being first call money received on 2,80,000 shares and calls in advance on 20,000 shares at ₹ 3 per share adjusted)			
1-1-24*	Equity Share Final Call A/c	Dr.	9,00,000	
	To Equity Share Capital A/c			9,00,000
	(Being final call made due on 3,00,000 shares at ₹ 3 each)			
1-1-24	Bank A/c	Dr.	8,25,000	
	Calls in Advance A/c	Dr.	60,000	
	Calls in Arrears A/c	Dr.	15,000	
	To Equity Share Final Call A/c			9,00,000
	(Being final call received for 2,75,000 shares and calls in advance for 20,000 shares adjusted)			
ACCOUNTING

1-1-24	Interest on Calls in Advance A/c	Dr.	6,000	
	To Shareholders A/c			6,000
	(Being interest made due on calls in advance at the rate of 12% p.a.)			
1-1-24	Shareholders A/c	Dr.	6,000	
	To Bank A/c			6,000
	(Being payment of interest made to shareholder)			
1-3-24	Shareholders A/c	Dr.	250	
	To Interest on Calls in Arrears A/c			250
	(Being interest on calls in arrears made due at the rate of 10%)			
1-3-24**	Bank A/c	Dr.	15,250	
	To Calls in Arrears A/c			15,000
	To Shareholders A/c			250
	(Being money received from shareholder for calls in arrears and interest thereupon)			

Calculation of Interest on Calls in Advance & Calls in Arrears:

Interest on Calls in Advance

First Call from 1st July, 2023 to 1st Nov, 2023 $= ₹ 60,000 \times 12\% \times 4 / 12$ $= ₹ 60,000 \times 12\% \times 4 / 12$ $= ₹ 60,000 \times 12\% \times 6 / 12$ $= ₹ 60,000 \times 12\% \times 6 / 12$ $= ₹ 60,000 \times 12\% \times 6 / 12$ Total₹ 6,000Interest on Calls in Arrears from 1st Jan,2024 to 1st March,2024 ₹ 15,000 x

10% x 2 / 12 = ₹ 250

Alternatively, the following entries can also be passed for entries pertaining to money received from shareholders from call in arrears and calls in advance and interest thereupon.

Amount (in ₹)

*	1/1/2024	Bank A/c	Dr.	8,25,000	
		Calls in advance A/c	Dr	60,000	
		To Equity Share Final Call A/c			8,85,000
		(Receipt of final call for 1,75,000			
		shares and call-in advance for			
		20,000 shares adjusted)			
**	1/3/2024	Bank A/c	Dr.	15,250	
		To Equity Share Final Call A/c			15,000
		To Shareholders A/c			250
		(Being money received from			
		shareholders for calls-in-arrear			
		and interest thereupon)			

(b) According to double entry system, every transaction has two-fold aspects, debit and credit and both the aspects are to be recorded in the book of accounts.

The advantages of double entry system are as follows:

- (i) By the use of this system the accuracy of the accounting work can be established, through the device of the trial balance.
- (ii) The profit earned or loss incurred during a period can be ascertained together with details.
- (iii) The financial position of the entity or the institution concerned can be ascertained at the end of each period, through preparation of the financial statements.
- (iv) The system permits accounts to be kept in as much details as necessary and, therefore provides significant information for the purpose of control and reporting.
- (v) Result of one year may be compared with those of previous years and reasons for the change may be ascertained.



PAPER – 1: ACCOUNTING

Question No. **1** is compulsory. Attempt any **four** questions from the remaining **five** questions. Wherever necessary, suitable assumptions should be made and disclosed by way of note forming part of the answer. Working Notes should form part of the answer.

Question 1

- (a) State with reasons, whether the following statements are True or False:
 - (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.
 (6 x 2=12 Marks)
- (b) Differentiate between Book-keeping and Accounting. (4 Marks)
- (c) Pass the necessary journal entries to rectify the following errors, using a Suspense Account:
 - 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;

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 (iv) The total of "Discount allowed" Column in the Cash Book for September amounting to ₹350 was not posted.
 (4 Marks)

Answer

- (a) 1. False: Nominal Accounts are not balanced. The balances at the end are transferred to Trading/ Profit & Loss A/c.
 - **2. False:** Overhaul expenses are incurred to put second-hand machinery in working condition to derive endurable long-term advantage. So, it should be capitalized.
 - **3. True:** The conservatism concept states that one shall not account for anticipated profits but shall provide all prospective losses. Valuing inventory at cost or net realisable value whichever is less, therefore is based on principle of conservatism.
 - **4. False:** A promissory note should not be made payable to the bearer. The payee must be to a certain person.
 - **5. False:** It depicts the cash system of accounting rather than the accrual system, as the cash receipts and payments pertaining to any year are entered in the Receipts and payments account. The principle of accrual is not followed with regard to the receipts and payments account of a non-profit organization.
 - **6. False:** Legal heirs of a deceased partner are entitled to all the dues of deceased partner.

S.N.	Book-keeping	Accounting
1.	It is a process concerned with recording of transactions.	It is a process concerned with summarising of the recorded transactions.
2.	It constitutes as a base for accounting.	It is considered as a language of the business.
3.	Financial statements do not form part of this process.	Financial statements are prepared in this process on the basis of book-keeping records.

(b) The difference between Book keeping and Accounting are as follows:

ACCOUNTING

SUGGESTED ANSWER

4.	Managerial decisions cannot be taken with the help of these records.	Management takes decisions on the basis of these records.		
5.	There is no sub-field of book keeping.	It has several sub-fields like financial accounting, management accounting etc.		
6.	Financial position of the business cannot be ascertained through book- keeping records.	Financial position of the business is ascertained on the basis of the accounting reports.		

(c)

Journal

	Particulars		L.F.	Dr. ₹	Cr. ₹
(1)	Sales A/c	Dr.		500	
	Sales Returns A/c	Dr.		500	
	To Suspense A/c				1,000
	(Being the value of goods returned by Mr. A wrongly posted to Sales and omission of debit to Sales Returns Account, now rectified)				
(2)	Suspense A/c	Dr.		500	
	To Mr. R				500
	(Being wrong debit to Mr. R for goods returned by him, now rectified)				
(3)	Mr. Q	Dr.		700	
	To Mr. S				70
	To Suspense A/c				630
	(Being omission of debit to Mr. Q and wrong credit to Mr. S for sale of ₹ 700, now rectified)				

SUGGESTED ANSWER (4) Discount A/c Dr. 350 To Suspense A/c 350 350 (Being the total of Discount allowed during September not posted from the Cash Book; error now rectified) 350

Question 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:
 - (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.
 - (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 deducting 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. (10 Marks)

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(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 $1/4^{th}$ amount to Sejal. On the due date, Harry was unable to remit his share to Sejal, rather accepts a bill of \gtrless 80,000 for a period of 3 months. This bill was discounted by Sejal for \gtrless 74,600. Sejal after making the payment of first bill sent $3/4^{th}$ 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. (10 Marks)

Answer

Partio	culars	Details ₹	Amount ₹
Balan	Balance as per the Cash Book		1,36,800
Add:	Cheques issued but not presented for payment	36,000	
	Dividends directly collected by bank but not yet entered in the Cash Book	18,000	
	Cheque recorded with wrong amount in the Cash Book	90	
	Cheque directly deposited but not recorded in the cash book	1,53,600	
	Amount received from slae of scrap not recorded in cash book	1,000	2,08,690
			3,45,490
Less:	Cheques deposited but not cleared till 31 st dec	55,000	
	Mediclaim paid by the bank directly not yet recorded in the Cash Book	14,160	
	Bank charges not recorded in cash book	150	(69,310)
	Balance as per the Pass Book		2,76,180

(a) Bank Reconciliation Statement of Mr. Hari as on 31st Dec., 2023

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Alternatively, the question can also be solved by preparing adjusted cash book. In that case the solution will be:

Par	ticulars	Amount (₹)	Par	ticulars	Amount (₹)
То	Balance b/d	1,36,800	Ву	Bank charges	150
То	Amount received from	1,000	Ву	Mediclaim	14,160
	sale of scrap		Ву	balance c/d	2,95,180
То	dividends collected by bank	18,000			
То	cheques recorded with wrong amount	90			
То	cheque directly deposited not recorded	1,53,600			
		3,09,490			3,09,490

Cash Book (Bank Column)

Bank Reconciliation Statement of Mr. Hari as on 31st Dec., 2023

Particulars	₹
Balance as per the Cash Book (corrected)	2,95,180
Add: Cheques issued but not yet presented	36,000
Less: Cheques deposited but not cleared	(55,000)
Balance as per the Pass Book	2,76,180

(b)

In the books of Sejal

Journal Entries

Date	Particulars		DR. (in ₹)	CR. (in ₹)
1/1/2023	Harry To Bills payable A/c	Dr.	60,000	60,000
	(Being bill of exchange accepted and sent to Mr. Harry)			00,000

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1/1/2023	Bank A/c	Dr.	14,000	
	Discount charges A/c	Dr.	1,000	
	To Harry			15,000
	(Being the amount received from Harry on account of the bills receivable)			
4/4/2023	Bills receivable A/c	Dr.	80,000	
	To Harry (Being the bills accepted by Harry)			80,000
4/4/2023	Bank A/c	Dr.	74,600	
	Discount charges A/c	Dr.	5,400	
	To Bills receivable A/c			80,000
	(Being Harry acceptance discounted with bank)			
4/4/2023	Bills payable A/c	Dr.	60,000	
	To Bank A/c			60,000
	(Being the amount met on the due date)			
4/4/2023	Harry	Dr.	15,000	
	To Bank A/c			10,950
	To Discount A/c {(5,400/80,000) x 60,000}			4,050
	(Being the amount paid and the discount debited to Harry)			
7/7/2023	Harry	Dr.	80,000	
	To Bank A/c			80,000
	(Being Harry's acceptance discounted with bank dishonoured due to Harry's bankruptcy)			

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7/7/2023	Bank A/c	Dr.	24,000	
	Bad debts A/c	Dr.	36,000	
	To Harry			60,000
	(The amount received from H the balance being written off	larry and as debt)		

Harry 's A/c

Particulars	₹	Particulars	₹
To Bills Payable A/c	60,000	By Bank A/c	14,000
To Bank A/c	10,950	By Discount A/c	1,000
To Discount A/c	4,050	By Bills Receivable	80,000
To Bank A/c	80,000	By Bank A/c	24,000
		By Bad Debts	36,000
	1,55,000		1,55,000

Question 3

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

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		

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SUGGESTED ANSWER	

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

Additional Information to be considered:

- (i) Closing Stock on March $31^{st} 2024$ is $\gtrless 5,20,000$.
- (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 \gtrless 30,000 at year- end.

(vii) Provision for discount on Debtors to be made at 2%. (10 Marks)

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

Liabilitie	S	Amount (₹)	Assets	Amount (₹)
Capital A	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 4,000	21,000
		Bank	20,000
		Advertisement	
		Expenditure	4,000
	98,000		98,000

On admission of Sobha for 1/6th 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 \gtrless 3,500.
- (3) Provision of doubtful debts to be increased by \gtrless 1,500.
- (4) Liabilities of workmen's compensation reserve was determined to be ₹8,000.
- (5) Sobha was to bring in 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. (10 Marks)

Answer

(a) Trading Account for the year ended 31st March, 2024

Particulars	Details	Amount ₹	Particulars	Details	Amount ₹
To opening Stock		4,80,000	By Sales	48,00,000	
To Purchases	21,35,000		Less: Returns Inwards	<u>93,000</u>	47,07,000
Less: Plant and Machinery	3,00,000		By Closing Stock		5,20,000

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included in purchases				
Less: Returns Outward	55,000	17,80,000		
To wages		15,00,000		
To Factory rent	8,000			
Add: outstanding	3,000	11,000		
To Gross Profit c/d		14,56,000		
		52,27,000		52,27,

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

Particular	Amount	Particular	Amount
	₹		₹
To Salaries	1,40,000	By Gross profit b/d	14,56,000
To Advertisements	60,000	By Discount Received	
To Insurance	63,000		37,000
To General expenses	10,000		
To Discount Allowed	65,000		
To provision for doubtful debts (W.N.1)	37,000		
To Provision for discount on debtors (W.N.2)	8,400		
To Depreciation (W.N. 3)	93,300		
To Net Profit transferred to Capital a/c	10,16,300		
	14,93,000		14,93,000

Balance Sheet as at 31st March, 2024

Liabilities	Details	Amount ₹	Assets	Details	Amount ₹
Capital	4,000,00		Plant and Machinery Add: Additions	5,00,000 3,00,000	
Add: Net Profit	10,16,300		Less: Dep. (W.N.3)	(80,000)	7,20,000
Less: Drawings	(70,000)	13,46,300			

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		Office furniture	26,000	
Bills Payable	56,000	Less: Dep. (W.N. 3)	(1,300)	24,700
Sundry Creditors	5,20,000			
Outstanding	3,000	Motor Vans	1,20,000	
Factory rent				
		Less: Dep. (W.N. 3)	(12,000)	1,08,000
		Bills receivables		72,000
		Stock in Trade		5,20,000
		Sundry Debtors	4,57,000	
		<i>Less:</i> Further Bad debts	(7,000)	
		<i>Less:</i> Provision for doubtful debts	(30,000)	
		<i>Less</i> : Provision for discount on debtors (W.N. 2)	(8,400)	4,11,600
		Cash at hand		4,000
		Cash in bank		65,000
	19,25,300			19,25,300

Working Notes :

(1)

Provision for Bad and Doubtful Debts Account

Particulars	₹	Particulars	₹
To Bad-debts (as per Trial Balance)	25,000	By Balance b/d (as per Trial Balance)	25,000
To Sundry debtors (further bad-debts)	7,000	By P&L A/c (Balancing figure)	37,000
To Balance c/d i.e.			
at year end	<u>30,000</u>		
	62,000		62,000

(2) Provision for discount on debtors

Debtors as per Trial Balance	₹	4,57,000
		12

Less: Further bad-debts	(7,000)
Less: New provision for Doubtful Debts	<u>(30,000)</u>
Debtors before provision for discount	<u>4,20,000</u>
Provision for discount on debtors @2%	₹ <u>8,400</u>

(3) Depreciation

Plant and Machinery @ 10% on 8,00,000 (5,00,000 + 3,00,000*)	80,000
Motor Van @ 10% on 1,20,000	12,000
Office Furniture @ 5% on 26,000	1,300
Total	₹ 93,300

*Purchase of a plant and machinery during the year for ₹ 3,00,000 which was wrongly debited to purchase now added to Plant and Machinery.

(b)

Revaluation A/c

Li	abilities	₹	Assets	₹
To Provision	for Doubtful Debts	1,500	By Land and Building	5,000
To Profit on	revaluation		By stock	3,500
Krish	4,200			
Bala	<u>2,800</u>	7,000		
		8,500		8,500

Partners' Capital A/c

Particulars	Krish	Bala	Sobha	Particulars	Krish	Bala	Sobha
To Krish and Bala's capital A/c–			12,000	By balance b/d	25,000	15,000	
To Advertisement				By Bank-			37,000
expenses	penses 2,400 1,600 (Capital + G		(Capital + GW)				
				By Sobha's Capital A/c	7,200	4,800	
To Balance c/d	53,200	33,800	25,000	By General Reserve	18,000	12,000	

FOUNDATION EXAMINATION: SEPTEMBER 2024

			By Workman comp. Reserve	1,200	800	
			By Revaluation A/c	4,200	2,800	
55,600	35,400	37,000		55,600	35,400	37,000

Balance Sheet of the Firm (after admission of Sobha)

Liab	ilities	₹	Assets	₹
Capital Accour	nts:		Land and Building	33,000
Krish	53,200		Plant & Machinery	15, 000
Bala	33,800		Stock	13,500
Sobha	<u>25,000</u>	1,12,000	Debtors 25,000	
Employees provident fund		8,000 8,000	Less: Provision for Doubtful	
Reserve	compensation	0,000	Debts <u>5,500</u>	19,500
Creditors		10,000	Bank (W.N.2)	57,000
		1,38,000		1,38,000

Working Note:

(1) Calculation of Sacrificing ratio

Partner	Old Share		New Share		Difference
Krish	3/5	_	3/6	=	3/30
Bala	2/5	_	2/6	=	2/30
Sobha		_	1/6		

(2)

Bank A/c

Particulars	₹	Particulars	₹
To balance b/d	20,000	By Balance c/d	57,000
To Sobha's capital A/c	37,000		
	57,000		57,000

It may be noted that Advertisement expenses are not permitted to be deferred. It must be written off when incurred, as they do not result in

acquisition or creation of an intangible or recognizable asset. That is why it is routed through partner's capital account.

Question 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:

Liabilities	Amount	Assets	Amount
	(٢)		(
X's Capital	78,000	Goodwill	12,000
X's Capital	42,000	Patents	30,000
Z's Capital	31,000	Machinery	60,000
Investment		Investment (Market value ₹27,600)	25,000
Fluctuation Fund	6,000	Stock	30,650
Workmen's			
Compensation	12,000	Debtors 50,000	
Trade Creditors	31,000	Less: Provision for	
Employee's Provident		doubtful debts <u>4,000</u>	46,000
Found	12,000	Cash at Bank	8,350
TOTAL	2,12,000	TOTAL	2,12,000

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 \gtrless 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.

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(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.

(10 Marks)

(b) From the following Receipts and Payments Account of Delhi Club, 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 in 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 in 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.
- (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. (10 Marks)

Answer

(a) (i) Entries for the treatment of goodwill

Total goodwill of firm is ₹ 60,000

Z's share (1/6 x ₹ 60,000) =₹ 10,000

(a)	X's Capital A/c	Dr.	6,000	
	Y's Capital A/c	Dr.	4,000	
	Z's Capital A/c	Dr.	2,000	
	To Goodwill A/c			12,000
	(Being existing good	will wri	tten off)	
(b)	X's Capital A/c	Dr.	6,000	
	Y's Capital A/c	Dr.	4,000	
	To Z's Capital A/	c		10,000

(Being Z's share of goodwill credited to him and debited to gaining partners in gaining ratio)

(ii)

	₹		₹
To Patents A/c	6,000	By employee provident fund A/c	6,000
To Machinery A/c	6,000	By Investments A/c	2,600
			17

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To Provision for Bad	1,000	By Revaluation Loss			10,400
Debts A/c		Partners'	Capital	A/cs -	
To workmen's	6,000	Х	5,200		
compensation*		Y	3,467		
		Z	1,733		
	19,000				19,000

(iii)

Partners' Capital Account

		X (₹)	Y (₹)	Z (₹)			X (₹)	Y (₹)	Z (₹)
То	Goodwill	6,000	4,000	2,000	Ву	Balance b/d	78,000	42,000	31,000
То	Revaluation A/c	5,200	3,467	1,733	Ву	Investment	3,000	2,000	1,000
То	Investments			27,600		Fluctuation Fund			
То	Z's Capital A/c	6,000	4,000		Ву	X's Capital A/c			6,000
То	Bank A/c			5,334	Ву	Y's Capital A/c			4,000
То	Z's Loan A/c			2,667					
То	Bills Payable A/c			2,666					
То	Balance c/d	63,800	32,533						
		81,000	44,000	42,000			81,000	44,000	42,000

(iv)

Balance Sheet as on 1stApril, 2024

Liabilities	₹	₹	Assets	₹	₹
Capital accounts:			Patent		24,000
х	63,800		Machinery		54,000
Υ	32,533	96,333	Closing stock		30,650
Z's loan account		2,666	Sundry debtors	50,000	
Trade creditors		31,000	Less: Provision for	(5,000)	45,000
Bills payable		2,667	bad debts		
Workman			Cash and bank		3,016
compensation		18,000	balances		
Employee		6,000			
Provident Fund					
		1,56,666			1,56,666

Working Notes:

1. Gaining ratio of existing partners:

X 3/5-3/6=3/30

Y 2/5-2/6=2/30

*It is assumed that Workmen's Compensation is treated as liability.

(b) (a) Delhi Club

Income and Expenditure Account for the year ending 31st December,2023

	Expenditure	₹	Inc	ome		₹
То	Salary	3,000	Ву	Subscription (W.Nii)		10,650
То	Repairs expenses	500	Ву	Donations (50%)		3,500
То	Miscellaneous expenses	410	Ву	Interest on investments* (100 + 200)		300
То	Insurance premium	380	Ву	Entrance fees		1,500
То	Paper, Ink etc	250	Ву	Interest received from Bank		400
То	Excess of Income over expenditure	12,810	Ву	Sale of old newspaper		250
			Ву	Sale of drama tickets	1,250	
				Less: expenses	<u>500</u>	750
		17,350				17,350

(b) Balance Sheet of Delhi Club as at 31st December, 2023

Liabilities	₹	Assets	₹
Capital Fund:		Furniture	7,000
Opening balance 43,100 (W.N.1)		Investment	6,000
<i>Add</i> : Excess of 12,810 income. over exp		Billiards table**	30,000
Add: Donations <u>3,500</u>	59,410	Cash in hand	4,500
Insurance Premium payable	80	Cash at Bank	11,050 90
			10

SUGGESTED ANSWER	FOUNDA	TION EXAMINATION: SEPTEM	BER 2024
Subscription received in advance for 2024	550	Prepaid Expenses- Misc exp Subscription Receivable Interest accrued on investments*	1,200 200
	60,040		60,040

Working Notes:

1. Calculation of capital fund

Balance Sheet of Delhi Club as at 31st December, 2022

Liabilities		₹	Assets	₹	
Capital figure)	Fund	(Balancing	43,100	Billiards table	30,000
Creditors for Billiard table			10,000	Cash in hand	8,100
				Cash at Bank	15,000
			53,100		53,100

2. Calculation of amount of subscription shown in Income and expenditure account

	₹
Subscription received in cash during 2023	10,000
Add: Outstanding of 2023	1,200
	11,200
Less: Advance of 2024	(550)
	10,650

Alternatively, this working of calculation of amount of subscription can also be presented in the form of ledger A/c.

* It may be interpreted that investments have been purchased during the year i.e. 5 months prior to the reporting date. Accordingly, total amount of interest accrued on such investment shall be ₹ 200 for the calendar year 2023. Out of which ₹ 100 has been received and remaining ₹ 100 (200-100) is yet to be received (accrued). In that case, Interest on Investments in

income and expenditure account shall be ₹ 200 and Accrued Interest in Balance Sheet under asset side shall be ₹ 100.

**Since in receipt and payment account ₹ 10,000 has been shown as payment for Billiard table, it can also be assumed that this amount is utilised for fresh purchase of billiard table. In that case, the amount of Billiard Table at assets side in Balance sheet will be ₹ 40,000 and unpaid amounts of billiard table shown at the liabilities side of balance sheet shall be ₹ 10,000.

Question 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:
 - (i) Out of the goods sent on consignment, goods at cost worth ₹24,000 were unsold.
 - 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. (5 Marks)

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

Date	Amount		
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.

Debtors as on 01.04.2023 ₹ 6,50,000

Debtors as on 31.03.2024 ₹8,50,000

Sale for Financial Year 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.

(5 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.

Answer

(a) Statement of Valuation of Stock on 30th June, 2023

		₹
Value of stock as on 23rd June, 2023		4,80,000
Add: Unsold stock out of the goods sent on consignment	24,000	
Purchases during the period from 23 rd June, 2023 to 30 th June, 2023	24,000	
Goods in transit on 30 th June, 2023	16,000	

Cost of goods sent on approval basis (80% of ₹ 16,000)	12,800	76,800
		5,56,800
Less: Cost of sales during the period from 23rd		
June, 2023 to 30 th June, 2023 Sales (₹ 1.26,000, ₹ 16,000)	1,20,000	
(< 1,50,000 - < 10,000)		
Less: Gross profit	9,600	1,10,400
Value of stock as on 30th June, 2023		4,46,400

Working Notes:

1.	Calculation of normal sales:		
	Actual sales		1,36,000
	Less: Abnormal sales	12,000	
	Return of goods sent on approval	16,000	(28,000)
			1,08,000
2.	Calculation of gross profit:		
	Gross profit or normal sales 20/100 x ₹ 1,08,000		21,600
	Less: Loss on sale of particular (abnormal)		(12,000)
	goods (₹ 24,000-₹ 12,000)		
	Gross profit		9,600

Alternatively, the value of stock as on 30th June,2023 can also be calculated using trading Account. In that case the solution will be

Trading Account for the period from 23rd June to 30th June

Particulars	₹	Particulars	₹
To Opening Stock	4,80,000	By Sales including abnormal sales	1,20,000
To Purchase 40,000 Less: Goods In 16,000 transit In 16,000 In	24,000	By Closing stock as on June 30 (b/f)	3,93,600
To Gross Profit (W.N.)	9,600		
	5,13,600		5,13,600

Particulars	₹	₹
Value of stock as per Trading Account		3,93,600
Add: Unsold stock out of the Goods sent on		
consignment	24,000	
Goods in Transit	16,000	
Cost of goods sent on approval basis	<u>12,800</u>	52,800
(80% of 16000)		
Value of stock as on 30 th June 2023		4,46,400

Statement of valuation of stock on 30th June 2023

Working Notes:

1.	Calculation of normal sales:		
	Actual sales		1,36,000
	Less: Abnormal sales	12,000	
	Return of goods sent on approval	16,000	(28,000)
			1,08,000
2.	Calculation of gross profit:		
	Gross profit or normal sales 20/100 x ₹ 1,08,000		21,600
	Less: Loss on sale of particular (abnormal) goods (₹ 24,000-₹ 12,000)		12,000
	Gross profit		9,600

(b) (i) Either

Calculation of Depreciation

		Purchased on Jan. 1, 2020 (₹)	Purchased on Jan. 1, 2021 (₹)	Total WDV	Total Depreciation (₹)
1-4-20	Cost	2,00,000			
	Depreciation	(40,000)			40,000
	Written Down Value (WDV)	1,60,000		1,60,000	

ACCOUNTING

1-4-21	Cost	-	1,50,000		
	Depreciation	(32,000)	(30,000)		62,000
1-4-22	Written Down Value (WDV)	1,28,000	1,20,000	2,48,000	
	Depreciation	(25,600)	(24,000)		49,600
1-4-23	Written Down Value (WDV)	1,02,400	96,000	1,98,400	

Computers Account

Date	Particulars	Amount	Date	Particulars	Amount
		₹			₹
1-4-23	To Balance b/d	1,98,400	31-3-24	By Depreciation	37,300
1-4-23	To Bank			(24,800+12,500)	
		1,00,000			
			31-3-24	By Balance c/d	2,61,100
		2,98,400			2,98,400
1-4-24	To Balance b/d	2,61,100			

(ii) Or

Debtors Account

Particulars	Amount	Particulars	Amount
To Balance b/d	6,50,000	By Bank A/c	7,32,000
To Credit Sales	12,80,000	By Discount allowed	12,800
		By Bills Receivable	2,90,000
		By Bad Debts (Bal fig)	45,200
		By Balance c/d	8,50,000
	19,30,000		19,30,000

(c)

In the Books of XYZ Ltd.

Journal Entries

		(₹)	(₹)
1-4-21	Bank A/c Dr.	5,70,000	
	Loss on Issue of Debentures A/c*	90,000	
	(W.N. 1) Dr.		
			25

FOUNDATION EXAMINATION: SEPTEMBER 2024

	To 12% Debentures A/c		6,00,000
	To Premium on Redemption of Debentures A/c		60,000
	(For issue of debentures at discount and redeemable at premium)		
1-4-21	Profit and Loss A/c Dr.	60,000	
	To Debenture Redemption Reserve A/c		60,000
	(Being Debenture Redemption Reserve (DRR) created at 10%)		
1-4-21	Debenture Redemption Reserve Investment Dr.	30,000	
	To Bank A/c		30,000
	(Being DRR Investment created at 15%)		
31-3-22	Profit & Loss A/c Dr.	90,000	
	To Loss on issue of debentures		90,000
	(Being entire loss on issue of debentures written off)		
31-3-22	Debenture Interest A/c** Dr.	72,000	
	To Bank A/c		72,000
	(Being interest to debentures holder paid)		
31-3-22	Debenture Redemption Reserve (DRR) Dr.	20,000	
	To General Reserve		20,000
	(For DRR transferred to General reserve)		
31-3-22	Bank A/c Dr.	30,000	
	To Debenture Redemption Reserve Investment		30,000

ACCOUNTING

		(Being encashment of Debenture Redemption Reserve Investment for redemption of debentures)		
:	31-3-22	12% Debentures ** Dr.	2,00,000	
		Premium on redemption of debentures A/c Dr. To Bank A/c	20,000	2,20,000
		(Being amount of redemption of 2000 debentures paid to debentures holders)		_//
(01-04-22	Debenture Redemption Reserve Investment Dr.	30,000	
		To Bank A/c		30,000
		(Being DRR Investment created at 15%)		
	31-03-23	Debenture Interest A/c Dr.	48,000	
		To Bank A/c		48,000
		(Being interest to debentures holder paid)		
	31-03-23	DebentureRedemptionReserve(DRR)Dr.	20,000	
		To General Reserve		20,000
		(For DRR transferred to General reserve)		
:	31-03-23	Bank A/c Dr.	30,000	
		To Debenture Redemption Reserve Investment		30,000
		(Being encashment of Debenture Redemption Reserve Investment for redemption of debentures)		
	31-03-23	12% Debentures A/c Dr.	2,00,000	

FOUNDATION EXAMINATION: SEPTEMBER 2024

	Premium on redemption of debentures A/c Dr. To Bank A/c	20,000	2,20,000
	(Being amount of redemption of debentures paid to debenture holders)		
01-04-23	Debenture Redemption Reserve Investment Dr.	30,000	
	To Bank A/c (Being DRR Investment created at 15%)		30,000
31-03-24	Debenture Interest A/c Dr.	24,000	
	To Bank A/c (Being interest to debentures holder paid)		24,000
31-03-24	Debenture Redemption Reserve (DRR) Dr.	20,000	
	To General Reserve		20,000
	(For DRR transferred to General reserve)		
31-03-24	Bank A/c Dr. To Debenture Redemption Reserve Investment	30,000	30,000
	(being encashment of Debenture Redemption Reserve Investment for redemption of debentures)		
31-03-24	12% Debentures A/c Dr.	2,00,000	
	Premium on redemption of debentures A/c Dr.	20,000	
	To Bank A/c		2,20,000
	(Being final redemption of remaining 2000 debentures paid)		

Working Note:

1. Discount /Loss on issue of debentures

Discount on Issue of debentures = 6,000 x 100 x 5% = ₹ 30,000

Premium on redemption of debentures = $6,000 \times 100 \times 10\%$ = 60,000

Total loss on issue of debentures = ₹ 30,000 + ₹ 60,000 = ₹ 90,000

*Alternatively, discount on issue and premium on redemption of debentures can also be shown separately. In that case, the entry will be

Bank A/c Dr.	5,70,000	
Discount on Issue of Debentures A/c (W.N.1) Dr.	30,000	
Loss on Issue of Debentures A/c (W.N.2) Dr.	60,000	
To 12% Debentures A/c		6,00,000
To Premium on Redemption of Debentures		60,000
A/c		00,000
(For issue of debentures at discount and		
redeemable at premium)		

****** The entries for interest on Debentures and Redemption of debentures can also be routed through debentures holders a/c.

In addition to above, the following entry every year to transfer debenture interest and Premium on redemption of Debentures A/c to Profit and Loss A/c can also be passed

```
Profit and Loss A/c Dr.
To Debenture Interest A/c
To Premium on Redemption of Debentures A/c
```

Question 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. 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. (15 Marks)

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

Answer

1	-	۱
l	a	J

Particulars	Debit (₹)	Credit (₹)
Bank A/c Dr.	24,00,000	
To Equity Share Application A/c		24,00,000
(Being application money received for 8,00,000 shares @ ₹ 3 per share)		
Equity Share Application A/c Dr.	24,00,000	
To Equity Share Allotment A/c		6,00,000
To Equity Share Capital A/c		18,00,000
(Being excess application money adjusted against allotment and application money transferred to share capital on 6,00,000 shares at ₹ 3 each)		
Equity Share Allotment A/c Dr.	30,00,000	
To Equity Share Capital A/c		18,00,000
To Securities Premium A/c		12,00,000
(Being allotment money due, ₹ 5 per share including ₹ 3 towards share capital and ₹ 2 towards premium)		
Bank A/c Dr.	24,00,000	
To Equity Share Allotment A/c		24,00,000
(Being allotment money received after adjusting excess application money)		

Equity Share First Call A/c	Dr.	12,00,000	
To Equity Share Capital A/c			12,00,000
(Being first call money due @ ₹ 2 pe	er share)		
Bank A/c	Dr.	11,96,800	
Calls in arrear	Dr.	3,200	
To Equity Share First Call A/c			12,00,000
(Being first call money received, ex 1600 shares)	cept on		
Or			
Bank A/c	Dr.	11,96,800	
To Equity Share First Call A/c			11,96,800
(Being first call money received, exc 1600 shares)	ept on		
Equity Share Final Call A/c	Dr.	12,00,000	
To Equity Share Capital A/c			12,00,000
(Being final call money due @ ₹ 2 pe	er share)		
Bank A/c	Dr.	11,96,800	
Calls in arrear	Dr.	3,200	
To Equity Share Final Call A/c			12,00,000
(Being first call money received, ex 1600 shares)	cept on		
Or			
Bank A/c	Dr.	11,96,800	
To Equity Share Final Call A/c			11,96,800
(Being first call money received, exc 1600 shares)	ept on		
Equity Share Capital A/c	Dr.	16,000	
To Call in Arrear			6,400
			21

To Share Forfeiture A/c			9,600
(Being forfeiture of 1600 shares of I non-payment of calls money)	Harish for		
Or			
Equity Share Capital A/c	Dr.	16,000	
To Equity Share First Call A/c			3,200
To Equity Share Final Call A/c			3,200
To Share Forfeiture A/c			9,600
(Being forfeiture of 1600 shares of I non-payment of calls money)	Harish for		

Bank Account

Particulars	Debit (₹)		Credit (₹)
To Equity Share Application A/c	24,00,000	By Balance c/d	71,93,600
To Equity Share Allotment A/c	24,00,000		
To Equity Share First Call A/c	11,96,800		
To Equity Share Second Call A/c	11,96,800		
Total	71,93,600		71,93,600

(b) The difference between Periodic Inventory System and Perpetual Inventory System are as follows:

S. No.	Periodic Inventory System	Perpetual Inventory System
1.	This system is based on physical verification.	It is based on book records.
2.	This system provides information about inventory and cost of goods sold at a particular date.	It provides continuous information about inventory and cost of sales.
3.	This system determines inventory and takes cost of goods sold as residual figure.	It directly determines cost of goods sold and computes inventory as balancing figure.

ACCOUNTING

4.	Cost of goods sold includes loss of goods as goods not in inventory are assumed to be sold.	Closing inventory includes loss of goods as all unsold goods are assumed to be in Inventory.
5.	Under this method, inventory control is not possible.	Inventory control can be exercised under this system.
6.	This system is simple and less expensive.	It is costlier method.
7.	Periodic system requires closure of business for counting of inventory.	Inventory can be determined without affecting the operations of the business.

SUGGESTED ANSWER JUNE 2024 FOUNDATION EXAMINATION
PAPER – 1: ACCOUNTING

Question No. **1** is compulsory. Attempt any **four** questions from the remaining **five** questions. Wherever necessary, suitable assumptions should be made and disclosed by way of note forming part of the answer. Working Notes should form part of the answer.

Question 1

- (a) State with reasons, whether the following statements are Ture 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 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 x 2 = 12 Marks)
- (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

$(2 \times 2 = 4 Marks)$

- (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 x 1 = 4 Marks)

Answer

- (a) (i) **True:** If closing stock appears in the trial balance then it is not entered in the trading account but it is shown only in the balance sheet because it has already been adjusted to purchase account.
 - (ii) False: 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 commission and not error of Principle.
 - (iii) False: Accounting standards cannot override the statute. The standards are required to be framed within the ambit of prevailing statutes.
 - (iv) True: In case of the promissory note, it is generally the maker who makes the payment, but in case of the bill of exchange, the person accepting the bill shall be liable to make the payment to the holder of the bill.
 - (v) False: Errors not affecting the trial balance can be rectified by passing a rectification journal entry. While other errors that affect one account of trial balance cannot be rectified by passing journal entries. Totaling errors cannot be rectified by passing journal entries
 - (vi) **True:** Revaluation is also called as profit and loss adjustment account. It is used to record the gain/loss arising from the revaluation of assets and liabilities of a firm at the time of reconstitution.

(b) (i) Accounting Policy:

- (a) Accounting Policies refer to specific accounting principles and methods of applying these principles adopted by the enterprise in the preparation and presentation of financial statements; and
- (b) Policies are based on various accounting concepts, principles, and conventions.

(c)

Conditions under which change takes place:

A change in accounting policies shall be made in the following conditions:

- (a) It is required by some statute or for compliance with an Accounting Standard
- (b) Change would result in more appropriate presentation of financial statement
- (ii) (i) Cash Basis of Accounting is the method of recording financial transactions, by which revenues and expenditure and assets and liabilities are reflected in the accounts in the period in which the receipts or payments are actually effected/made.
 - (ii) Going Concern concept states that 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 needs to be disclosed.

The valuation of assets of a business entity is dependent on this assumption. Traditionally, accountants follow historical cost in majority of the cases.

S No.	Particulars		L.F.	Amount Dr. (₹)	Amount Cr. (₹)
(i)	Purchases A/c	Dr.		1,35,000	
	Input CGST A/c	Dr.		8,100	
	Input SGST A/c	Dr.		8,100	
	To Sonu's A/c				1,51,200
	(Being goods purchased from Sonu, CGST and SGST payable @ 6% each)				

Journal entries in the books of Mr. Kapil

FOUNDATION EXAMINATION: JUNE 2024

1				
(ii)	Bank A/c	Dr.	22,000	
	Mohit's A/c	Dr.	33,000	
	To Sales A/c			50,000
	To Output CGST A/c			2,500
	To Output SGST A/c			2,500
	(Being goods sold charged CGST and SG each and received 40% i	to Mohit, ST @ 5% n cash)		
(iii)	Drawings A/c	Dr.	28,000	
	To Purchase A/c			25,000
	To Input CGST A/c			1,500
	To Input SGST A/c			1,500
	(Being goods withd personal use and input input SGST debited at t purchase reversed)	rawn for CGST and he time of		
(iv)	Machinery A/c	Dr.	2,00,000	
	Input CGST A/c	Dr.	18,000	
	Input SGST A/c	Dr.	18,000	
	To Bank A/c			1,00,000
	To Bright Industries			1,36,000
	(Being machinery purcl paid ₹ 1,00,000 immedia and SGST @ 9% each)	hased and ately, CGST		

Question 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.
- (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 form 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 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 the year 2022-23. **(8 Marks)**

Answer

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L	u	,

Journal Entries in the Books of Mr. Sarvesh Kumar

Parti	culars	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
(i)	Returns Inward/ Sales Return A/c Dr.		1,000	
	To Suspense A/c			1,000
	(Being the mistake in totalling the Returns Inward Book corrected)			
(ii)	Machinery A/c Dr.		6,500	
	To Freight A/c To Suspense A/c			5,600 900
	(Being the freight paid for installation of machinery should have been capitalised and not to be charged to freight Account)			
(iii)	Returns Inward/Sales Return A/c Dr.		2,500	
	Sales A/c Dr.		2,500	
	To Suspense A/c			5,000
	(Being value of goods returned by a customer wrongly posted to sales and omission of debit to sales returns account, now rectified)			
(iv)	Drawings A/c Dr.		18,000	
	To Conveyance A/c			18,000
	(Being the motorcycle purchased for Mr. Suresh Kumar debited to his Drawings Account instead of Conveyance Account as previously done by mistake)			

ACCOUNTING

			_	<u>.</u>	
(v)	Suspense A/c	Dr.		700	
	To Creditors (personal) A/c				700
	(Being the mistake in crediting creditors account less by ₹ 700, corrected)	the now			
(vi)	Suspense A/c To Mr. Avinash's A/c	Dr.		10,000	10,000
	(Being cash received for Rs 5, wrongly posted to the debit of account now corrected)	,000 his			
(vii)	Mr. Alok's A/c	Dr.		2,500	
	To Ashok's A/c				2,500
	(Being the cheque of Mr. Alok dishonoured, previously debited Mr. Ashok)	to			
(viii)	Deepak A/c	Dr.		17,000	
	To Suspense A/c (Being the correction of mistake which the account of Deepak A/c credited instead of being debited	e by was d)			17,000
(ix)	Discount A/c	Dr.		3,800	
	To Suspense A/c				3,800
	(Being the total of discount allow during December not posted; err now rectified)	ved or			
(x)	Sales A/c	Dr.		2,200	
	To Furniture A/c				2,200
	(Being the rectification of mistake which sales of furniture was enter in sales book and hence corrected by debiting the sales A	e by ered now (/c)			

(b) Alternative 1

The question is solved based on the information given in the question by giving retrospective effect of depreciation only on the remaining machinery as on 31.03.2023 i.e. by ignoring the retrospective impact of change in the method of depreciation on the machinery disposed off.

In the books of LMP Co.

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
01.04.22	To Balance b/d To Bank	9,72,000	01.10.22	By Depreciation on machinery sold (W.N.1)	3,240
01.10.22	l'o Dunik	1,50,000	01.10.22	By Bank- Machinery sold	45,000
			01.10.22	By Loss on sale of machinery (W.N.1)	16,560
			31.03.23	By Depreciation on remaining machineries (W.N.3)	1,31,100
			31.03.23	By Balance c/d	9,34,100
		11,30,000			11,30,000

Machinery Account

Working Note:

1. Calculation of amount of Depreciation, written down value and loss on sale of the part of the machinery

	₹
Cost as on 01.04.2020	80,000
Less: Depreciation @10% for the year 2020-2021	(8,000)
Written Down Value (WDV) as on 31.03.2021 or 01.04.2021	72,000
Less: Depreciation @10% for the year 2021-2022	(7,200)
Written Down Value (WDV) as on 01.04.2022	64,800

Less: Depreciation @10%for the half year till 30^{th} September, 2022	(3,240)
Written Down Value (WDV) as on 1.10.2022	61,560
Less: Sale price of the asset sold on 01.10.2022	(45,000)
Loss on sale of Machinery sold	16,560

2. Computation of the written down value of the machinery.

	₹
Cost price of Machinery as on 01.04.2020	
(972000*100/90*100/90)	12,00,000
Less: Cost of Machinery sold	<u>80,000</u>
Cost of Remaining asset as on 01.04.2020	11,20,000
Less: Depreciation @ 10% for the year 2020-2021	
on diminishing balance method	<u>(1,12,000)</u>
Written down value of the remaining asset as on 01.04.2021	10,08,000
Less: Depreciation @ 10% for the year 2021-2022 on diminishing balance method	<u>(1,00,800)</u>
Written down value of the remaining asset as on 31.03. 2022	9,07,200
Total depreciation as per diminishing balance method	<u>2,12,800</u>
Total depreciation as per straight line method	
(₹11,20,000*10%*2 years)	<u>2,24,000</u>
Excess depreciation to be charged to profit and loss A/c	(11,200)

3. Total Depreciation to be charged to Profit and Loss Account during the year 2022-2023

S. No.	Particulars	Depreciation (₹)
1.	Depreciation at 10% on existing machinery on 01.4.2022 i.e. (11,20,000*10%)	1,12,000
2.	Depreciation on addition i.e. 1,58,000* 10% *1/2	7,900
3	Difference depreciation on method change (W.No.1)	11,200
	Sub-total	1,31,100
4.	Depreciation on machinery sold 1.10.2022	3,240
Grand	d Total	1,34,340

Alternative 2

The question is solved based on the information given in the question by giving retrospective effect of depreciation on all the machinery (including the machinery disposed off).

In the books of LMP Co.

Machinery Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
01.04.22	To Balance b/d	9,72,000	01.10.22	By Depreciation on machinery sold	4,000
01.10.22	To Bank	1,58,000	01.10.22	(W.N.1) By Bank-Machinery	45,000
				sold	
			01.10.22	By Loss on sale of machinery (W.N.1)	15,000
			31.03.23	By Depreciation on remaining	1,31,900
				machineries (W.N.5)	
			31.03.23	By Balance c/d	9,34,100
		11,30,000			11,30,000

Working Note:

1. Calculation of amount of Depreciation, written down value and loss on sale of the part of the machinery

	₹
Cost as on 01.04.2020	80,000
<i>Less:</i> Depreciation @10% for the year 2020-2021 (on SLM)	(8,000)
Written Down Value (WDV) as on 31.03.2021 or 01.04.2021	72,000
Less: Depreciation @10% for the year 2021-2022 (on SLM)	(8,000)
Written Down Value (WDV) as on 01.04.2022	64,000
<i>Less</i> : Depreciation @10%for the half year till 30 th September, 2022(SLM)	(4,000)
Written Down Value (WDV) as on 1.10.2022	60,000
Less: Sale price of the asset sold on 01.10.2022	(45,000)
Loss on sale of Machinery sold	15,000

2. Computation of the written down value of the machinery.

	₹	₹
Cost price of Machinery as on 01.04.2020		
(972000*100/90*100/90)	12,00,000	
Less: Cost of Machinery sold	<u>80,000</u>	
Cost of Remaining asset as on 01.04.2020	11,20,000	80,000
Less: Depreciation @ 10% for the year 2020-2021 on diminishing balance method	<u>(1,12,000)</u>	<u>8,000</u>
Written down value of the remaining asset as on 01.04.2021	10,08,000	72,000
Less: Depreciation @ 10% for the year		
2021-2022 on diminishing balance method	<u>(1,00,800)</u>	7,200

FOUNDATION EXAMINATION: JUNE 2024

Written down value of the remaining asset as on 31.03.2022	9,07,200	<u>64,800</u>
Total depreciation as per diminishing balance method	<u>2,12,800</u>	<u>15,200</u>
Total depreciation as per straight line method (₹11,20,000*10%*2 years)	<u>2,24,000</u>	
(₹80,000*10%* 2 Years)		<u>16,000</u>
Excess depreciation to be charged to profit and loss A/c	<u>(11,200)</u>	<u>(800)</u>

5. Total Depreciation to be charged to Profit and Loss Account during the year 2022-2023

S. No.	Particulars	Depreciation (₹)
1.	Depreciation at 10% on existing machinery on 01.4.2022 i.e. (11,20,000*10%)	1,12,000
2.	Depreciation on addition i.e. 1,58,000*10% *1/2	7,900
3	Difference depreciation on method change (W.No.1)	12,000
	Sub-total	1,31,900
4.	Depreciation on machinery sold 1.10.2022	4,000
Gran	d Total	1,35,900

Alternative 3

The change in the method of computing depreciation is treated as a change in accounting estimate which may affect the current period only or both the current period and future periods. Accordingly, the question is solved by ignoring the retrospective effect of depreciation as mentioned in the question.

Date **Particulars** Amount Date Particulars Amount (₹) (₹) 01.04.22 To Balance 9,72,000 01.10.22 By Depreciation 3,240 b/d on machinery sold (W.N.1) 01.10.22 To Bank 1,58,000 45,000 01.10.22 By Bank-Machinery sold 16,560 01.10.22 By Loss on sale of machinery (W.N.1) 98,620 31.03.23 By Depreciation remaining on machineries (W.N.4) 31.03.23 By Balance c/d 9,66,580 11,30,000 11,30,000

In the books of LMP Co. Machinery Account

Working Note:

1. Calculation of amount of Depreciation, written down value and loss on sale of the part of the machinery

Particulars	Amount (₹)
Cost as on 01.04.2020	80,000
Less: Depreciation @10% for the year 2020-2021	(8,000)
Written Down Value (WDV) as on 31.03.2021 or 01.04.2021	72,000
Less: Depreciation @10% for the year 2021-2022	(7,200)
Written Down Value (WDV) as on 01.04.2022	64,800
<i>Less:</i> Depreciation @10%for the half year till 30 th September, 2022	(3,240)
Written Down Value (WDV) as on 1.10.2022	61,560
Less: Sale price of the asset sold on 01.10.2022	(45,000)
Loss on sale of Machinery sold	16,560

2. Computation of written down value of the remaining asset as on 01.04.2022

	₹
Total WDV of the machinery as on 01.04.2022	9,72,000
Less: WDV of the part of the machinery sold as on 01.04.2022	<u>(64,800)</u>
Written down value of the remaining asset as on 01.04.2022	9,07,200

3. Computation of the written down value of the machinery as on 31.03.2023

	₹	
Written down value of the remaining asset as on 01.04.2022	9,07,200	
Less: Depreciation @ 10% for the year 2022- 2023	<u>(90,720)</u>	8,16,480
Add: New machinery purchased on 1.10.2022 (1,50,000 +8,000)	1,58,000	
Less: Depreciation for 6 months @10%	(7,900)	<u>1,50,100</u>
Written down value of the machinery as on 31.03.2023		<u>9,66,580</u>

4. Total Depreciation to be charged to Profit and Loss Account during the year 2022-2023

S. No.	Particulars	Depreciation (₹)
1.	Depreciation at 10% on existing machinery on 01.4.2022 i.e. (9,07,200*10%)	90,720
2.	Depreciation on addition i.e. 1,58,000* 10%*1/2	7,900
	Sub-Total	98,620
3.	Depreciation on machinery sold 1.10.2022	3,240
Grand	l Total	1,01,860

Question 3

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

•			
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 <u>35,500</u>	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 <u>53,400</u>	<u>62,150</u>
	4,13,550		4,13,550

Receipts and Payments Account

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	

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 wee partners sharing profit & losses in the ratio of 3:2:1. They decided to dissolve the business as on 31st Mrach,2024 when their Balance Sheet was as follows:

Liabilities		Amount	Assets	Amount
		(₹)		(₹)
Capital A/c:			Land & Building	4,85,000
Р	3,55,000		Machinery	1,88,000
Q	2,20,000		Furniture	1,05,000
R	<u>1,25,000</u>	7,00,000	Stock	55,800
General Reserve		1,50,000	Trade Debtors	1,56,000
Employees Provide	nt Found	60,000	Cash & Bank	44,200
Trade Creditors		1,24,000		
		10,34,000		10,34,000

The following information is given to you:

- (i) There was an unrecorded investment which was sold for ₹ 30,000.
- (ii) One of the creditors agreed to take over some items of furniture of Book value ₹ 25,000 at ₹ 24,000. The rest of the creditors were paid at a discount of 5%.
- (iii) Out of the trade 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)

Answer

(a)

In the books of Vandana Sports club.

Income and Expenditure Account for the year ending 31st March, 2024

	Expenditure		Amount (₹)	Inc	ome		Amount (₹)
То	Salaries (W.N.2)		1,57,200	Ву	Subscription (WN. 2)		2,95,500
То	Rent & Electricity (W.N.2)		70,850	Ву	Interest of Investments	on	8,000
То	Magazines & Newspapers		16,600	Ву	Misc. Income		19,850
То	Sundry Expenses		71,050	Ву	Entrance Fees		20,000
То	Depreciation:						
	Furniture	6,550					
	Sports Equipment	10,500					
	Library Books	2,500	19,550				
То	Excess of income over expenditure		8,100				
			3,43,350]			3,43,350

Balance Sheet as on 31st March, 2024

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
			Furniture Cost	65,500	

FOUNDATION EXAMINATION: JUNE 2024

	1				
			Less: Depreciation	(6,550)	58,950
			Sports Equipment:		
			Opening balance	41,500	
Capital Fund:			Addition	28,500	
Opening balance (W.N.1)	2,66,700			70,000	
Add: Excess of			Less: Depreciation	<u>(10,500)</u>	59,500
Income over	8,100		Library Books:		
exp			Opening Balance	22,000	
Entrance fees (60%)	30,000	3,04,800	Addition	10,500	
Subscription		8,400		32,500	
received in advance					
Outstanding Expenses:			Less: Depreciation	(2,500)	30,000
Salaries	12,400		Investments (8% Bonds)		1,00,000
Rent & Electricity	7,600		Cash in hand		8,750
		20,000	Cash at Bank		53,400
			Subscription Receivable		20,600
			Interest accrued on Bonds		2,000
		3,33,200			3,33,200

Alternatively, the capitalised portion of entrance fee of ₹ 30,000 may be shown separately in the liability side.

Working Notes:

Balance Sheet as on 31st March, 2023 1.

Liabilities	₹	₹	Assets	₹
Outstanding			Furniture	65,500
expenses:				
Salaries	10,200		Library Books	22,000

SUGGESTED ANSWER			A	CCOUNTING
Rent & Electricity	6,500	16,700	Sports Equipment	41,500
Subscription received in advance		7,000	Investments	1,00,000
Capital Fund (Balancing figure)		2,66,700	Cash in hand Cash at Bank	5,200 35,500
			Subscription receivable	18,700
			Interest accrued	2,000
		2,90,400		2,90,400

2.

ricity (<) 69,750 7,600 77,350 (6,500)
69,750 7,600 77,350 (6 500)
7,600 77,350
77,350
(6 500)
(0, 500)
70,850
6,550
10,500
<u>2,500</u>
<u>19,550</u>
2,95,000
20,600
<u>7,000</u>
3,22,600
(18,700)
(8,400)
2,95,500

FOUNDATION EXAMINATION: JUNE 2024

iv	Entrance Fees:	
	Received as per receipt and payment A/c	50,000
	Less: Capitalized	<u>(30,000)</u>
	Charged to Income & Expenditure	20,000

(b)

Realisation Account

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Sundry Assets:			By Creditors		1,24,000
Debtors	1,56,000		By Employee's		60,000
Stock	55,800		Provident Fund		
Furniture	1,05,000		By Bank A/c:		
Plant & Machinery	1,88,000		Land and Building	5,25,000	
Land and Building	4,85,000	9,89,800	Debtors	1,47,000	
To Bank-Creditors: (W.No.1)		95,000	Stock	60,000	
To Bank A/c		3,500	Machinery	1,70,000	
o/s bill for repairs					
To Bank A/c (expenses)		18,700	Unrecorded Investment	30,000	9,32,000
To Bank (Employee provident Fund)		60,000	By P's Capital A/C		75,000
To Profit transferred to:					
P's Capital A/c	12,000				
Q's Capital A/c	8,000				
R's Capital A/c	4,000	24,000			
		11,91,000			11,91,000

Particulars	P (₹)	Q (₹)	R (₹)	Particulars	P (₹)	Q (₹)	R (₹)
To Realisation A/c - Furniture	75,000			By Bal. b/d	3,55,000	2,20,000	1,25,000
To Bank	3,67,000	2,78,000	1,54,000	By Gen. Reserve	75,000	50,000	25,000
				By Realisation Profit	12,000	8,000	4,000
	4,42,000	2,78,000	1,54,000]	4,42,000	2,78,000	1,54,000

Partner's Capital Accounts

Bank Account

Particulars	₹	Particulars	₹
To Balance b/d	44,200	By Realisation A/c:	
To Realisation A/c (Assets	9,32,000	(Liabilities Paid)	1,77,200
realized)		By P's Capital A/c	3,67,000
		By Q's Capital A/c	2,78,000
		By R's Capital A/c	1,54,000
	9,76,200		9,76,200

Working Note 1:

Payment to Trade Creditors:

Particulars	Amount (₹)
Trade creditors as per Balance sheet	1,24,000
Less: Furniture (Book Value ₹25,000 accepted at ₹ 24,000)	24,000
	1,00,000
Less: Discount @ 5%	5,000
Amount Paid to Creditors	95,000

Question 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:

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

Balance Sheet as on 31st March, 2024

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

- (i) Ranu will be paid 1/5 share in the future profits and new profit sharing ratio would be 5:3:2.
- (ii) Ranu will bring ₹1,00,000 as his capital.
- (iii) Goodwill of firms 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

(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 1stApril, 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 31stMarch, 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	1,29,500
		Bank	
	6,89,200		6,89,200

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		Cash Purchases	9,48,400
on 1 st April,2023	1,29,500	Payment to Trade	
Cash Sales	10,22,400	Creditors	75,45,000
Receipts form Trade		Salaries	4,12,800
Debtors	85,52,000	Rent & taxes	2,51,600
Interest on investments	3,600	Sundry Expenses	1,38,400
		Drawings	2,40,000

FOUNDATION EXAMINATION: JUNE 2024

	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 Mrch,2024. The closing balances to 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 n that date. **(8 Marks)**

Particulars	₹	Particulars	₹
To Machinery A/c	14,300	By Building A/c	50,000
To Furniture A/c	5,000	By Investments	800
To Provision for Doubtful Debts	8,200		
To Inventories	900		
To Partner's capital A/c:			
(Profit on revaluation)			
Anu (5/8) 14,000			
Manu (3/8) 8,400	22,400		
	50,800		50,800

(a)

Answer

Revaluation Account

Par	ticulars	Anu (₹)	Manu (₹)	Ranu (₹)	Particulars	Anu (₹)	Manu (₹)	Ranu (₹)
					By Bal. b/d	2,80,000	2,50,000	
То	Bal c/d.	3,20,250	2,74,150	1,00,000	By Profit on revaluation	14,000	8,400	
					By Bank (Capital)	-	-	1,00,000
					By Bank (Goodwill)	26,250	15,750	-
		3,20,250	2,74,150	1,00,000		3,20,250	2,74,150	1,00,000

Partner's Capital Accounts

Balance Sheet (after admission of Ranu) as on 1st April, 2024

Liabilities	₹	₹	Assets	₹
Capital accounts:			Building	4,30,000
Anu	3,20,250		Machinery	1,28,700
Manu	2,74,150		Furniture	80,000
Ranu	<u>1,00,000</u>	6,94,400	Trade Receivable	1,55,800
Long term loan		2,00,000	Inventories	47,500
Trade Payable		1,19,500	Investments	16,000
Outstanding liabilities		16,200	Cash and Bank	1,72,100
		10,30,100		10,30,100

Working Notes:

1. Calculation of Goodwill:

Average profit = $\frac{87,000+1,06,000+1,22,000}{3}$ = ₹ 1,05,000

Two years' purchase of average profits= 1,05,000 x 2= ₹ 2,10,000

Goodwill to be brought in by Ranu=₹ 2,10,000 x 2/10=₹ 42,000

2. Calculation of Sacrificing Ratio = Old- New Ratio

Anu = 5/8-5/10 = 5/40 Manu = 3/8-3/10 = 3/40 Goodwill brought in by Ranu shared (at the profit sacrificing ratio) by:

	₹
Anu (₹ 42,000 x 5/8)	26,250
Manu (₹ 42,000 x 3/8)	15,750
	42,000

3. Bank balance after admission of Ranu:

Bank Account

Particulars	₹	Particulars	₹
To bal b/d	30,100	By Balance c/d	1,72,100
To Anu's Capital A/c	26,250		
To Manu's Capital A/c	15,750		
To Ranu's capital A/c	1,00,000		
	1,72,100		1,72,100

Alternatively, goodwill can also be calculated on the basis of weighted average profit, since the profit of the firm is on increasing trend.

(b)

In the books of Harshit Traders

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

	Particulars	Amount (₹)	Amount (₹)		Amount (₹)	Amount (₹)
То	Opening Stock		1,70,800	By Sales		
То	Purchases			Cash	10,22,400	
	Cash	9,48,400		Credit (W.N. 1)	<u>86,89,600</u>	97,12,000
	Credit (W.N. 2)	<u>76,10,400</u>	85,58,800	By Closing stock		2,31,600
То	Gross profit c/d (12.5% of 97,12,000)		12,14,000	(bal fig)		
	,		99,43,600			99,43,600

ACCOUNTING

То	Rent &		2 51 600	By Gross	12 14 000
	taxes		2,5 1,000	profit b/d	12,11,000
То	Salaries		4,18,600	By Discount	35,000
	(W.N. 3)			received	
То	Sundry		1,38,400	By Interest on	3,600
	expenses			investment	
То	Discount		62,500		
	allowed				
То	Depreciati				
	on				
	(10% on	11,000			
	(1,10,000 &	<u>7,350</u>	18,350		
	73,500))				
То	Net Profit		3,63,150		
	(b.f.)				
			12,52,600		12,52,600

Balance Sheet as at 31st March, 2024

Liabilities		Amount	Assets	Amount
Capital			Motor vehicle 1,10,000	
Opening balance	6,05,000		Less: Depreciation (11,000)	99,000
Less: Drawings	<u>(2,40,000)</u>		Furniture & Fittings 73,500	
	3,65,000			
<i>Add:</i> Net profit for the years	<u>3,63,150</u>	7,28,150	<i>Less:</i> Depreciation (7,350)	66,150
Trade creditors		1,05,600	Closing Stock	2,31,600
Outstanding		14,800	Trade receivable	2,20,500
salary				
			6% Investment	60,000
			Cash in hand & at bank	1,71,300
		8,48,550		8,48,550

Working Notes:

Trade	Debtors	Account
-------	---------	---------

	₹		₹
To Balance b/d	1,45,400	By Cash/Bank	85,52,000
To Credit sales (Bal. fig.)	86,89,600	By Discount allowed	62,500
		By Balance c/d	2,20,500
	88,35,000		88,35,000

2.

1.

Trade Creditors Account

	₹		₹
To Cash/Bank	75,45,000	By Balance b/d	75,200
To Discount received	35,000	By Purchases credit	76,10,400
To Balance c/d	1,05,600		
	76,85,600		76,85,600

3. Computation of salary to be charged to Profit & Loss A/c

	₹
Salary expenses paid (as per cash book)	4,12,800
Less: Outstanding expenses as on 31.3.2023	(9,000)
	4,03,800
Add: Outstanding expenses as on 31.3.2024	14,800
	4,18,600

Question 5

(a) Manish closed his books of account on 31stMarch, 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)

- (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

(ii) From the following particulars, prepare the Bank Reconciliation Statement of businessman as on 31stMarch, 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 dishonoured	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 Mrach,2024 but presented for encashment on 6 th April,2024	3,000

(5 Marks)

(c) The following is the abstract of Balance Sheet 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
Reserves and Surplus:	
Capital Reserve (realized in cash)	60,000
Capital Redemption Reserve	1,60,000
Securities Premium	1,00,000
General Reserve	1,20,000
Profit and Loss Account	7,00,000

On 1stApril, 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:

- (i) To forfeit the share on which final call of \mathbb{Z}^2 each is due:
- (ii) To re- issue the forfeited share @₹11 each as fully paid up:
- (iii) To issue fully paid bonus shares in the ratio of one fully paid bonus share for every two fully paid shares held; and
- (iv) To use minimum balance of Profit and Loss Account.

Pass necessary journal entries in the books of the company on the basis of the above decisions. (10 Marks)

Answer

(a) Statement of Valuation of Inventory as on 31st March, 2024

Particulars	Amount (₹)	Amount (₹)
Value of stock as on 10th April, 2024		4,50,000
Add: Cost of sales during the period from 31 st March, 2024 to 10 th April, 2024: Sales (₹ 1.10.000-₹ 10.000)	1,00,000	
Less: Gross profit (25% on cost i.e. 20% on sales)	<u>(20,000)</u>	80,000
		5,30,000

FOUNDATION EXAMINATION: JUNE 2024

<i>Less:</i> Purchases during the period from 31 st March, 2024 to 10th April, 2024 (85,000-2,500)	82,500	
Unsold stock out of goods received on consignment basis (40% of ₹ 15,000)	6,000	
Loss on revaluation of slow-moving inventories (14,850-9,500)	<u>5,350</u>	93,850
		4,36,150

ALTERNATE PRESENTATION

Statement of Valuation of Inventory as on 31st March, 2024

Particulars	Amount (₹)	Amount (₹)
Value of stock as on 10th April, 2024		4,50,000
<i>Add:</i> Cost of sales during the period from 31 st March, 2024 to 10 th April, 2024:		
Sales	1,10,000	
Less: Gross profit (25% on cost i.e. 20% on sales)	<u>(22,000)</u>	88,000 2,500
Purchase Returns		
		5,40,500
Less: Purchases during the period from		
31 st March, 2024 to 10th April, 2024	85,000	
Sales Returns	8,000	
Unsold stock out of goods received on consignment basis (40% of ₹ 15,000)	6,000	
Loss on revaluation of slow-moving inventories (14,850-9,500)	<u>5,350</u>	1,04,350
		4,36,150

(b) (i) In the Books of Mr. Prakash

Manufacturing Account for the year ended on March 31,2024

Particulars	₹	Amount ₹	Particulars	Amount₹
To Opening W.I.P.		6,25,000	By Closing W-I-P	7,15,000
To Raw Material Consumed:			By Sale of Scrap	36,000
Opening inventory	5,85,000		By Trading A/c-	31,82,000
Purchases	18,74,000		Cost of finished	
	24,59,000		goods transferred	
Less: Returns	(95,000)			
	23,64,000			
Less: Closing	(4,70,000)			
inventory		18,94,000		
To Direct Wages		3,97,000		
To Manufacturing Overhead:				
Power and Electricity	1,76,000			
Indirect Wages	82,000			
Indirect Materials	1,88,000			
Repairs & Maintenance	2,65,000			
Depreciation on				
Factory Shed	1,44,000			
Depreciation on Plant &				
Machinery	1,62,000	10,17,000		
		39,33,000		39,33,000

OR

(ii) Bank Reconciliation Statement as on 31st March,2024

Particulars	Details ₹	Amount ₹
Overdraft as per Cash Book		24,000
Add: Cash received from Exe entered in bank		
column of cash book	3,150	
Cheque deposited but collected less as per bank statement	50	
Noting charges not recorded in cash book	60	
Cheque deposited but collected by bank on 5^{th} April	4,800	8,060
		32,060
Less: Cheque deposited but not recorded in		
Cash Book	4,000	
Debit side of bank column casted short	1,000	
Bills for collection credited in the bank not yet entered in the cash book	4,200	
Bank Charges recorded twice	40	
Cheque issued but not presented	3,000	12,240
Overdraft as per bank Pass book		19,820

Alternatively, the above question can also be solved using adjusted cash book.

(c)

Journal Entries in the books of Happy Ltd.

Date	Particulars		Debit ₹	Credit ₹
1-4-2024	Equity share final call A/c	Dr.	2,40,000	
	To Equity share capital A/c			2,40,000
	(Being final calls of ₹ 6 per share on 40,000 equity shares due as per Board's Resolution dated)			
30-4-2024	Bank A/c	Dr.	2,40,000	
	To Equity share final call A/c			2,40,000

ACCOUNTING

1	I			
	(Being final call money on 40,000 equity shares received)			
1-5-2024	Equity Share Capital Account		1,00,000	
	To Calls-in-Arrears A/c			20,000
	To Forfeited Shares A/c			80,000
	(Bring forfeiture of 10,000 Shares due to Non-Payment of Final Call of 2 per share)			
1-5-2024	Bank A/c	Dr.	1,10,000	
	To Securities Premium A/c			10,000
	To Equity Share Capital A/c			1,00,00
	(Being re-issue of 10,000 forfeited shares at ₹ 11 each)			
	Forfeited Shares A/c	Dr.	80,000	
	To Capital Reserve A/c			80,00
	(Being the profit on re-issue transferred to Capital Reserve)			
1-5-2024	Capital Reserve	Dr.	1,40,000	
	Securities Premium A/c	Dr.	1,10,000	
	Capital Redemption Reserve A/c	Dr.	1,60,000	
	General Reserve A/c	Dr.	1,20,000	
	Profit and Loss A/c (b.f.)	Dr.	1,20,000	
	To Bonus to shareholders A/c			6,50,00
	(Being making provision for bonus issue of one share for every two shares held)			
1-5-2024	Bonus to shareholders A/c	Dr.	6,50,000	
	To Equity share capital A/c			6,50,00
	(Being issue of bonus shares @ ₹ 10 per share)			

Working Notes:

1.	Number of Bonus shares to be issued-	₹
2.		
	Existing issued Equity share capital (9,00,000 +4,00,000)	13,00,000
Add: Issue of bonus shares to equity shareholders		<u>6,50,000</u>
	Total	<u>19,50,000</u>

Question 6

(a) The following balances appeared in the Books of Mac Ltd. as on 31stDecember, 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 31^{st} 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 1^{st} August, 2024. The issue was fully subscribed and the allotment made on 1^{st} March,2024. The amount due on allotment was duly received by 25^{th} March,2024.

The preference shares were redeemed after fulfilling the necessary conditions of section 55 of the Companies Act, 2023.

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
SUGGESTED ANSWER

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)

Answer

E

(a)

Journal Entries In the books of Mac Itd.

		Amount (₹)	Amount (₹)
10% Preference Share Final Call A/c	Dr.	20,00,000	
To 10% Preference Share Capital A/c			20,00,000
(Being final call made on preference shares @ ₹ 25 each to make them fully paid up)			
Bank A/c	Dr.	20,00,000	
To 10% Preference Share Final Call A/c			20,00,000
(Being receipt of final call money on preference shares)			
Bank A/c	Dr.	15,00,000	
To Equity Share Application A/c			15,00,000
(Being receipt of application money on 60,000 equity shares @ ₹ 25 per share)			
Equity Share Application A/c	Dr.	15,00,000	
To Equity Share Capital A/c			15,00,000
(Being capitalisation of application money received)			
Equity Share Allotment A/c	Dr.	27,00,000	
To Equity Share Capital A/c			21,00,000
To Securities Premium A/c			6,00,000
(Being allotment money due on 60,000 equity shares @ ₹ 45 per share including a premium of ₹ 10 per share)			

SUGGESTED ANSWER

FOUNDATION EXAMINATION: JUNE 2024

Bank A/c	Dr.	27,00,000	
To Equity Share Allotment A/c			27,00,000
(Being receipt of allotment money on equity shares)			
General Reserve A/c	Dr.	44,00,000	
To Capital Redemption Reserve A/c			44,00,000
(Being transfer of CRR the amount not covered by the proceeds of fresh issue of equity shares i.e., 80,00,000 - 15,00,000 - 21,00,000)			
10% Preference Share Capital A/c	Dr.	80,00,000	
Premium on Redemption of Preference Shares A/c	Dr.	4,00,000	
To Preference Shareholders A/c			84,00,000
(Being amount payable to preference shareholders on redemption at 5% premium)			
Preference Shareholders A/c	Dr.	84,00,000	
To Bank A/c			84,00,000
(Being amount paid to preference shareholders)			
General Reserve A/c	Dr.	4,00,000	
To Premium on Redemption of Preference shares A/c			4,00,000
(Being writing off premium on redemption of preference shares)			

Notes to Accounts:

		₹
1	Share <u>Capital:</u>	
	Equity Share Capital	
	Issued, Subscribed & Paid Up:	

ACCOUNTING

	2,00,000 Equity Shares of ₹100 each fully paid up	2,00,00,000	
	60,000 Equity Shares of ₹100 each, ₹ 60 called up & paid up	<u>36,00,000</u>	2,36,00,000
2	Reserves and Surplus:		
	Securities Premium	6,50,000	
	Add: Amount received @ - 10 per share on 60,000 Equity Shares	<u>6,00,000</u>	12,50,000
	Capital Redemption Reserve	42,00,000	
	Add: Transferred on Redemption (WN- 1)	<u>44,00,000</u>	86,00,000
	General Reserve	85,00,000	
	Less: Transferred to Capital Redemption Reserve	(44,00,000)	
	Less: Adjustment of Premium payable on Redemption	<u>(4,00,000)</u>	37,00,000
			1,35,50,000

Working Note 1

SUGGESTED ANSWER

Amount to be transferred to Capital Redemption Reserve on Redemption:

Nominal Value of 80,000 Preference	
Shares Redeemed	80,00,000
Less: Proceeds of 60,000 Equity Shares issued,	
- 60 called up & paid up	<u>36,00,000</u>
Transfer to Capital Redemption Reserve	<u>44,00,000</u>

Note: At the time of redemption of preference shares out of accumulated divisible profits, it is necessary to transfer to the Capital Redemption Reserve Account an amount equal to the amount repaid on the redemption of preference shares on account of face value less

proceeds of a fresh issue of shares made for the purpose of redemption.

- (b) The use of subsidiary books affords the undermentioned advantages:
 - (i) **Division of work:** Since in the place of one journal there will be so many subsidiary books, the accounting work may be divided amongst a number of clerks.
 - (ii) **Specialization and efficiency:** When the same work is allotted to a particular person over a period of time, he acquires full knowledge of it and becomes efficient in handling it. Thus, the accounting work will be done efficiently.
 - (iii) **Saving of the time:** Various accounting processes can be undertaken simultaneously because of the use of a number of books. This will lead to the work being completed quickly.
 - (iv) **Availability of information:** Since a separate register or book is kept for each class of transactions, the information relating to each class of transaction be available at one place.
 - (v) Facility in checking: When the trial balance does not agree, the location of the error or errors is facilitated by the existence of separate books. Even the commission of errors and frauds will be checked by the use of various subsidiary books.

PAPER – 1: PRINCIPLES AND PRACTICE OF ACCOUNTING

Question No. 1 is compulsory.

Attempt any four questions from the remaining five questions.

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

Working Notes should form part of the answer.

Question 1

- (a) State with reasons, whether the following statements are True or False:
 - (i) The financial statement must disclose all the relevant and reliable information in accordance with the full disclosure principle.
 - (ii) The gain from sale of capital assets is added to revenue to ascertain the net profit of the business.
 - (iii) Depreciation is non-cash and non-operating expense which is to be provided for if there are profits.
 - (iv) Sum of the year's digit method is an example of accelerated method of charging depreciation.
 - (v) Inauguration expenses of ₹10 lakhs incurred on the new unit in an existing business is a capital expenditure.
 - (vi) Discount column of cash book records the trade discount.
- (b) Briefly explain the following terms.
 - (i) Conversion Cost
 - (ii) Diminishing Balance Method
 - (iii) Money Measurement Concept
 - (iv) Realisation Concept
 - Particulars (₹) **Opening Stock** 1.47.500 Cash Sales 5,50,000 Credit Sales 4.00.000 8,85,000 **Purchases** 1.35.000 Manufacturing Expenses Advertisement Expenses 43.000 Rate of Gross Profit on Cost 25%
- (c) From the following information, ascertain the value of Closing Stock as on 31st March, 2023.

(4 Marks)

 $(6 \times 2 = 12 Marks)$

At the time of valuing inventory as on 31^{st} March,2022, a sum of \gtrless 12,500 was written off on a particular item, which was originally purchased for \gtrless 50,000 and was sold during the year for \gtrless 40,000. (4 Marks)

Answer

- (a) (i) True: The financial statement must disclose all the reliable and relevant information about the business enterprise to the management and also to their external users for which they are meant, which in turn will help them to take a reasonable and rational decision. The disclosure should be full and final as per AS 1, so that users can correctly assess the financial position of the enterprise.
 - (ii) True: Gains from the sale of capital assets are considered as the revenue of the business. But this revenue is not in the ordinary course of business so it is capital receipts.
 - (iii) False: Depreciation is non-cash but operating expenses which are to be provided for whether there are profits or losses in the financial year.
 - (iv) True: Sum of year digit method is an example of accelerated method of charging depreciation. Higher depreciation is charged in earlier years sum of year's digit method.
 - (v) False: Inauguration expenses incurred on the opening of a new unit may help to explore more customers This expenditure is revenue expenditure, as the expenditure may not generate any enduring benefit to the business over more than one accounting period.
 - (vi) False: Discount column of cash book records the cash discount. Trade discount is not shown in the books of accounts.
- (b) (i) Conversion Cost: Cost incurred to convert raw materials or components into finished or semi-finished products. This normally includes costs which are specifically attributable to units of production, i.e., direct labour, direct expenses and subcontracted work, and production overheads as applicable in accordance with either the direct cost or absorption costing method.
 - (ii) Diminishing Balance Method: It is a method under which the periodic charge for depreciation of an asset is computed by applying a fixed percentage to its historical cost or substituted amount less accumulated depreciation (net book value). This is also referred to as written down value method.
 - (iii) Money measurement concept: As per this concept, only those transactions, which can be measured in terms of money are recorded. Transactions, even if, they affect the results of the business materially, are not recorded if they are not convertible in monetary terms.
 - (iv) Realisation concept: It closely follows the cost concept. Any change in value of an asset is to be recorded only when the business realises it.

PAPER - 1 : PRINCIPLES AND PRACTICE OF ACCOUNTING

		₹
Value of stock as on 1st April, 2022		1,47,500
Add: Purchases during the period from 1.4.2022 to 31.3.2023		8,85,000
Add: Manufacturing expenses during the above period		1,35,000
		11,67,500
Less: Cost of sales during the period:		
Sales	9,50,000	
Less: Gross profit (Working Note)	1,84,500	7,65,500
Value of stock as on 31.3.2023		4,02,000

(c) Statement of Valuation of Stock as on 31st March, 2023

Working Note:

	₹
Calculation of gross profit:	
Gross profit on normal sales 20/100 x (9,50,000 -40,000)	1,82,000
Gross profit on the particular (abnormal) item 40,000 - (50,000 - 12,500)	2,500
	1,84,500

Alternative:

Statement showing the valuation of inventory as on 31st March, 2023

	₹	₹
Inventory in the beginning	1,47,500	
Less: Book value of Abnormal Inventory (50,000-12,500)	37,500	1,10,000
Add: Purchases		8,85,000
Manufacturing Expenses		1,35,000
		11,30,000
Less: Cost of goods sold:		
Sales as per books (5,50,000 + 4,00,000)	9,50,000	
Less: Sales of abnormal item	40,000	
	9,10,000	
Less: Gross Profit @20%	1,82,000	7,28,000
Inventory in trade as on 31 st March 2023		4,02,000

Note: The value of closing stock on 31st March, 2023 may, alternatively, be found out by preparing Trading Account for the year ended 31st March, 2023.

Question 2

4

- (a) From the following particulars, prepare a Bank Reconciliation Statement as on 31st December, 2022.
 - (i) Debit balance (overdraft) shown by the pass book 2,48,000.
 - (ii) Cheques of 2,10,000 were issued in the last week of December, but of these only ₹ 1,40,000 were presented for payment.
 - (iii) A Cheque for ₹ 19,200 drawn for the payment of telephone bill had been entered in the cash book as ₹ 29,200 but was shown correctly in the bank statement.
 - (iv) A cheque received for ₹37,520 entered twice in the Cash book.
 - (v) A Cheque for ₹ 1,17,000 was issued for purchase of merchandise and was paid by the bank but not recorded in cash book.
 - (vi) Interest on overdraft and bank charges amounting to ₹3,500 were not entered in the Cash Book.
 - (vii) A Cheque for 45,000 was credited in the Pass Book but was not recorded in the Cash Book.
 - (viii) A bill of exchange for ₹26,200 which was discounted with bank returned dishonored but on entry was made in the cash book.
 - (ix) Payment side of the Cash Book has been undercast by ₹12,000. (8 Marks)
- (b) ABC sports club had the following income and expenditure account for the year ended 31st Dec 2022.

Particulars	Amount₹	Particulars	Amount₹
To Salaries	2,35,000	By Subscriptions	2,50,000
To Stationary Expenses	30,000	By Interest	90,000
To Rent and Taxes	5,000	By Donations	40,000
To Insurance	2,000	By Misc. Receipts	3,000
To Office Expenses	8,000		
To Depreciation			
Building	37,500		
Furniture	1,200		
Sports Equipment	1,000		

Income and Expenditure Account for the year ended 31 December, 2022

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To Excess of Income over Expenses	63,300	
	3,83,000	3,83,000

Additional information:

	31-12-2021 ₹	31-12-2022 ₹
Govt. Securities	18,00,000	18,00,000
Subscription outstanding	70,000	1,00,000
Subscription received in advance	2,000	6,000
Salaries unpaid	10,000	15,000
Furniture	20,000	19,800
Land and Building	20,00,000	19,62,500
Sports Equipment	35,000	39,000
Stock of stationary	3,000	5,500

Cash in hand and Cash at bank as on 31-12-2021 is ₹1,08,000.

You are required to prepare Receipts and Payments Account for the period ending 31.12.2022 and Balance Sheet as on 31.12.2022. (12 Marks)

Answer

(a)

Bank Reconciliation Statement as on 31st December, 2022

	Particulars	Amount (₹)	Amount (₹)
	Overdraft as per Pass Book (Dr. Balance)		2,48,000
Add:	Cheques issued but not yet presented ₹ (2,10,000 - 1,40,000)	70,000	
	Cheque wrongly entered in cash book (29,200-19,200)	10,000	
	Cheque credited in Pass Book was not recorded in the Cash book	<u>45,000</u>	1,25,000
Less:	Cheques received entered twice in Cash Book	37,520	
	Cheque issued not recorded in the Cash book	1,17,000	
	Interest on Overdraft and bank charges not entered in Cash Book	3,500	

Bill of exchange dishonoured	26,200	
Payment side of bank column of Cash Book was undercast	<u>12,000</u>	<u>1,96,220</u>
Overdraft as per Cash Book		1,76,780

(b)

The ABC sports club

Receipts and Payments Account for the year ended 31st December, 2022

	Receipts	₹		Payments	₹	₹
То	Balance b/d	1,08,000	Ву	Salaries (W.N. 7)		2,30,000
То	Subscriptions (W.N. 3)	2,24,000	By	Stationery (W.N 2)		32,500
То	Interest	90,000	By	Rent & taxes		5,000
10	Donation	40,000	Ву	Insurances		2,000
То	Misc. receipts	3,000	Ву	Office expenses		8,000
			Ву	Furniture (W.N 5)		1,000
			Ву	Sports Equipment (W.N 6)		5,000
			Ву	Balance c/d (balancing figure)		1,81,500
		4,65,000				4,65,000

Balance Sheet as on December 31, 2022

Liabilities	₹	Assets	₹
Opening capital		Govt. securities	18,00,000
(W.N.1) 40,24,000			
Add: Surplus for 2022 <u>63,300</u>	40,87,300	Subscription Outstanding	1,00,000
Advance subscription	6,000	furniture	19,800
Salaries Outstanding	15,000	Land & building (WN.4)	19,62,500
		Sports Equipment	39,000
		Stationary stock	5,500
		Cash/ Bank	1,81,500
	41,08,300		41,08,300

Working Notes:

1.

Balance Sheet as on 31st December, 2021

Liabilities	₹	Assets	₹
Opening capital (bal. fig.)	40,24,000	Govt. securities	18,00,000
Advance subscription	2,000	Subscription Outstanding	70,000
Salaries Outstanding	10,000	Furniture	20,000
		Land & building	20,00,000
		Sports Equipment	35,000
		Stationary stock	3,000
		Cash/ Bank	1,08,000
	40,36,000		40,36,000

2.

Dr.	Stationery Account			Cr.	
		₹			₹
То	Balance b/d	3,000	Ву	Income & exp	30,000
То	Receipt & payment	32,500	Ву	Balance c/d	5,500
		35,500			35,500

3.

D

Dr.	Subscription Account					Cr
			₹			₹
То	Outstanding as 31-12-21	on	70,000	Ву	Advance as on 31-12-21	2,000
То	Income & exp		2,50,000	Ву	Receipt & payment (bal. fig)	2,24,000
То	Advance as 31-12-22	on	6,000	Ву	Outstanding as on 31-12-22	1,00,000
			3,26,000			3,26,000

4.

Dr.		Land	Land and Building Account		
		₹			₹
То	Balance b/d	20,00,000	Ву	Depreciation	37,500

D		0
	20,00,000	20,00,000
	By Balance c/d	19,62,500

5.

Dr.	Furniture Account			Cr	
		₹			₹
То	Balance b/d	20,000	Ву	Depreciation	1,200
То	Bank (bal.fig.)	1,000	Ву	Balance c/d	19,800
		21,000			21,000

6.

Sports Equipment Account

Dr.	Sports Equipment Account				Cr.	
		₹				₹
То	Balance b/d	35,000	Ву	Depreciation		1,000
То	Bank (bal.fig.)	5,000	Ву	Balance c/d		39,000
		40,000				40,000

7.

Dr. Sala	Salary Account		
	₹		₹
To Receipts & payment	2,30,000	By Outstanding for 2021	10,000
A/c	15,000	By Income and expenditure A/c	2,35,000
To Outstanding for 2022	2,45,000		2,45,000

Question 3

(a) R draws a bill of exchange on P for ₹2,00,000 on 1st July,2022 for 4 months P accepted the bill and sent it to R. R discounts the bill with his bankers for ₹1,88,000 R. immediately remits ₹75,200 to P. On the due date, R, being unable to remit the amount due accepts a bill for ₹2,50,00 for 4 months which is discounted by P for ₹2,36,250. P sends ₹56,700 to R. Before the bill is due for payment R becomes insolvent and his estate is paying fifty paise in a rupee.

Give the journal entries in the books of P. Also show R's account in P's books.

(10 Marks)

(b) Mr. B and Mr. G had the following mutual dealings and allow each other one month's credit. At the end of three months the accounts rendered are as follow:

Date	Goods sold by Mr. B to Mr. G	Date	Goods sold by Mr. G to Mr. B
	(₹)		(₹)
July 20	35,000	July 25	24,000
Aug 17	30,000	Aug 16	22,000
Sep 13	32,000	Sep 05	25,000

You are required to calculate the date upon which the balance should be paid so that no interest is due either to Mr. B or Mr. G (consider 20 Aug. as base date) (5 Marks)

- (c) Attempt any ONE of the following two sub parts i.e. either (i) or (ii).
 - (i) From the following particulars prepare account current, as sent by Rose to Lily as on 31st March, 2023 by means of product method, charging interest @ 6% p.a.

Date	Particulars	Amount ₹
01/01/2023	Balance due form Lily	8,500
10/01/2023	Sold goods to Lily	14,700
15/01/2023	Purchased goods form Lily	10,200
20/01/2023	Goods returned by Lily	2,500
25/02/2023	Lily paid by cheque	9,500

(5 Marks)

OR

(ii) Mr. X consigned goods consigned ₹ 1,50,000 to Mr. Y and spent ₹ 1,800 on insurance. Mr. Y received the goods and spent ₹ 2,000 on freight. He also spent ₹ 1,500 on godown rent. Mr. Y sent bank draft of ₹ 50,000 to Mr. X as advance payment and sent his Account sales showing that 4/5 of the goods had been sold for ₹ 1,40,000. Mr. Y is entitled for a commission of 8%. One of the customer turned insolvent and could not pay ₹ 5,000 due from him. (Commission does not include delcredere).

Show the necessary journal entries in the consignee's book. (5 Marks)

Answer

(a)

In the books of P

Journal Entries

Date	Particulars		L.F.	Dr. (in ₹)	Cr. (in ₹)
1.7.2022	R's A/c	Dr.		2,00,000	
	To Bills payable A/c				2,00,000
	(Being bill of exchange accepted and sent to Mr. R)				
1.7.2022	Bank A/c	Dr.		75,200	
	Discount charges A/c	Dr.		4,800	
	To R's A/c				80,000
	(Being the amount received from R on account of the bills receivable)				
4.11.2022	Bills Receivable A/c			2,50,000	
	To R's A/c				2,50,000
	(New bill accepted by R)				
4.11.2022	Bank A/c	Dr.		2,36,250	
	Discount charges A/c	Dr.		13,750	
	To Bills receivable A/c				2,50,000
	(Being R acceptance discounted with bank)				
4.11.2022	Bills payable A/c	Dr.		2,00,000	
	To Bank A/c				2,00,000
	(Being the amount paid on the due date)				
4.11.2023	R A/c	Dr.		66,984	
	To Bank A/c				56,700
	To Discount A/c				10,284
	(Being the amount received and the discount debited to R)				
7.3.2023	R's A/c	Dr.		2,50,000	
	To Bank A/c				2,50,000

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	(Being R's acceptance, which was discounted dishonoured due to R's bankruptcy)				
7.3.2023	Bank A/c	Dr.	93,492		
	Bad debts A/c	Dr.	93,492		
	To R A/c			1,86,984	
	(The amount received from R and the balance being written off as debt)				

R's account (in the books of P)

		₹			₹
То	Bills payable A/c	2,00,000	Ву	Bank A/c	75,200
То	Bank A/c	2,50,000	Ву	Discount	4,800
То	Discount A/c	10,284	Ву	Bills Receivable	2,50,000
То	Bank A/c	56,700	Ву	Bank	93,492
			Ву	Bad debt A/c	93,492
		5,16,984			5,16,984

(b) Taking Aug 20 as the zero or base date (Aug 20 + One month Credit = 20 sept)

For Mr. G's payments:

Date of Transactions	Due Date	Amount ₹	No. of days from the base date	Products ₹
(1)	(2)	(3)	(4)	(5)
July 20	August 20	35,000	0	0
Aug 17	Sept 17	30,000	28	8,40,000
Sept 13	Oct 13	32,000	54	17,28,000
Amount due to G		97,000	Sum of products	25,68,000

For Mr. B's payments

Taking Aug 20 as the zero or base date.

Date of Transactions	Due Date	Amount	No. of days from	Products
		₹	the base date	₹
(1)	(2)	(3)	(4)	(5)
July 25	August 25	24,000	5	1,20,000
Aug 16	Sept 16	22,000	27	5,94,000

Sept 05	Oct 05	25,000	46	11,50,000
Amount due to B		71,000	Total products	18,64,000
Excess of Mr. G's products over Mr. B's		=	25,68,000 - 18,64	,000
		=	₹ 7,04,00	0
Excess amount due to Mr. I	B ₹ 97,000 – 7	1,000 =	₹ 26,000).

Number of days from the base date to the date of settlement is

7,04,000 = 27.07 days (Hence it may be taken as 27 days or 28 days) 26,000

Hence the date of settlement of the balance is 27days after Aug 20th i.e., on Sept 16. On Sept 16, G has to pay B, ₹ 26,000 to clear the account.

Alternatively, the date of settlement of the balance is 28 days after Aug 20th i.e., on Sep.17. On 17, G has to pay B, \gtrless 26,000 to clear the account.

(c) (i) Lily in Account Current with Rose

Date	Particulars	Amount	Days	Product	Date	Particulars	Amount	Days	Product
2023		₹			2023		₹		
Jan 1	To Balance b/d	8,500	90	7,65,000	Jan. 15	By Purchases A/c	10,200	75	7,65,000
					Jan. 20	By Sales Return A/c	2,500	70	1,75,000
Jan. 10	To Sales A/c	14,700	80	11,76,000	Feb 25	By Bank A/c	9,500	34	3,23,000
					Mar. 31	By Balance of products			6,78,000
Mar. 31	To Interest Ac	111.45			Mar 31	By Balance c/d	1111.45		
		23311.45		19,41,000			23311.45		19,41,000

(Interest to 31st March 2023, @ 6% p.a.)

Calculation of interest: 6,78,000* 6%* 1/365 = ₹ 111.45

OR

(c) (ii)

ii) Journal Entries in the books of Mr. Y(Consignee)

Particulars		₹	₹
Mr. X A/c	Dr.	3,500	
To Bank A/c			3,500

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(being expenses incurred on goods received on consignment)			
Mr. X A/c	Dr.	50,000	
To Bank A/c			50,000
(being advance paid to Mr. X for consignment)			
Trade receivables/Bank A/c	Dr.	1,40,000	
To Mr. X A/c			1,40,000
(being 4/5th of the goods sold for ₹ 1,40,000)			
Mr. X A/c	Dr.	5,000	
To Trade receivables A/c			5,000
(being one customer could not pay amount due to him)			
Mr. X A/c	Dr.	11,200	
To Commission Earned A/c			11,200
(being commission earned)			
Mr. X A/c	Dr.	70,300	
To Bank A/c			70,300
(being amount has been sent to Mr. X)			

Question 4

(a) The following is the schedule of balances as on 31.03.23 extracted from the books of *M*/s RM & Co.

Particulars	Dr.₹	Cr. ₹
Bank charges	24,000	
Buildings	9,00,000	
Capital A/c		19,48,000
Carriage Outwards	30,000	
Cash at bank	39,000	
Cash at hand	21,000	
Discount allowed	36,000	
Discount received		24,000
Drawings	1,80,000	
Electricity Charges	33,000	
Freight on purchases	18,000	

Furniture & fixtures	3,21,000	
General office expenses	45,000	
Insurance Premium	82,500	
Interest on loan	35,000	
Loan		6,00,000
Printing and Stationery	27,000	
Purchase Returns		39,000
Purchases	21,30,000	
Rent for Godown	82,500	
Salaries	1,65,000	
Sales		35,50,000
Sales Returns	63,000	
Stock on 1.4.2022	9,30,000	
Sundry Creditors		6,45,000
Sundry Debtors	12,90,000	
Vehicles	3,00,000	
Vehicles running expenses	54,000	
TOTAL	68,06,000	68,06,000

Prepare Trading and Profit & Loss Account for the year ended 31st March 2023 and the Balance sheet as at that date after making provision for the following:

- (i) Value of stock as on 31.03.2023 is ₹ 4,10,000. This includes goods returned by customers on 31st March,2023 to the value of ₹ 22,000 for which no entry has been passed in the books.
- (ii) Purchases include furniture purchased on 01.10.2022 for ₹30,000.
- (iii) Depreciate:
 - (1) Building by 5%
 - (2) Furniture and Fixtures by 10%
 - (3) Vehicles by 20%
- (iv) Sundry debtors include ₹ 35,000 due from Goku and Sundry creditors include ₹ 25,000 due to him.
- (v) Provision for bad debts is to be maintained at 4% of Sundry Debtors.

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- (vi) Insurance premium includes ₹ 42,000 paid towards proprietor's life insurance policy and the balance of the insurance charges cover the period form 1.05.2022 to 30.4.2023.
 (15 Marks)
- (b) P. Q and R are the 3 partners in partnership firm Partnership deed includes the following:
 - (i) R is entitled to get salary of \gtrless 10,000 p.a.
 - (ii) P, Q and R are to get interest @ 6% on their respective capital of $\not\in$ 2,50,000; $\not\in$ 1,50,000 and $\not\in$ 1,00,000.
 - (iii) R is to get extra benefit of 10% of profit in excess of ₹50,000 after providing for para
 (i) and (ii) mentioned above.
 - (iv) Q is entitled to 10% of profits after providing all the amounts in para (i), (ii) and (iii) mentioned above.
 - (v) The balance of profits will be shared by P, Q and R in the ratio of 5:3:2.

The profits for the year before providing above items are ₹3,50,000.

You are required to prepare Profit and Loss Appropriation Account. (5 Marks)

Answer

(a)

M/s RM & Co.

	U	,	,		
Particulars	Details	Amount	Particulars	Details	Amount
		₹			₹
To opening Stock		9,30,000	By Sales	35,50,000	
To Purchases	21,30,000		Less: Sales Returns	85,000	34,65,000
Less: Furniture included in purchases	30,000		By Closing Stock		4,10,000
Less: Purchase Returns	39,000	20,61,000			
To Freight on purchases		18,000			
To Gross Profit c/d		8,66,000			
		38,75,000			38,75,000

Trading Account for the year ended 31st March, 2023

M/s RM & Co.

Particular	Amount	Particular	Amount
	₹		₹
To Salaries	1,65,000	By Gross profit b/d	8,66,000
To Rent for Godown	82,500	By Discount received	24,000
To Provision for doubtful debts (WN 3)	49,720		
To Discount Allowed	36,000		
To Carriage outwards	30,000		
To Printing and stationery	27,000		
To Electricity charges	33,000		
To Insurance premium (WN 1)	37,125		
To Depreciation (WN 2)	1,38,600		
To General office expenses	45,000		
To Bank Charges	24,000		
To Interest on Ioan	35,000		
To Vehicle running expenses	54,000		
To Net Profit transferred to Capital a/c	1,33,055		
	8,90,000		8,90,000

Profit and Loss Account for the year ended 31st March, 2023

Balance Sheet of M/s RM & Co.

as at 31st March, 2023

Liabilities	Details	Amount	Assets	Details	Amount
		₹			₹
Capital	19,48,000		Building	9,00,000	
Add: Net Profit	1,33,055		Less: Dep.	(45,000)	8,55,000
Less: Drawings	(1,80,000)				
Less: Insurance	(42,000)	18,59,055	Vehicle	3,00,000	
Premium					
			Less: Dep.	(60,000)	2,40,000
Loan		6,00,000			
Sundry Creditors	6,45,000		Furniture & Fixture	3,21,000	
			Add: Addition	30,000	
Less: Due to Goku	(25,000)	6,20,000	Less: Dep.	(33,600)	3,17,400
			Stock in Trade		4,10,000

	Sundry Debtors (WN 3)	12,43,000	
	Less: Provision for doubtful debts	(49,720)	11,93,280
	Cash at hand		21,000
	Cash in bank		39,000
	Prepaid insurance (1)		3,375
30,79,055			30,79,055

Working Notes

(1) Insurance premium

	₹
Insurance premium as given in trial balance	82,500
Less: Personal premium	(42,000)
Less: Prepaid for 1 month $\left(\frac{40,500}{12} \times 1\right)$	(3,375)
Transfer to Profit & Loss a/c	37,125

(2) Depreciation

Building @ 5% on 9,00,000	45,000
Vehicle @ 20% on 3,00,000	60,000
Furniture & Fixturs @ (10% on 3,21,000) + (10 %x1/2 on 30,000)	33,600
Total	1,38,600

(3) Calculation of provision for doubtful debts

Sundry debtors as per trial balance	12,90,000
Less: Sales returns not recorded	(22,000)
	12,68,000
Less: Cancellation against sundry creditors	(25,000)
Adjusted balance of sundry debtors	12,43,000
Provision for doubtful debts @ 4%	49,720

(b)

Dr. Profit & Loss Appropriation Account			Cr.
Particulars	₹	Particular	₹
To Salary to Partner R	10,000	By Profit and Loss A/c	3,50.000

To Interest on Capit	al		
Р	15,000		
Q	9,000		
R	<u>6,000</u>	30,000	
To Profit transferred	to Capital A/cs:		
Р	1,27,800		
Q	1,05,080		
R	<u>77,120</u>	3,10,000	
		3,50,000	3,50,00

Working Notes:

- Profit available for distribution (after interest on Capital & R's salary = ₹ 3,50,000 ₹ 40,000 = ₹3,10,000.
- (ii) Excess Profits of R = (3,10,000- 50,000) X 10% = ₹ 26,000
- (iii) Excess profit of Q = 3,10,000- 26,000 = 2,84,000 X10% = ₹ 28,400
- (iv) Profit available for distribution = 3,10,000 -26,000- 28,400 = ₹ 2,55,600
 - P = 2,55,600 *5/10 = ₹ 1,27,800
 - Q = 2,55,600 *3/10 = 76,680 + 28,400 = ₹ 1,05,080
 - R = 2,55,600 * 2/10 = 51,120 +26,000 = ₹ 77,120

Question 5

(a) X, Y and Z were partners sharing profit and losses in the ratio of 5: 3: 2. Their Balance Sheet as on 31st March 2023 is as follows:

Liabilities	Amount ₹	Assets	Amount ₹
Capital Accounts		Building	2,00,000
X	4,25,000	Machinery	3,50,000
Y	2,55,000	Debtors	1,95,000
Ζ	1,40,000	Stock	1,05,000
General Reserve	25,000	Bank	25,000
Trade Creditors	30,000		
	8,75,000		8,75,000

Balance Sheet as on 31 March, 2023

Y retired from the business on 1 April, 2023 on the following terms:

(i) To appreciate building by 20% and to depreciate machinery by 5%.

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- (ii) Provision for debts is to be created at 10%.
- (iii) Goodwill of the firm is valued at 1,60,000 and Goodwill is not to be raised in the books of accounts. New profit sharing ratio will be 5:3
- (iv) Entire sum payable to Y should be brought by X and Z in such a way to make their capital according to new profit ratio. Balance of Y to be paid immediately.

You are required to prepare Revaluation Account, Partners Capital Accounts and Balance Sheet after retirement. (10 Marks)

(b) From the following transactions of a concern, prepare the Machinery Account for the year ending 31st December, 2022:

01.01.21	Purchased a second – hand Machinery for ₹2,00,000
01.01.21	Spent ₹ 50,000 on repairs for making it serviceable
30.06.21	Purchased additional new Machinery for ₹3,50,000
30.06.21	Installation charges of new Machine ₹15,000
01.04.22	Repairs and maintenance of Machinery ₹30,000
30.06.22	Sold second hand Machinery purchased on 01.01.21 for ₹1,55,000
31.12.22	Depreciate the Machinery at 10% per annum by WDV method

(5 Marks)

(c) Prepare a Triple Cash Book form the following transactions of G. Enterprises for the month of Jan 2023.

Date	Particulars	Amount ₹
01.01.2023	Cash in hand	14,500
	Cash in Bank	1,95,000
03.01.2023	Received from K	
	- Cash	7,300
	- Cheque	15,000
	Discount allowed to him	400
06.01.2023	Goods sold for cash	9,100
07.01.2013	Withdrew from bank by self cheque	3,000
12.01.2023	Issued a cheque to B	10,590
	Discount received	410
14.01.2023	Received a cheque form R (in full settlement of her account ₹6,500) by cheque	6,350
17.01.2023	Withdrew form bank for personal use	15,000

18.01.2023	Paid electricity bill by cheque	5,000
20.01.2023	Cash purchases of stationary	1,200
31.01.2023	Deposit the entire cash in bank in excess of \checkmark 10,000	

(5 Marks)

Answer

(a)

Revaluation Account

Particulars	Amount	Particulars	Amount
To Depreciation on machinery	17,500	By Building	40,000
To Provision for Doubtful Debts To Profit X $(5/10) = 1,500$ Y $(3/10) = 900$	19,500		
Z (2/10) = 600	3,000		
	40,000		40,000

Partners' Capital Accounts

	Х	Y	Z		Х	Y	Z
	₹	₹	₹		₹	₹	₹
To Y's Capital A/c (WN. 1)	20,000	-	28,000	By Balance b/d	4,25,000	2,55,000	1,40,000
To Balance c/d	4,19,000	3,11,400	1,17,600	By X s Capital A/c (WN. 1)		20,000	
				By Z's Capital A/c (WN. 1)		28,000	
				By Revaluation A/c	1,500	900	600
				By Reserve	12,500	7,500	5,000
	4,39,000	3,11,400	1,45,600		4,39,000	3,11,400	1,45,600
To Bank	-	3,11,400		By Balance b/d	4,19,000	3,11,400	1,17,600
To Balance c/d	5,30,000		3,18,000	By Bank	1,11,000		2,00,400
	5,30,000	3,11,400	3,18,000		5,30,000	3,11,400	3,18,000

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Liabilities	₹	Assets	₹
Capital A/c's: (Bal fig.)		Building	2,40,000
X (8,48,000 X5/8 = 5,30,000)		Machinery	3,32,500
Z (8,48,000X3/8 = 3,18,000)	8,48,000	Stock	1,05,000
		Debtors	1,75,500
Trade payables	30,000		
		Bank	25,000
	8,78,000		8,78,000

Balance Sheet (after Y's retirement)

Working Note

1. Calculation of gaining ratio

Partner	Old Share	New Share	Gain
Х	5	5	5
	10	8	40
Y	3		_
	10		
Z	2	3	7
	10	8	40

Adjusting entry:

		₹	₹
X's Capital A/c	Dr.	20,000	
Z's Capital A/c	Dr.	28,000	
To Y's Capital A/c (1,60,000 x 3/10)			48,000

2.

Bank Account

	₹		₹
To Balance b/d	25,000	By Y's Capital A/c	3,11,400
To X's Capital A/c	1,11,000	By Balance c/d	25,000
To Z's Capital A/c	2,00,400		
	3,36,400		3,36,400

(b)

Machinery Account

		₹			₹
2021			2021		
Jan. 1	To Bank A/c	2,00,000	Dec. 31	By Depreciation A/c	43,250
Jan. 1	To Bank A/c – Repairs	50,000	Dec. 31	By Balance c/d	5,71,750
June 30	To Bank A/c	3,50,000			
June 30	To Bank A/c- Installation	15,000			
		6,15,000			6,15,000
2022			2022		
Jan. 1	To Balance b/d	5,71,750	June 30	By Depreciation on	
				sold machine	11,250
			June 30	By Bank A/c	1,55,000
			June 30	By Profit and Loss A/c	58,750
			Dec. 31	By Depreciation A/c	34,675
				By Balance c/d	3,12,075
		5,71,750			5,71,750

Working Note:

Book Value of Machines

	Machine	Machine
	I	II
	₹	₹
Cost	2,50,000	3,65,000
Depreciation for 2021	(25,000)	(18,250)
Written down value	2,25,000	3,46,750
Depreciation for 2022	(11,250)	(34,675)
Written down value	2,13,750	3,12,075
Sale Proceeds	(1,55,000)	
Loss on Sale	58,750	

Triple Column Cash Book

c)	Triple Column Cash Book										
Dr.											Cr.
Date		Particulars	Dis- count	Cash	Bank	Date		Particulars	Dis- count	Cash	Bank
2023			₹	₹	₹	2023			₹	₹	Ŕ
Jan 1	То	Balance b/d		14,500	1,95,000	Jan 7	Ву	Cash (C)			3,000
Jan 3	То	К	400	7,300	15,000	Jan 12	Ву	B A/c	410		10,590
Jan 6	То	Sales A/c		9,100		Jan 17	Ву	Drawings A/c			15,000
Jan 7	То	Bank (C)		3,000		Jan 18	Ву	Electricity charges			5,000
Jan 14	То	R	150		6,350	Jan 20	Ву	Stationary		1,200	
Jan 31	То	Bank (C)			22,700	Jan 31	Ву	Bank (C)		22,700	
						Jan 31	Ву	Balance		<u>10,000</u>	2 05 460
								c/d			2,05,400
			<u>550</u>	33,900	<u>2,39,050</u>				<u>410</u>	33,900	<u>2,39,050</u>
Feb 1	То	Balance b/d		10,000	2,05,460						

Note: Discount allowed and discount received ₹ 550 and ₹ 410 respectively should be posted in respective Accounts in the ledger.

Question 6

(a) A Ltd. issued 25,000 equity shares of ₹100 each at a premium of ₹25 per share payable as follows:

On Application	₹50
On Application	₹50 including premium and
On Final Call	25

Application were received for 29,000 shares. Letter of regret were issued to applications for 4000 shares and shares were allotted to all other applicants.

Mr. A the holder of 150 shares, failed to pay the allotment and call money, the shares were forfeited.

Show the journal entries and cash book in the books of A Limited.	(15 Marks)
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(b) What are the sub-fields of Accounting? (5 Marks)

Answer

(a)

In the Books of A Ltd.

Cash Book (Bank column only)

Date	Particulars	₹	Date	Particulars	₹
	To Equity Share			By Equity Share	
	Application A/c	14,50,000		Application A/c	2,00,000
	(29,000 shares x 50)			(4,000 shares x ₹ 50	
	To Equity Share Allotment A/c	12,42,500		By Balance c/d	31,13,750
	(24,850 shares x ₹ 50 each)				
	To Equity Share Final Call A/c	6,21,250			
	(24,850 shares x ₹ 25)				
		33,13,750			33,13,750

Journal Entries

Date	Particulars		₹	₹
1.	Bank A/c	Dr.	14,50,000	
	To Equity Share Application A/c			14,50,000
	(Being application money received on 29,000 share @ ₹ 50)			
2.	Equity Share Application A/c	Dr.	2,00,000	
	To Bank A/c			2,00,000
	(Being application money on 4000 share @ ₹ 50 returned)			
3.	Equity Share Application A/c	Dr.	12,50,000	
	To Equity Share Capital A/c			12,50,000
	(Being application money on 25,000 shares @₹ each transferred to Equity Share Capital Account per Board's Resolution Nodated)	50 as		
4.	Equity Share Allotment A/c	Dr.	12,50,000	
	To Equity Share Capital A/c			6,25,000
	To Securities Premium A/c			6,25,000

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	(Being allotment money @ ₹ 50 per share ind premium of ₹ 25 per share being made due Board's Resolution Nodated)	cluding as per			
5.	Bank A/c	Dr.	12,42,500		
	To Equity Share Allotment A/c			12,42,500	
	(Being Allotment money received on 24,850 shares)				
6.	Equity Share Final Call A/c	Dr.	6,25,000		
	To Equity Share Capital A/c			6,25,000	
	(Being final call money @ 25 per share being made as per board resolution No dated)				
7.	Bank A/c	Dr.	6,21,250		
	To Equity Share Final Call A/c			6,21,250	
	(Being share final call money received on 24,850 share @ 25 per share)				
8.	Equity Share Capital A/c (150 x ₹ 100)	Dr.	15,000		
	Securities Premium A/c (150 x ₹ 25)	Dr.	3,750		
	To Equity Share Allotment A/c			7,500	
	To Equity Share Final Call A/c			3,750	
	To Forfeited Shares A/c			7,500	
	(Being forfeiture of 150 shares for non-paym allotment money and final call money as per B Resolution Nodated)	nent of loard's			

Alternatively, calls in arrears A/c could have been used in which case following entries would have been passed in place of the entry No.8 (given above) for forfeiture:

Particulars		₹	₹
Calls in Arrears A/c	Dr.	7,500	
To Equity Share Allotment A/c			7,500
(Being allotment money on 150 shares @ ₹ 50 not received transferred to calls in arrears.)			
Calls in Arrears A/c	Dr.	3,750	
To Equity Share Final Call A/c			3,750
(Being final call on 150 shares @ ₹ 25 not received transferred to calls in arrears)			

25

Share Capital A/c (150 x ₹ 100)	Dr.	15,000	
Securities Premium A/c (150 x ₹ 25)		3,750	
To Calls in Arrears A/c			11,250
To Share Forfeiture A/c			7,500
(Being forfeiture of 150 shares for non-payment of allotment money and final call money as per Board's Resolution Nodated)			

- (b) The various sub-fields of accounting are:
 - (i) Financial Accounting It covers the preparation and interpretation of financial statements and communication to the users of accounts. It is historical in nature as it records transactions which had already been occurred. The final step of financial accounting is the preparation of Profit and Loss Account and the Balance Sheet. It primarily helps in determination of the net result for an accounting period and the financial position as on the given date.
 - (ii) Management Accounting It is concerned with internal reporting to the managers of a business unit. To discharge the functions of stewardship, planning, control, and decision- making, the management needs variety of information. The different ways of grouping information and preparing reports as desired by managers for discharging their functions are referred to as management accounting. A very important component of the management accounting is cost accounting which deals with cost ascertainment and cost control.
 - (iii) **Cost Accounting** The process of accounting for cost which begins with the recording of expenditure or the bases on which they are calculated and ends with the preparation of periodical statements and reports for ascertaining and controlling costs.
 - (iv) Social Responsibility Accounting The demand for social responsibility accounting stems from increasing social awareness about the undesirable byproducts of economic activities., Social responsibility accounting is concerned with accounting for social costs incurred by the enterprise and social benefits created.
 - (v) Human Resource Accounting Human resource accounting is an attempt to identify, quantify and report investments made in human resources of an organisation that are not presently accounted for under conventional accounting practice.

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Question No. 1 is compulsory.

Attempt any four questions from the remaining five questions.

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

Working Notes should form part of the answer.

Question 1

- (a) State with reasons, whether the following statements are True or False:
 - (i) As per concept of conservatism the accountant should provide for all possible losses but should not anticipate income.
 - (ii) Expenses in connection with obtaining a license for running the Cinema Hall are Revenue Expenditure.
 - (iii) Under or over casting of a subsidiary book is an example of error of commission.
 - (iv) If Del-credere commission is paid to consignee, the loss of bad debts is to be borne by the consignor.
 - (v) Perpetual debentures are payable at the time of liquidation of the company.
 - (vi) Overhead is defined as the total cost of direct material, direct wages and direct expenses.
 (6 x 2 = 12 Marks)
- (b) Briefly explain the following terms:
 - (i) Materiality
 - (ii) Conservatism
 - (iii) Extraordinary item
 - (iv) Floating Charge

(4 x 1 = 12 Marks)

(c) Enter the following transactions in Sales Book of Gurgaon Engineers, Gurgaon for January 2022:

2022	
January	
5	Sold to Praneet Electricals 10 pieces of microwaves@ ₹8,500/- each less trade discount 15%
10	Sold to Ajanta plaza 8 pieces of Mixer grinders@ ₹ 12,500/- each less trade discount 10%.

FOUNDATION EXAMINATION: JUNE, 2023

20 Sold to Naveen traders, 15 pieces of juicers@ ₹5,500/- each less trade discount 5%

(4 Marks)

Answer

- (a) (i) **True:** Conservatism states that the accountant should not anticipate any future income, however they should provide for all possible losses.
 - (ii) False: The Cinema Hall could not be started without license. Expenditure incurred to obtain the license is pre-operative expense and hence it is to be capitalised. Such expenses are amortised over a period of time.
 - (iii) True: If an amount is posted in the wrong account or it is written on the wrong side or the totals are wrong or a wrong balance is struck, it will be a case of "errors of commission." Thus, under or over casting of subsidiary books is an example of error of commission.
 - (iv) False: To increase the sale and to encourage the consignee to make credit sales, the consignor provides an additional commission generally known as del-credere commission. In case del-credere commission is provided to consignee, bad debts is no more the loss of the consignor and it is borne by the consignee.
 - (v) **True:** Perpetual debentures, also known as irredeemable debentures are not repayable during the life time of the company.
 - (vi) False: Overhead is defined as total cost of indirect material, indirect wages and indirect expenses. Indirect material, wages and expenses cannot be directly linked to unit produced.
- (b) (i) Materiality refers to all relatively important and relevant items, i.e., items the knowledge of which might influence the decisions of the user of the financial statements are disclosed in the financial statements.
 - (ii) Conservatism states that the accountant should not anticipate any future income however they should provide for all possible losses. When there are many alternative values of an asset, an accountant should choose the method which leads to the lesser value.
 - (iii) Extraordinary items are income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and, therefore, are not expected to recur frequently or regularly.
 - (iv) Floating charge is a general charge on some or all assets of an enterprise which are not attached to specific assets and are given as security against a debt.

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Date	Particulars	Gross Amount	Trade Discount	Net Price
		(₹)	(₹)	(₹)
2022				
Jan. 5	Praneet Electricals 10 pieces of Microwaves			
	@ ₹ 8,500 each			
	Less: 15% discount	85,000	12,750	72,250
10	Ajanta Plaza 8 pieces of			
	Mixer Grinders @ ₹ 12,500 each,			
	Less: 10% trade discount	1,00,000	10,000	90,000
20	Naveen Traders 15 pieces of			
	Juicers @ ₹ 5,500 each,			
	Less: 5% trade discount	<u>82,500</u>	<u>4,125</u>	<u>78,375</u>
		2,67,500	26,875	2,40,625

In the Books of Gurgaon Engineers

Sales Book

Question 2

(a) The following balances appear in the books of Dheeraj Enterprises:

	₹
Machinery account as on 01.04.2021	12,00,000
Provision for depreciation account as on 01.04.2021	4,65,000

On 1st October, 2021 the Machinery which was purchased on 1st April, 2018 for ₹2,00,000 was sold for ₹1,10,000 and on the same date another Machinery was purchased for ₹4,80,000. The firm has been charging depreciation at 10% p.a. on written down value of the Machinery every year. Prepare the Machinery account, Provision for Depreciation account and Machinery disposal account for the year ending 31st March, 2022.

(10 Marks)

(b) From the following information prepare a Bank Reconciliation Statement as on 31st March 2022 for A Ltd.

	₹
Bank overdraft as per cash book as 31st March, 2022	15,50,750

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1.	Cheques deposited on 15 th February, 2022 credited on 5 th April, 2022	12,50,000
2.	Interest debited by bank on 31 st March, 2022 but not entered in Cash Book	1,75,500
3.	Cheques issued before 31st March, 2022 but not yet presented	7,75,000
4.	On 10 th March, 2022 bank credited to A Ltd. in error	1,50,000
5.	Draft deposited in bank but not credited till 31st March, 2022	12,75,000
6.	Bills for collection credited by bank but no advice received by the company	9,45,000
7.	Bank charges charged by bank but not entered in cash book	2,85,000
8.	Transport subsidy received from the state government directly by the bank not advised to the company	17,50,000

(5 Marks)

- (c) The Profit and Loss account of Ram showed a net profit of ₹ 5,75,000 after considering the closing stock of ₹2,55,000 on 31st March 2022. Subsequently the following information was obtained from scrutiny of the books.
 - (i) Purchases for the year included ₹10,500 paid for electrical fittings of the shop.
 - (ii) Ram gave goods worth of ₹25,000 as free samples for which no entry was made.
 - (iii) Invoices for goods amounting to ₹1,85,000 have been entered on 29th March 2022 but were not included in the stock.
 - (iv) Sales amounting to ₹2,05,000 were dispatched on 27th March but were included in sales of April, 2022.
 - (v) Goods costing ₹55,000 were sent on sale or return basis in March, 2022 at a margin of profit of 33½ % on cost. Approval was given in April, 2022 but these were considered as sales in March, 2022.

Calculate. the value of stock as on 31st March, 2022 and the adjusted net profit for the year ended on that date. (5 Marks)

Answer

(a) Dr.

Machinery Account (at original Cost)

Cr.

Date	Particulars	₹	Date	Particulars	₹
01.04.2021	To Balance b/d	12,00,000	01.10.2021	By Disposed Machinery A/c	2,00,000
01.10.2021	To Bank A/c	4,80,000	31.03.2022	By Balance c/d	14,80,000
		16,80,000			16,80,000

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Dr. Provis			sion for De	preciation Ac	count	Cr.
	Date	Particulars	₹	Date	Particulars	₹
	01.10.2021	To Disposed Machinery A/c	61,490	01.04.2021	By Balance b/d	4,65,000
	31.03.2022	To Balance c/d	4,93,720	1.10.2021	By Depreciation	7,290
				31.03.2022	By Depreciation A/c	82,920
			5,55,210			5,55,210

Dr.	Disposed Machinery Account			Cr.	
Date	Particulars	₹	Date	Particulars	₹
01.10.2021	To Machinery A/c	2,00,000	01.10.2021	By Provision for Depreciation A/c	61,490
				By Bank A/c	1,10,000
				By Profit and Loss A/c	28,510
		2,00,000			2,00,000

Working Notes:

1. Calculation of Profit/Loss on Sale of Machinery

		ł	Particulars	₹
Α.	Origina	al Cost		2,00,000
В.	Less:	Depreciation @	10% WDV p.a. for 3½ years	
	Year	Cost/WDV	Depreciation@10%	
	1	2,00,000	20,000	
	2.	1,80,000	18,000	
	3	1,62,000	16,200	
	4	1,45,800	<u>7,290</u> (6 Months)	61,490
C.	Book \	/alue as on date	e of Sale (A – B)	1,38,510
D.	Less:	Sale proceeds		1,10,000
E.	Loss c	on Sale (C – D)		28,510

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FOUNDATION EXAMINATION: JUNE, 2023

2. WDV of Remaining Machine

Cost of Machinery on 01.04.2021		12,00,000
Less: Cost of machinery sold	<u>2,00,000</u>	
		10,00,000
Less: Depreciation		
Provision for depreciation	4,65,000	
Less: Depn. on machinery sold	54,200	<u>4,10,800</u>
WDV of remaining machine		<u>5,89,200</u>

3. Calculation of Depreciation for Current Year on Machines

Particulars		₹
Α.	On WDV of Old Machines of ₹ 5,89,200 for 1 year (10% WDV)	58,920
В.	On New Machine of ₹ 4,80,000 for ½ year	24,000
		82,920
C.	Depreciation on machinery sold (Rs.1,45,800@10% for 6	<u>7,290</u>
	months	<u>90,210</u>

(b)

M/s. A Ltd.

Bank Reconciliation Statement as on 31st March, 2022

Particulars	Details ₹	Amount ₹
Overdraft as per Cash Book		15,50,750
Add: Cheque deposited but not credited	12,50,000	
Interest charged by the bank	1,75,500	
Draft deposited in bank but not yet credited	12,75,000	
Bank Charges not entered in cash book	2,85,000	29,85,500
		45,36,250
Less: Cheque issued but not yet presented	(7,75,000)	
Transport subsidy not yet recorded in the Cash Book	(17,50,000)	
Bills for collection credited in the bank not yet entered in the cash book	(9,45,000)	
Wrong credit by the bank	(1,50,000)	(36,20,000)
Overdraft as per bank statement		9,16,250
Alternatively, the above solution can also be done through Adjusted Cash Book.

	Particulars	Amount		Particulars	Amount
		₹			₹
То	Bill Receivable	9,45,000	Ву	Balance b/d	15,50,750
То	Transport subsidy	17,50,000	Ву	Interest debited by Bank	1,75,500
	received		Ву	Bank Charges	2,85,000
			By	Balance c/d	6,83,750
		26,95,000]		26,95,000

Cash Book (Bank Column)

M/s. A Ltd.

Bank Reconciliation Statement as on 31st March, 2022

Particulars	Details	Amount
	₹	₹
Balance as per Cash Book		6,83,750
Add : Cheque issued but not yet presented	7,75,000	
Wrong credit by the bank	1,50,000	9,25,000
		16,08,750
Less: Cheque deposited but not credited	(12,50,000)	
Draft deposited in bank but not yet credited	(12,75,000)	(25,25,000)
Overdraft as per bank statement		(9,16,250)

(c)

Profit and Loss Adjustment Account

Particulars	₹	Particulars	₹
To Advertisement (samples)	25,000	By Net profit	5,75,000
To Sales (goods approved in April to be taken as April sales: (55,000 + 18,333)	73,333	By Electric fittings	10,500
To Adjusted net profit	sted net profit 9,57,167 By Samples		25,000
		By Stock (purchases of March not included in stock)	1,85,000
		By Sales (goods sold in March wrongly taken as April sales)	2,05,000

	By Stock (goods sent on approval basis not included in stock)	55,000
10,55,500		10,55,500

Calculation of value of inventory on 31st March, 2022

	₹
Stock on 31st March, 2022 (given)	2,55,000
Add: Purchases of March, 2022 not included in the stock	1,85,000
Goods lying with customers on approval basis	55,000
Value of inventory as on 31.03.2022	4,95,000

Note: Figures are rounded off to the nearest Rupee.

Question 3

(a) Akbar & Sons of Surat consigned 500 toys to Amar & Sons of Ahmadabad at a cost of ₹800 each. Consignor paid freight ₹8,000 and insurance ₹2,500. During transit, 30 toys were totally damaged. Amar & Sons took delivery of remaining toys and paid ₹14,100 as local taxes. Amar & Sons sent a bank draft to Akbar & Sons for ₹80,000 as advance payment and later sent an account sale showing that 400 toys had been sold at ₹1,500 each. Amar & Sons incurred expenses on godown rent amounting to ₹3,500. Amar & Sons was entitled to commission of 6%. One of the credit customers could not pay for 10 toys and nothing was recovered from insurers due to a defect in the policy.

You are required to prepare Consignment Account and* Amar & Sons Account in the books of Akbar & Sons. (10 Marks)

* It was wrongly printed as "of" in place of "and" in the question paper.

- (b) Journalise the following transactions in the books of Karthik:
 - (i) Karthik accepted a bill of Balu for ₹3,500 discharged by a cash payment of ₹1,500 and a new bill for the balance plus ₹75 for interest.
 - (ii) Gopal acceptance for ₹ 4,500 which was endorsed by Karthik to Mohan was dishonoured. Mohan paid t 50 as noting charges. Bill was withdrawn against cheque.
 - (iii) Doshi retires a bill for ₹2,500 drawn on him by Karthik for ₹25 discount.
 - (iv) Karthik's acceptance to Prem for ₹6,500 discharged by Prem. Ashok's acceptance to Karthik for a similar amount.
 (5 Marks)
- (c) Attempt any ONE of the following two sub-parts i.e. either (i) or (ii):
 - (i) Seeta and Geeta are two partners in the firm, have drawn the following amounts from the firm during the year ended 31st March 2023:

Date	Amount	Drawn By
01.04.2022	53,000	Seeta
14.09.2022	20,000	Geeta
20.11.2022	35,000	Seeta
16.01.2023	25,000	Seeta
31.03.2023	22,000	Geeta

Interest is charged @12% p.a. on all drawings. Calculate interest chargeable from each partner by using average due date system.

For calculation of average due date consider 1st April, 2022 as base date and 1 year = 365 days. (5 Marks)

(ii) Meera Enterprises sold goods on 'sales or return basis' to few customers. All such transactions are booked as actual sales. On 31st March 2022 the trade receivable balance stood at ₹1,10,000 which included ₹10,000 goods sent on approval against which no intimation was received during the year. These goods were sent out at 25% over and above cost price to Mr. Arun.

Mr. Arun sent intimation of acceptance for \gtrless 6,000 goods on 15th April 2022 and balance goods returned.

Make the adjustment entries and show how these items will appear in the Balance Sheet on 31st March, 2022. Also show the entries to be made during April, 2022. Value of closing inventories as on 31st March, 2022 was ₹70,000. (5 Marks)

Answer

(a)

In the books of Akbar & Sons

Dr. Consignme	nt to Amar & So	ons Account	Cr
Particulars	₹	Particulars	₹
To Goods sent on Consignmen A/c (500 x ₹ 800)	4,00,000	By Amar & Sons - sale Proceeds (400 x ₹ 1,500)	6,00,000
To Bank(expenses) Freight 8,00	0	By Abnormal loss Ac (W.N. 1)	24,630
Insurance <u>2,50</u>	<u>0</u> 10,500		
To Amar & Sons-expenses		By Inventories on	59,570
Local taxes 14,10	0	consignment (W.N. 2)	
Godown rent 3,50	0		
Commission (6%) 36,00	0		
Bad debt (10x1,500) <u>15,00</u>	<u>0</u> 68,600		

FOUNDATION EXAMINATION: JUNE, 2023

To P&L Account-transfer of profit	2,05,100	
	6,84,200	6,84,200

Dr.	Amar & S		
Particulars	₹	Particulars	
To Consignment to Amar & Sons A/c	6,00,000	By bank (bank draft as advance)	80,000
		By consignment to Amar & Sons	
		Local taxes 14,100	
		Godown rent 3,500	
		Commission (6%) 36,000	
		Bad debt (10 x 1,500) <u>15,000</u>	68,600
		By balance amount remitted	4,51,400
	6,00,000		6,00,000

Working Notes:

(1)	Coi	mputation of the abnormal los	s- 30 toys	₹
	a.	Cost of 30 toys	30 x 800	24,000
	b.	Freight charges- 30 toys	8000/500 x 30	480
	c.	Insurance- 30 toys	2500/500 x 30	150
		Abnormal loss		<u>24,630</u>
(2)	Со	₹		
	a.	Cost of 70 toys	70 x 800	56,000
	b.	Freight charges- 70 toys	8,000/500 x 70	1,120
	c.	Insurance- 70 toys	2,500/500 x 70	350
	d.	Local tax-70 toys	14,100/470 x 70	2,100
	Clo	sing stock		<u>59,570</u>

Note: The answer given above is after considering the typo error in the question paper. Hence, the consignee Account i.e. Amar & Sons Account forms part of the solution.

Books of Karthik

Journal Entries

		₹	₹
(i)	Bills Payable Account Dr.	3,500	

	Interest Account	Dr.	75	
	To Cash A/c			1,500
	To Bills Payable Account			2,075
	(Bills Payable to Balu discharged by cash payment of ₹1,500 and a new bill for ₹ 2,075 including ₹ 75 as interest)			
(ii)	(a) Gopal Account	Dr.	4,550	
	To Mohan Account			4,550
	(Gopal's acceptance for ₹ 4,500 endorsed to Mohan dishonoured, ₹ 50 paid by Mohan as noting charges)			
	(b) Mohan Account	Dr.	4,550	
	To Bank Account			4,550
	(Payment to Mohan on withdrawal of bill earlier received from Mr. Gopal)			
(iii)	Bank Account	Dr.	2,475	
	Discount Account	Dr.	25	
	To Bills Receivable Account			2,500
	(Payment received from Doshi against his acceptance for ₹ 2,500. Allowed him a discount of ₹25)			
(iv)	Bills Payable Account	Dr.	6,500	
	To Bills Receivable Account			6,500
	(Bills Receivable from Ashok endorsed to Prem in settlement of bills payable issued to him earlier)			



Calculation of Interest chargeable from Partners

Taking 1st April,2022 as Base Date

	Dates	Amount (₹)	Days fro ^m 1st April,2022	Products (₹)
Seeta	1.4.2022	53,000	0	0
	20.11.2022	35,000	233	81,55,000
	16.1.2023	25,000	290	72,50,000
		1,13,000		1,54,05,000

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FOUNDATION EXAMINATION: JUNE, 2023

Average Due Date = $\frac{1,54,05,000}{1,13,000}$ days from 1st April. i.e. 136 days = 15th Aug,2022

Interest is chargeable for Seeta from $15^{\mbox{th}}$ Aug to March 31 i.e. 228 days

₹ 1,13,000 x 12% x 228/365 = ₹ 8,470.35* (may be rounded off to Rs.8,470)

	Dates	(₹)	Days fro ^m 1st April,2022	Products (₹)
Geeta	14.9.2022	20,000	166	33,20,000
	31.3.2023	22,000	364	80,08,000
		42,000		1,13,28,000

Average Due Date = $\frac{1,13,28,000}{42,000}$ days from 1st April = 270 days.

Interest is chargeable for Geeta from 27th December to 31st March i.e. for 94 days.

₹ 42,000 x
$$\frac{12}{100}$$
 x $\frac{94}{365}$ = ₹ 1,298

*Alternatively, 137 days can also be taken while calculating interest of Seeta. In that case, Interest chargeable from Seeta for 227 days i.e. from 16th August to 31st March will be ₹ 8,433.2.

OR

In the Books of Meera Enterprises

	-	-	•	
			•	
۰.	-	-		
•				

Journal Entries

Date	Particulars		L.F.	₹	₹
2022	Sales A/c	Dr.		10,000	
March 31	To Trade receivables A/c				10,000
	(Being the cancellation of original entry for sale in respect of goods lying with customers awaiting approval)				
March 31	Inventories with Customers on Sale or Return A/c	Dr.		8,000	
	To Trading A/c (Note)				8,000
	(Being the adjustment for cost of goods lying with customers awaiting approval)				

April,30	Trade receivables A/c	Dr.	6,000	
	To Sales A/c			6,000
	(Being goods sent to Mr. Arun on sale or return basis has been accepted by him)			

Balance Sheet of Meera Enterprises as on 31st March, 2022 (Extracts)

Liabilities	₹	Assets	₹	₹
		Trade receivables (₹1,10,000 - ₹ 10,000)		1,00,000
		Inventories-in-trade	70,000	
		<i>Add</i> : Inventories with customers on Sale or Return	8,000	78,000
				1,78,000

Note:

Cost of goods lying with customers = $100/125 \text{ x} \notin 10,000 = \notin 8,000$

Question 4

(a) Following is the Receipts and Payments account of Pune Medical Aid Society for the year ended 31-12-2022.

Receipts	Amount	Payments	Amount
	₹		₹
To Opening cash in hand	12,000	By Medicine supply	35,000
To Subscription	65,000	By Honorarium to Doctors	15,000
To Donations	25,000	By Salaries	36,000
To Interest on Investment (10%)	10,000	By Sundry expenses.	950
To Charity show collection	16,500	By Purchase of Medical equipment	25,000
		By Charity show expenses	2,750
		By Closing Cash in hand	13,800
	1,28,500		1,28,500

The following is the additional information provided.

	01-01-2022	31-12-2022
	Amount ₹	Amount ₹
Subscription due	2,500	3,100
Subscription received in advance	1,800	1,400
Stock of medicine	12,500	17,250
Amount due for medicine supply	12,000	16,500
Value of equipment	21,500	37,200
Value of building	65,000	61,750

You are required to prepare Income and Expenditure account, and Balance sheet as on 31-12-2022. (15 Marks)

(b) X and Y were partners in a firm, sharing profit and losses in the ratio of 3: 2. They admit Z for 1/6th share in profits and guaranteed that his share of profits will not be less than 50,00,000. Total profits of the firm for the year ended 31st March, 2022 were 1,80,00,000.

Calculate share of profit for each partner when:

- (i) Guarantee is given by firm
- (ii) Guarantee is given by X^* and Y^* equally.

(5 Marks)

* It was wrongly printed as A and B in the question paper.

Answer

(a)

Income and Expenditure Account of Pune Medical Aid Society

for the year ended 31st December, 2022

Expenditure		₹	Income		₹
To Medicine consumed		34,750	By Subscription		66,000
To Honorarium to doctors		15,000	By Donation		25,000
To Salaries		36,000	By Interest on investments		10,000
To Sundry expenses		950	By Profit on charity show:		
To Depreciation on			Show collections	16,500	
Equipment	9,300		Less: Show expenses	(2,750)	13,750
Building	3,250	12,550			

To Surplus-excess of Income over Expenditure	15,500		
	1,14,750		1,14,750

Balance Sheet of Pune Medical Aid Society as on 31st December, 2022

Liabilities	₹	₹	Assets	₹	₹
Capital fund:			Building	65,000	
Opening balance	1,99,700		Less: Depreciation	(3,250)	61,750
Add: Surplus	15,500	2,15,200	Equipment	21,500	
Subscription received in advance		1,400	Add: Purchase	25,000	
Amount due for medicine supply		16,500		46,500	
			Less: Depreciation	(9,300)	37,200
			Stock of medicine		17,250
			Investments		1,00,000
			Subscription receivable		3,100
			Cash in hand		13,800
		2,33,100			2,33,100

Working Notes:

1		
	٠	

Subscription for the year ended 31st December, 2022:		₹
Subscription received during the year		65,000
Less: Subscription receivable on 1.1.2022	2,500	
Less: Subscription received in advance on 31.12.2022	1,400	(3,900)
		61,100
Add: Subscription receivable on 31.12.2022	3,100	
Add: Subscription received in advance on 1.1.2022	1,800	4,900
		66,000

FOUNDATION EXAMINATION: JUNE, 2023

2. Purchase of medicine:	
Payment for medicine supply	35,000
Less: Amounts due for medicine supply on 1.1.2022	(12,000)
	23,000
Add: Amounts due for medicine supply on 31.12.2022	16,500
	39,500
3. Medicine consumed:	
Stock of medicine on 1.1.2022	12,500
Add: Purchase of medicine during the year	39,500
	52,000
Less: Stock of medicine on 31.12.2022	(17,250)
	34,750
4. Depreciation on equipment:	
Value of equipment on 1.1.2022	21,500
Add: Purchase of equipment during the year	25,000
	46,500
Less: Value of equipment on 31.12.2022	(37,200)
Depreciation on equipment for the year	9,300

Balance Sheet of Pune Aid Society as on 1st January, 2022

Liabilities	₹	Assets	₹
Capital fund (balancing figure)	1,99,700	Building	65,000
Subscription received in advance	1,800	Equipment	21,500
Amount due for medicine supply	12,000	Stock of medicine	12,500
		Investments	1,00,000
		(₹ 10,000 x 100/10)	
		Subscription receivable	2,500
		Cash in hand	12,000
	2,13,500		2,13,500

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If Guarantee is given by firm

Profit and Loss Appropriation Account for the year ending on 31st March, 2022

Particulars	₹	Particulars	₹
To X's Capital A/c	78,00,000	By Profit and Loss, A/c	1,80,00,000
(3/5 of ₹ 1,30,00,000)	52,00,000		
To Y's Capital A/c			
(2/5 of ₹ 1,30,00,000)			
To Z's Capital A/c			
(1/6 of ₹ 1,80,00,000 or	50,00,000		
₹ 50,000,000			
whichever is more			
	1,80,00,000		1,80,00,000



(b) (i)

If Guarantee is given by X and Y equally

Profit and Loss Appropriation Account for the year ending on 31st March, 2022

Particulars		₹	Particulars	₹
To X's Capital A/c (3/6 of ₹ 1,80,00,000)	90,00,000		By Profit and Loss, A/c (net profits)	1,80,00,000
for Z (1/2 of 20,00,000)	<u>(10,00,000)</u>	80,00,000		
To Y's Capital A/c (2/6 of ₹ 1,80,00,000)	60,00,000			
borne for Z (1/2 of 20,00,000)	<u>(10.00.000)</u>	50,00,000		
(1/6 of ₹ 1,80,00,000) <i>Add</i> : Deficiency	30,00,000			

FOUNDATION EXAMINATION: JUNE, 2023

Recovery from X Add: Deficiency Recovery from Y	10,00,000 <u>10.00.000</u>	50,00,000	
		1,80,00,000	1,80,00,000

Question 5

A, B and C were trading in partnership sharing profits and losses in the proportion of 4:3:3. The balances in the books of the firm as on 31st December, 2022 subject to final adjustment were as under:

	Debit	Credit
	Amount ₹	Amount ₹
Capital Accounts		
Α		2,25,000
В		1,12,500
С		1,35,000
Current Account		
Α	36,000	
В	54,000	
С	54,000	
Land and Building	1,80,000	
Furniture and Fixtures	33,750	
Stock	2,81,250	
Debtors	45,000	
Bank Account	90,000	
Profit for the year before charging interest		2,34,000
Creditors		<u>67,500</u>
Total	7,74,000	7,74,000

Goodwill may be recorded separately, instead of through Revaluation Account. C died on 30th June, 2022. The Partnership deed provided that:

- (a) Interest was credited on Capital Account of Partners as @ 12% per annum on the balance at the beginning of the year.
- (b) On the death of partner

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- (i) Goodwill was to be valued at three years purchase of average annual profits of three years up to the death, after deducting interest on capital employed at 10%p.a. and a fair remuneration for each of the partners.
- (ii) Fixed assets were to be valued by an independent valuer and all other assets and liabilities to be taken at book value, and
- (c) Whenever necessary, profit or loss should be apportioned on a time basis. You ascertain that:
 - (i) Profit for three years, before charging partners' interest were:

2019	2,52,000
2020	2,83,500
2021	2,70,000

(ii) The independent valuation on the date of death revealed:

Land and Building	₹2,25,000
Furniture and Fixtures	₹22,500

(iii) For valuation of goodwill a fair remuneration for each of the partners would be ₹ 56,250 per annum and that the capital employed in the business to be taken as ₹ 5,85,000 throughout.

It was agreed between the partners that:

- (1) Goodwill was not be shown as an asset of the firm as on 31st December, 2022. Therefore, adjustment for goodwill was to be made in Capital Accounts.
- (2) The amount due to C's Estate was to remain as loan with the firm carrying interest at 12% p.a.
- (3) A and B would share profits equally from the date of death of C.
- (4) Depreciation on revised value of assets would be ignored.
- You are required to prepare:
- (A) Partners' Capital Account and Current Account; and
- (B) Balance Sheet of the firm as on 31st December, 2022.
 Working should be done correct to the nearest rupee.

(20 Marks)

Answer

Partner's Capital Accounts

Particular	Α	В	C	Particular	Α	В	C
To C's capital A/c (goodwill) (W.N. 1)	11,475	22,950		By balance b/d	2,25,000	1,12,500	1,35,000

FOUNDATION EXAMINATION: JUNE, 2023

To C's current A/c To C's executor A/c			9,180 1,60,245	By A & B Capital A/c (goodwill) (W.N. 1)			34,425
To balance c/d	<u>2,13,525</u>	<u>89,550</u>	1 60 405		2 25 000	1 10 500	1 00 405
	2,25,000	1,12,500	1,69,425		2,25,000	1,12,500	1,69,425

Partner's Current Accounts

Particulars	Α	В	C	Particulars	Α	В	С
To balance b/d	36,000	54,000	54,000	By Interest on capital	27,000	13,500	8,100
To balance c/d	83,528	39,787		By Profit & Loss A/c (W.N. 3)	79,028	70,162	26,595
				By Revaluation Profit (W.N. 4)	13,500	10,125	10,125
				By C's Capital			<u>9,180</u>
	<u>1,19,528</u>	<u>93,787</u>	<u>54,000</u>		<u>1,19,528</u>	<u>93,787</u>	<u>54,000</u>

Balance sheet as on 31st December,2022

Liabilities		₹	Assets		₹
Capital A/c	А	2,13,525	Land & building	1,80,000	
	В	89,550	Add : revaluation	<u>45,000</u>	2,25,000
Current A/c	А	83,528	Fixture & furniture	33,750	
	В	39,787	Less: revaluation	<u>11,250</u>	22,500
C's executor A	Vc	1,60,245	Stock		2,81,250
C's interest on	executors Amount	9,615	Debtors		45,000
Creditors		<u>67,500</u>	Bank		<u>90,000</u>
		<u>6,63,750</u>			<u>6,63,750</u>

Working Notes:

1. Calculation of goodwill

Average profit of last 3 years up to 30.6.2022

2019 (6 months)	1,26,000
2020	2,83,500
2021	2,70,000
2022 (6 months)	<u>1,17,000</u>
	<u>7,96,500</u>
Years	3

₹

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Average profit	2,65,500
Less: 10% of capital employed	(58,500)
Less: remuneration of partners (56,250 x 3)	<u>(1,68,750)</u>
Average adjusted profit	38,250
Goodwill for 3 years	1,14,750
C's Share of Goodwill (3/10x 1,14,750)	34,425

2. Calculation of gaining ratio

Name of Partner	New ratio		Old ratio	Gaining Ratio
A	1/2	-	4/10	1/10
В	1/2	-	3/10	2/10

A's capital A/c	Dr.	11,475	
B's capital A/c	Dr	22,950	
To C's capital A/c			34,425

Profit & Loss Appropriation Account

Par	ticulars	1.4.22 to 30.6.22	1.7.22 to 31.12.22	Particulars	1.4.22 to 30.6.22	1.7.22 to 31.12.22
То	interest on capital (6 months):			By Net profit	1,17,000	1,17,000
	A 2,25,000 x 6%	13,500	13,500			
	B 1,12,500 x 6%	6,750	6,750			
	C 1,35,000 x 6%	8,100	-			
То	Interest on executor amount					
	(1,60,245 x 6%)	-	9,615			
То	partners current A/c:					
	А	35,460	43,568			
	В	26,595	43,567			
С		26,595	-			
		1,17,000	1,17,000		1,17,000	1,17,000

FOUNDATION EXAMINATION: JUNE, 2023

Revaluation Account					
Particulars		Amount	Particulars	Amount	
To Furnitu	re and Fixtures	11,250	By Land & building	45,000	
To Profit	A (4/10) = 13,500	33,750			
	B (3/10) = 10,125				
	C (3/10) = 10,125				
		45,000		45,000	

3. Calculation of Revaluation Profit

Question 6

(a) BP Limited issued a prospectus inviting applications for 1,20,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share payable as follows:

On Application	-	₹3 per share
On Allotment	-	₹5 per share (including premium)
On First and Final Call	-	₹4 per share

Applications were received for 3,60,000 equity shares. Applications for 80,000 shares were rejected and the money refunded. Shares allotted to remaining applications as follows:

Category	No. of shares Applied	No. of shares Allotted
I	1,60,000	80,000
11	1,20,000	40,000

Excess money received with applications was adjusted towards sums due on Allotment and the balance amount returned to the applicants. All calls were made duly received except the final call by a shareholder belonging to Category I who has applied for 680 shares. His shares were forfeited. The forfeited shares were reissued at ₹13 per share fully paid-up.

Pass necessary journal entries for the above transactions in the books of BP Ltd, Open call in arrears account whenever required. (15 Marks)

(b) What are the importance of Journal?

(5 Marks)

Answer

(a) Journal of BP Limited

Particulars	Dr. (₹)	Cr. (₹)
Bank A/c (Note 1 – Column 3) Dr.	10,80,000	
To Equity Share Application A/c		10,80,000

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(Being application money received on 3,60,000 shares (₹ 3 per share)	0	
Equity Share Application A/c D)r. 10,80,000	
To Equity Share Capital A/c		3,60,000
To Equity Share Allotment A/c (Note 1 Column 5)		4,40,000
To Bank A/c (Note 1 – Column 6)		2,80,000
(Being application money on 2,80,000 shares transferred t Equity Share Capital Account; on 1,60,000 shares adjuste with allotment and on 80,000 shares refunded as per Board Resolution Nodated)	to ed 's	
Equity Share Allotment A/c D	0r. 6,00,000	
To Equity Share Capital A/c		3,60,000
To Securities Premium a/c		2,40,000
(Being allotment money due on 1,20,000 shares @ ₹ 5 eac including premium at ₹4 each as per Board's Resolutio Nodated)	ch on	
Bank A/c (Note 1 – Column 8) D)r. 1,60,000	
To Equity Share Allotment A/c		1,60,000
(Being balance allotment money received)		
Equity Share First and Final Call A/c D	0r. 4,80,000	
To Equity Share Capital A/c		4,80,000
(Being final call money due on 1,20,000 shares @ ₹ 4 po share as per Board's Resolution Nodated)	er	
Bank A/c D	0r. 4,78,640	
Calls in Arrears A/c D)r. 1,360	
To Equity Share First and Final Call A/c		4,80,000
(Being final call money on 1,19,660 shares @ ₹4 eac received)	ch	
Equity Share Capital A/c D	r. 3,400	
To Calls in Arrears A/c		1,360
To Forfeited Shares A/c		2,040
Being forfeiture of 340 equity shares for non- payment of call money as per Board's Resolution Nodated)		
Bank A/c D	r. 4,420	
To Equity Shares Capital A/c		3,400

FOUNDATION EXAMINATION: JUNE, 2023

To Securities Premium A/c			1,020
Being re-issue of 340 shares @ ₹13 each as per Board's			
Resolution Nodated)			
Forfeited Shares A/c	Dr	2,040	
To Capital Reserve A/c			2,040
(Being profit on re-issue transferred to Capital Reserve)			

Working Note:

Calculation for Adjustment and Refund

Category	No. of Shares Applied	No. of Shares Allotted	Amount Received on	Amount Required on	Amount adjusted on	Refund [3 - 4 + 5]	Amount due on Allotment	Amount received on
	for		Application	Application	Allotment			Allotment
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Rejected	80,000	Nil	2,40,000	Nil	Nil	2,40,000	Nil	Nil
(i)	1,60,000	80,000	4,80,000	2,40,000	2,40,000	Nil	4,00,000	1,60,000
(ii)	1,20,000	40,000	3,60,000	1,20,000	2,00,000	40,000	2,00,000	Nil
TOTAL	3,60,000	1,20,000	10,80,000	3,60,000	4,40,000	2,80,000	6,00,000	1,60,000

Also,

- (i) Amount Received on Application (3) = No. of shares applied for (1) x ₹ 3
- (ii) Amount Required on Application (4) = No. of shares allotted (2) x ₹ 3

(b) IMPORTANCE OF JOURNAL:

- 1. **Chronological Order:** As transactions are recorded on chronological order, one can get complete information about the business transactions on time basis.
- 2. **Narration:** Entries recorded in the journal are supported by a note termed as narration, which is a precise explanation of the transaction for the proper understanding of the entry. One can know the correctness of the entry through these narrations.
- 3. **Basis of Posting:** Journal forms the basis for posting the entries in the ledger. This eases the accountant in their work and reduces the chances of error.

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Question No. 1 is compulsory.

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

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

Working Notes should form part of the answer.

Question 1

- (a) State with reasons, whether the following statements are True or False:
 - (i) The financial statements are not prepared on the assumption that an enterprise is a going concern and will continue its operation for the foreseeable future.
 - (ii) Periodic inventory system is a method of ascertaining inventory by taking an actual physical count.
 - (iii) The provision for discount on creditors is often not provided in keeping with the principle of conservatism.
 - (iv) If the errors are detected after preparing trial balance, then all the errors are rectified through suspense account.
 - (v) Both revenue and capital nature transactions are recorded in the Receipts and Payments Account.
 - (vi) A fixed charge generally covers all the assets of the company including future one.

(6 x 2 = 12 Marks)

(b) Differentiate between Provisions and Contingent Liabilities.

(4 Marks)

(c) A purchased a machinery for ₹1,30,000 on 1st April, 2019 and paid ₹20,000 for freight & installation charges. On 1st October, 2021 another machine was purchased for 50,000 and sold old machinery for ₹1,00,000. The machine purchased on 1st October, 2021 was installed on 1st January, 2022.

Under existing practice, the company is charging depreciation @ 20% p.a. on the original cost. However, from 1st April, 2021 it decided to adopt WDV method and charge depreciation @15% p.a. You are required to prepare Machinery Account from 1st April, 2019 to 31st March, 2022. (4 Marks)

Answer

- (a) (i) False: 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.
 - (ii) **True:** Under Periodic inventory system actual physical count of inventory is taken of all the inventory on hand at a particular date.

- (iii) **True:** According to the principle of conservatism provision is maintained for the losses to be incurred in future. Discount on creditors is an income so provision in not maintained.
- (iv) False: If the errors are detected after preparing trial balance, then all the errors are not rectified through suspense account. There may be errors of principle, compensating errors, errors of complete omission which can be rectified without opening a suspense account.
- (v) **True:** All the receipts and payments whether of revenue or capital nature are included in Receipt and Payment account.
- (vi) False: A fixed charge is a mortgage on specific assets. A floating charge generally covers all the assets of the company including future one.
- (b) The distinction between Provision and Contingent Liability is as follows:

	Provision	Contingent liability
(1)	Provision is a present liability of uncertain amount, which can be measured reliably by using a substantial degree of estimation.	A Contingent liability is a possible obligation that may or may not crystallise depending on the occurrence or non- occurrence of one or more uncertain future events.
(2)	A provision meets the recognition criteria.	A contingent liability fails to meet the same.
(3)	Provision is recognised when (a) an enterprise has a present obligation arising from past events; an outflow of resources embodying economic benefits is probable, and (b) a reliable estimate can be made of the amount of the obligation.	Contingent liability includes present obligations that do not meet the recognition criteria because either it is not probable that settlement of those obligations will require outflow of economic benefits, or the amount cannot be reliably estimated.
(4)	If the management estimates that it is probable that the settlement of an obligation will result in outflow of economic benefits, it recognises a provision in the balance sheet.	If the management estimates, that it is less likely that any economic benefit will outflow the firm to settle the obligation, it discloses the obligation as a contingent liability.

(C)

In the books of A Machinery A/c

Date	Particulars	Amount (₹)	Date	Particulars	Amount(₹)
01.04.2019	To Bank	1,50,000	31.03.2020	By Depreciation	30,000

	(1,30,000+20,000)		31.03.2020	By Balance c/d	<u>1,20,000</u>
		<u>1,50,000</u>			<u>1,50,000</u>
01.04.2020	To Balance b/d	1,20,000	31.03.2021	By Depreciation	30,000
			31.03.2021	By Balance c/d	90,000
		<u>1,20,000</u>			<u>1,20,000</u>
01.04.2021	To Balance b/d	90,000	01.10.2021	By Bank A/c	1,00,000
01.10.2021	To Bank	50,000	01.10.2021	By Depreciation	6,750
01.10.2021	To Profit on Sale	16,750	31.03.2022	By Depreciation	1,875
			31.03.2022	By Balance c/d	48,125
		<u>1,56,750</u>			<u>1,56,750</u>

Alternative: Calculation of Book Value of Machines

	Machine 1	Machine 2
	(in ₹)	(in ₹)
Date of Purchase	01.04.2019	01.10.2021
Original Cost	1,50,000	
Depreciation for (2019-20) (SLM)	<u>(30,000)</u>	
WDV on 31.03.2020	1,20,000	
Depreciation for (2020-21) (SLM)	<u>(30,000)</u>	
WDV on 31.03.2021	90,000	
Depreciation for (2021-22) (WDV)	<u>(6,750)</u>	
WDV (original cost of Machine 2) on 1.10.2021	83,250	50,000
Sale Proceeds	<u>(1,00,000)</u>	
Profit on Sale	16,750	
Depreciation for 2021-22 (WDV @ 15%) (3 months)	-	<u>(1,875)</u>
WDV on 31.03.2022	-	48,125

Question 2

- (a) The cash book of Mr. Karan shows ₹2,60,400 as the balance of bank as on 31st December, 2021 but you find that it does not agree with the balance as per the bank pass book. On analysis, you found the following discrepancies:
 - (i) On 15th December, 2021 the payment side of the cash book was overcast by ₹10,000.
 - (ii) A Cheque for ₹1,18,000 issued on 6th December, 2021 was not taken in the bank Column.

- (iii) On 20th December, 2021 the debit balance of ₹8,460 as on the previous day, was brought forward as credit balance in the cash book.
- (iv) Of the total cheques amounting to ₹12,370 drawn in the last week of December 2021, cheques aggregating ₹9,360 were encashed in December, 2021.
- (v) Dividends of ₹35,000 collected by the bank and fire insurance premium of ₹7,900 paid by the bank were not recorded in the cash book.
- (vi) A Cheque issued to a creditor of ₹1,75,000 was recorded twice in the cash book.
- (vii) Bill for collection amounting to ₹53,000 credited by the bank on 21st December, 2021 but no advice was received by Mr. Karan till 31st December, 2021.
- (viii) A Customer, who received a cash discount of 3% on his account of ₹60,000 paid a cheque on 10th December, 2021. The cashier erroneously entered the gross amount in the bank column of the cash book.

You are required to prepare the bank reconciliation statement as on 31st December, 2021.

(10 Marks)

- (b) Before preparation of the Trial Balance, the following errors were found in the books of Hare Rama & Sons. Give the necessary entries to correct them.
 - (i) Minor Repairs made to the building amounting to ₹1,850 were debited to the Building Account.
 - (ii) An amount of ₹3,000 due from Shayam Lal, which had been written off as bad debts in the previous year, recovered in the current year, and had been posted to the personal Account of Shayam Lal.
 - (iii) Furniture purchased for office use amounting to ₹ 20,000 has been entered in the purchase day book.
 - (iv) Goods purchased from Ram Singh amounting to ₹8,000 have remained unrecorded so far.
 - (v) College fees of proprietor's son, ₹15,000 debited to the Audit fees Account.
 - (vi) Receipt of ₹4,500 from Meet Kumar credited to the Pinki Rani.
 - (vii) Goods amounting to ₹6,200 had been returned by a customer and were taken into inventory, but no entry was made in the books.
 - (viii) ₹ 1500 paid for wages to workmen for making office furniture had been charged to wages account.
 - (ix) Salary paid to a clerk ₹12,000 has been debited to his personal account.
 - (x) A purchase of goods from Raghav amounting to ₹20,000 has been wrongly entered through the sales book. (10 Marks)

Answer

Bank Reconciliation Statement of Mr. Karan as on 31st Dec., 2021

Particulars		Details	Amount
		₹	₹
Balance as per the Cash Book			2,60,400
Add: Wrong Casting in Cash book as on		10,000	
15 th December,2021		16,920	
Mistake in bringing forward ₹ 8,460 debit balance as credit balance on 20 th Dec., 2021			
Cheques issued but not presented:			
Issued	12,370		
Encashed	9,360	3,010	
Dividends directly collected by bank but			
not yet entered in the Cash Book		35,000	
Cheque recorded twice in the Cash Book		1,75,000	
Bill for Collection credited in Bank not entered in Cash Book		53,000	2,92,930
			5,53,330
Less: Cheques issued but not entered in the Bank column		1,18,000	
Fire Insurance Premium paid by the bank directly not yet recorded in the Cash Book		7,900	
Discount allowed wrongly entered in Cash Book		1,800	(1,27,700)
Balance as per the Pass Book			4,25,630

Note: The above answer has been given considering that the books are not closed on 31st December, 2021. Alternatively, If the books are to be closed on 31st December, then adjusted cash book will be prepared as given below:

Adjusted Cash Book

Particulars	Amount	Particulars	Amount
	(₹)		(₹)
To Balance b/d	2,60,400	By cheques not entered	1,18,000
To wrong casting	10,000	By Fire Insurance Premium	7,900

To error for wrong posting	16,920	By discount wrongly entered	1,800
To dividends collected by bank	35,000	By balance c/d	3,69,620
To cheques recorded twice	1,75,000		
	4,97,320		4,97,320

Bank Reconciliation Statement

Particulars	₹
Balance as per the Cash Book (corrected)	3,69,620
Add: Cheques issued but not yet presented	3,010
Bill for collection credited by Bank	53,000
Balance as per the Pass Book	4,25,630

(b)

In the books of Hare Rama & Sons

Journal

	Particulars	L.F.	Dr.	Cr.
			₹	₹
(i)	Repairs A/c Dr.		1,850	
	To Building A/c			1,850
	(Correction of wrong debit to building A/c for repairs made)			
(ii)	Shyam Lal A/c Dr.		3,000	
	To Bad Debts Recovered A/c			3,000
	(Correction of wrong credit to Personal A/c in respect of recovery of previously written off bad debts)			
(iii)	Furniture A/c Dr.		20,000	
	To Purchases A/c			20,000
	(Correction of wrong debit to Purchases A/c for furniture purchased)			
(iv)	Purchases A/c Dr.		8,000	
	To Ram Singh A/c			8,000
	(Purchases of goods from Ram Singh remained unrecorded)			
(v)	Drawings A/c Dr.		15,000	
	To Audit Fees A/c			15,000
	(Correction of wrong debit to Audit Fees A/c for college fees of proprietor's son)			

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(vi)	Pinki Rani A/c Dr.		4,500	
	To Meet Kumar A/c			4,500
	(Correction of wrong credit to Pinki Rani. instead of Meet Kumar.)	t		
(vii)	Returns Inwards / Sales Return A/c Dr		6,200	
	To Customer/Debtors A/c			6,200
	(Entry of goods returned by customer and taken in inventory omitted from records)	1		
(viii)	Furniture A/c Dr		1,500	
	To Wages A/c			1,500
	(Wages paid to workmen for office furniture wrongly charged to wages a/c now rectified)	'		
(ix)	Salaries A/c Dr		12,000	
	To Clerk's (Personal) A/c			12,000
	(Correction of wrong debit to Clerk's personal A/c for salaries paid)	•		
(x)	Purchases A/c Dr	-	20,000	
	Sales A/c Dr		20,000	
	To Raghav A/c			40,000
	(Correction of wrong entry in the sales Book for purchases of goods from Raghav)	-		

Question 3

(a) T draws on J a bill of exchange for ₹1,80,000 on 1st April, 2022 for 3 months. J accepts the bill and sends it to T, who gets it discounted from his banker for ₹1,72,800. T 'immediately remits ₹57,600 to J. On the due date, T, being unable to remit the amount due, accepts a bill for ₹2,52,000 for three months, which is discounted by J from his banker for ₹2,40,660. J sends ₹40,440 to T. Before the maturity of the bill, T becomes bankrupt and his estate paying fifty paisa in a rupee.

Give the journal entries in the books of T and J.

(15 Marks)

- (b) Attempt any ONE of the following two sub-parts i.e. either (i) or (ii).
 - (i) The following are the transactions that took place between G and H during the period from 1st October, 2021 to 31st March, 2022:

2021		Amount (₹)
Oct. 1	Balance due to G by H	4,500
Oct. 18	Goods sold by G to H	3,750

Nov. 16	Goods sold by H to G (invoice dated November, 26)	6,000
Dec. 7	Goods sold by H to G (invoice dated December, 17)	5,250
2022		
Jan. 3	Promissory note given by G to H; at three months	7,500
Feb. 4	Cash paid by G to H	1,500
Mar. 21	Goods sold by G to H	6,450
Mar. 28	Goods sold by H to G (invoice dated April, 8)	4,050

Draw up an account current up to March 31st, 2022 to be rendered by G to H, charging interest at 10% per annum.

Interest is to be calculated to the nearest rupee. (5 Marks)

Or

(ii) A trader allows his customers, credit for one week only, beyond which he charges interest @ 12% per annum. D, a customer buys goods as follows:

Date of Transaction	Amount (₹)
January 2, 2022	60,000
January 28, 2022	55,000
February 17, 2022	70,000
March 4, 2022	42,000

D settles his account on 31st March, 2022. Calculate the amount of interest payable by *D*, using average due date method. Assume 9th January, 2022 as the base date.

(5 Marks)

Answer

(a)

In the books of T Journal Entries

Date	Particulars		Debit	Credit
			Amount	Amount
2022			₹	₹
1-Apr	Bills receivable A/c	Dr.	1,80,000	
	To J's A/c			1,80,000
	(Being acceptance received from J for mutual accommodation)			

1-Apr	Bank A/c	Dr.	1,72,800	
	Discount A/c	Dr.	7,200	
	To Bills receivable A/c			1,80,000
	(Being bill discounted with bank)			
1-Apr	J's A/c	Dr.	60,000	
	To Bank A/c			57,600
	To Discount A/c			2,400
	(Being ₹ 57,600 sent to J)			
4-Jul	J's A/c	Dr.	2,52,000	
	To Bills payable A/c			2,52,000
	(Being Acceptance given)			
4-Jul	Bank A/c	Dr.	40,440	
	Discount A/c $\left[\frac{1,20,000+40,440}{2,40,660} \times 11,340\right]$	Dr.	7,560	
	To J's A/c			48,000
	(Being proceeds of second bill received from J)			
7-Oct	Bills payable A/c	Dr.	2,52,000	
	To J's A/c			2,52,000
	(Being bill dishonoured due to insolvency)			
7-Oct	J's A/c (1,20,000+48,000)	Dr.	1,68,000	
	To Bank A/c			84,000
	To Deficiency A/c *			84,000
	(Being insolvent, only 50% amount paid to J)			

In the books of J Journal Entries

Date	Particulars		Debit	Credit
			Amount	Amount
2022			₹	₹
1-Apr	T A/c	Dr.	1,80,000	
	To Bills Payable A/c			1,80,000
	(Being bill of exchange accepted and send to Mr. T)			

1-Apr	Bank A/c	Dr.	57,600	
	Discount Charges A/c	Dr.	2,400	
	To T A/c			60,000
	(Being the amount received from T on account of t bill receivable)	the		
4-Jul	Bills Receivable A/c	Dr.	2,52,000	
	To T A/c			2,52,000
	(Being the bills accepted by T)			
4-Jul	Bank A/c	Dr.	2,40,660	
	Discount Charges A/c	Dr.	11,340	
	To Bills Receivable A/c			2,52,000
	(Being T's acceptance discounted with bank)			
4-Jul	Bills Payable A/c	Dr.	1,80,000	
	Bank A/c			1,80,000
	(Being the amount met on the due date)			
4-Jul	T A/c	Dr.	48,000	
	To Bank A/c			40,440
	To Discount A/c			7,560
	(Being the amount received and discount debited to account)	оT		
	$\left[\frac{1,20,000+40,440}{2,40,660} \times 11,340\right] = 7,560$			
7-Oct	T A/c	Dr.	2,52,000	
	To Bank A/c			2,52,000
	(Being T's acceptance dishonoured due to T's bankruptcy)			
7-	Bank A/c	Dr.	84,000	
Octl	Bad Debts A/c*	Dr.	84,000	4 00 000
	To T A/c			1,00,000
	(Being the amount received from T and the balance being written off as bad debts)			

(b) (i) H in Account Current with G

Date	Due date	Particulars	No. of days till 31.3.22	Amt.	Product	Date	Due date	Particulars	No. of days till 31.3.22	Amt.	Product
2021	2021			¥	₹	2021	2021			₹	₹
Oct 1,	Oct 1,	To Balance b/d	182	4,500	8,19,000	Nov 16	Nov 26	By Purchases	125	6,000	7,50,000
Oct 18,	Oct 18	To Sales	164	3,750	6,15,000	Dec 7	Dec. 17	By Purchases	104	5,250	5,46,000
2022	2022					2022	2022				
Jan 3	Apr 6	To Bills payable	(6)	7,500	(45,000)	Mar 28	Apr 8	By Purchases	(8)	4,050	(32,400)
Feb 4	Feb 4	To Cash	55	1,500	82,500	Mar 31	Mar 31	By Balance of product			2,72,400
Mar 21	Mar. 21	To Sales	10	6,450	64,500			By Balance c/d		8,475	
Mar 31	Mar 31	To Interest		75							
				<u>23,775</u>	<u>15,36,000</u>					<u>23,775</u>	<u>15,36,000</u>

(Interest to 31st March,2022@10%p.a.) [Product Method]

(Interest for the period = $\frac{2,72,400 \times 10 \times 1}{100 \times 365}$ = ₹ 74.63 or rounded off to ₹ 75)

Alternative:

(b) (i)

H in Account Current with G

(Interest to 31st March,2022@10%p.a.) [Interest Method]

Date	Due date	Particulars	No. of days till 31.3.22	Amt.	Interest	Date	Due date	Particulars	No. of days till 31.3.22	Amt.	Interes t
2021	2021			₹	₹	2021	2021			₹	₹
Oct 1,	Oct 1,	To Balance b/d	182	4,500	224.38	Nov 16	Nov 26	By Purchases	125	6,000	205.48
Oct 18,	Oct 18	To Sales	164	3,750	168.49	Dec 7	Dec. 17	By Purchases	104	5,250	149.59
2022	2022					2022	2022				
Jan 3	Apr 6	To Bills payable	(6)	7,500	(12.33)	Mar 28	Apr 8	By Purchases	(8)	4,050	(8.88)
Feb 4	Feb 4	To Cash	55	1,500	22.60	Mar 31	Mar 31	By Balance of product			
Mar 21	Mar. 21	To Sales	10	6,450	17.67			By Balance c/d		8474.62	74.62
Mar 31	Mar 31	To Interest		<u>74.62</u>							
				<u>23,774.62</u>	<u>420.81</u>					<u>23,774.62</u>	420.81

OR

(ii) Assuming 9th January, 2022 to be the base date:

Date of Sale	Due date of payment	Amount	No. of days from base date	Product
		₹		₹
2 nd Jan	9 th Jan	60,000	0	0
28 th Jan	4 th Feb	55,000	26	14,30,000
17 th Feb	24 th Feb	70,000	46	32,20,000
4 th March	11 th Mar	<u>42,000</u>	61	<u>25,62,000</u>
		<u>2,27,000</u>		<u>72,12,000</u>

Average due date = Base date + Total Product Total Amount

= 9th January,2022 + 72,12,000/2,27,000

= 9th January,2022 + 32 days = 10th February,2022

Thus, average due date = 10th February, 2022

No. of days from 10th February, 2022 to 31st March, 2022 = 49 days.

Interest payable by D on ₹ 2,27,000 for 49 days @ 12% per annum

= 2,27,000 X12/100 X 49/365 = ₹ 3,656.88 or ₹ 3,657

Question 4

(a) X and Y are in partnership business sharing profits and losses in the ratio of 2:3. Their Balance Sheet as at 31st March. 2022 is as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Accounts:		Building	60,000
X	60,000	Plant	45,000
Y	1,40,000	Furniture	23,500
General Reserve	40,000	Debtors	38,400
Creditors	42,600	Bills receivable	12,500
Bills payable	15,400	Stock	42,600
Salary payable	2,000	Bank	78,000
	3,00,000		3,00,000

On 1st April, 2022 they decided to admit Z into the partnership giving him 1/5th share in the future profits. He brings in ₹1,00,000 as his share of capital. Goodwill was valued at

earrow 1,20,000 at the time of admission of Z. The partners decided to revalue the assets and liabilities as follows:

- (i) Plant ₹40,000, Stock ₹42,000, Furniture ₹20,000 and Bills Receivable ₹12,000.
- (ii) Out of total Debtors, ₹ 2400 is bad and 5% provision is to be provided for bad and doubtful debts.
- (iii) Building is to be appreciated by 75%.
- (iv) Actual liability towards salary payable is ₹1200 only.

You are required to show the following accounts in the books Of the firm:

- (1) Revaluation Account
- (2) Partner's Capital Accounts
- (3) Balance sheet of the Firm after Admission of Z.
- (b) The Income and Expenditure Account of the Young Boys Club for the rear 2022 is as follows:

Expenditure	Amount	Income	Amount
	(₹)		(₹)
To Salaries	3,750	By Subscription	8,500
To General Expenses	1,500	By Entrance Fees	250
To Audit fee	250	By Contribution for	
To Secretary's Honorarium	1,000	Annual Dinner	1,000
To Stationery and Printing	450	By Annual Sports	
To Annual Dinner expenses	1,500	meet receipts	750
To Interest and Bank Charges	150		
To Depreciation	400		
To Surplus	<u>1,500</u>		
	10,500		10,500

This Account has been prepared after the following adjustments:

	Amount (₹)
Subscription outstanding on 31st December, 2021	700
Subscription received in advance on 31st December, 2021	550
Subscription received in advance on 31st December, 2022	370
Subscription outstanding on 31st December, 2022	750

(10 Marks)

Salaries outstanding at the beginning and at the end of 2022 were respectively \notin 600 and \notin 150. General Expense include insurance prepaid to the extent of \notin 150. Audit fee for 2022 is still unpaid. During 2022 audit fee for 2021 was paid amounting to \notin 200.

The club owned a freehold lease of ground valued at \gtrless 20,000. The club had sports equipment on 1 at January, 2022 valued at \gtrless 2600. At the end of the year, after depreciation, the balance of equipment amounted to, 3,600. In 2021, the club raised a bank loan of \gtrless 5,000, This was outstanding throughout 2022. On 31st December, 2022 cash in hand amounted to $\end{Bmatrix}$ 1600.

You are required to prepare:

- (i) Receipts and Payments Account for 2022
- (ii) Balance Sheet as on 31st December, 2022
- (iii) Balance Sheet as on 31st December, 2021.

(10 Marks)

Answer

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In the books of X, Y and Z Revaluation Account

Particulars	₹	Particulars	₹
To Plant	5,000	By Building	45,000
To Bad Debts	2,400	By Salary Payable	800
To Provision for Doubtful Debts	1,800		
To Stock	600		
To Furniture	3,500		
To Bills receivable	500		
To Profit on revaluation			
Х	12,800		
Y	19,200		
	45,800		45,800

Partners' Capital A/c's

Particulars	Х	Y	Z	Particulars	Х	Y	Z
To X and Y (Goodwill adjustment)	-	-	24,000	By Balance b/d	60,000	1,40,000	-
To Balance c/d	98,400	1,97,600	76,000	By Bank By Z	- 9,600	- 14,400	1,00,000 -

			By General Reserve	16,000	24,000	-
			By Revaluation	12,800	19,200	-
98,400	1,97,600	1,00,000		98,400	1,97,600	1,00,000

Balance Sheet as on 1st April, 2022 (after admission)

Liabilities	₹	Assets	₹
Capital Accounts:		Building	1,05,000
Х	98,400	Plant	40,000
Y	1,97,600	Furniture	20,000
Z	76,000	Debtors*	34,200
Creditors	42,600	Bills Receivable	12,000
Bills Payable	15,400	Stock	42,000
Salary Payable	1,200	Bank	1,78,000
	4,31,200		4,31,200

* Debtors: (38,400 – 2,400 – 1,800) = ₹ 34,200

(b)

The Young Boys Club

Receipts and Payments Account for the year ended 31st December, 2022

	Receipts	₹	Payments	₹
To	Balance b/d (balancing figure)	1,580	By Salaries (WN-2)	3,900
То	Subscriptions (WN-1)	8,270	By General Expenses 1500	
То	Entrance Fees	250	Add: Paid for 2023 150	1,650
То	Contribution for annual dinner	1,000	By Audit fee (2021)	200
То	Annual sport meet receipt	750	By Secy. Honorarium	1,000
			By Stationery & Printing	450
			By Annual Dinner Expenses	1,500
			By Interest & Bank Charges	150
			By Sports Equipment (WN -3)	1,400

		By Balance c/d	1,600
	11,850		11,850
To Balance b/d	1,600		

Working Note 1

Subscription A/c

To Subscription O/s 2021	700	By Balance b/d (b/f)	8,270
To Subscription in Advance		By Subscription O/s 2022	750
2022	370	By Subscription in Advance 2021	550
To Income & Expenditure a/c	8,500		
Total	9,570	Total	9,570

Working Note 2

Salaries A/c

To Bank (b/f)	3,900	By Income & Expenditure a/c	3,750
To Salaries O/s 2022	450	By Salaries O/s 2021	600
	4,350		4,350

Working Note 3

Sports Equipment A/c

To Balance b/d	2,600	By Depreciation	400
To Cash / Bank (b/f)	1,400	By Balance c/d	3,600
Total	4,000	Total	4,000

Balance Sheet of Young Boys Club as on December 31, 2022

Liabilities	₹	₹	Assets	₹	₹
Subscription received in advance		370	Freehold Ground		20,000
Audit Fee Outstanding		250	Sport Equipment:		
Salaries Outstanding		450	As per last Balance Sheet	2,600	
Bank Loan		5,000	Additions	1,400	
Capital Fund:				4,000	
Balance as per previous			Less: Depreciation	<u>(400)</u>	3,600

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Balance Sheet	18,530		Subscription Outstanding	750
Add: Surplus for 2022	1,500		Insurance Prepaid	150
		<u>20,030</u>	Cash in hand	<u>1,600</u>
		26,100		26,100

Balance Sheet of Young Boys Club as on 31st December, 2021

Liabilities	₹	Assets	₹
Subscriptions received in advance	550	Freehold Ground	20,000
Salaries outstanding	600	Sports Equipment	2,600
Audit fees unpaid	200	Subscriptions Outstanding	700
Bank Loan	5,000	Cash in hand	1,580
Capital Fund (balancing figure)	18,530		
	24,880		24,880

Question 5

(a) Prepare a Triple Column Cash Book from the following transactions of M/s Raj Agencies and bring down the balance for the start of next month:

2022			₹
March	1	Cash in hand	30,000
	1	Cash at bank	1,20,000
	2	Paid into bank	10,000
	5	Bought furniture and issued cheque	15,000
	8	Purchased goods for cash	5,000
	12	Received cash from Mohan	9,800
		Discount allowed to him	200
	14	Cash sales	50,000
	16	Paid to Lata by cheque	14,500
		Discount received	500
	19	Paid into Bank	5,000
	23	Withdrawn from Bank for Private expenses	6,000
	24	Received cheque from Gupta	14,300
		Allowed him discount	200
	26	Deposited Gupta's cheque into Bank	
	28	Withdrew cash from Bank for Office use	20,000
	30	Paid rent by cheque	8,000

(5 Marks)

- (b) R and S are partners in a firm with a capital of 14,00,000 and 12,00,000 respectively. During the year ended on 31st March, 2022 firm earned a profit of ₹6,50,000. Assuming that the normal rate of return is 20%. Calculate the amount of Goodwill of the firm by using
 - (i) Capitalization method
 - (ii) Super Profit method, if the goodwill is valued at 6 years purchase of super profits.

(5 Marks)

Particulars	Amount (₹)	Particulars	Amount (₹)
Trade Payables	6,50,000	Furniture and Fixtures	6,50,000
Expenses Payable	75,000	Vehicle	2,75,000
Capital	22,00,000	Trade Receivable	11,00,000
		Cash at Bank	4,75,000
		Inventories	4,25,000
	29,25,000		29,25,000

(c) The balance sheet of S on 1st April, 2021 was as follows:

During 2021-22, his profit and Loss Account revealed a net profit of \gtrless 6,70,000. This was after allowing for the following:

- (i) Commission paid to selling agent ₹65,000
- (ii) Discount received from creditors ₹75,000
- (iii) Purchased a vehicle of ₹50,000 on 31st March, 2022
- (iv) Depreciation on Furniture and Fixtures @ 10% and on Vehicle @ 20%
- (v) A provision for doubtful debts @ 3% of the trade receivables as at 31st March, 2022

But while preparing the Profit and Loss Account he had forgotten to provide for

- (1) prepaid expenses ₹15,000 and
- (2) outstanding commission ₹ 35,000.

His current assets and liabilities on 31^{st} March, 2022 were: Inventories \notin 6,50,000. Trade Receivables 13,00,000 (before provision for doubtful debts), cash at Bank 5,50,000 and Trade Payables \notin 1,46,000.

During the year he introduced further capital of ₹3,00,000 into the business.

You are required to prepare the balance sheet as at March 31, 2022. (10 Marks)
Answer

(a)

M/s Raj Agencies

Dr.					Cash B	ook					Cr.
Date	Particulars	L.F.	Discount	Cash	Bank	Date	Particulars	L.F.	Discount	Cash	Bank
			₹	₹	₹				₹	₹	₹
2022						2022					
Mar 1	To Balance b/d			30,000	1,20,000	Mar 2	By Bank	С		10,000	
Mar 2	To Cash	С			10,000	Mar 5	By Furniture				15,000
Mar 12	To Mohan		200	9,800		Mar 8	By Goods / Purchase			5,000	
Mar 14	To Sales			50,000		Mar 16	By Lata		500		14,500
Mar 19	To Cash	С			5,000	Mar 19	By Bank	С		5,000	
Mar 24	To Gupta		200	14,300		Mar 23	By Drawings				6,000
Mar 26	To Cash	С			14,300	Mar 26	By Bank	С		14,300	
Mar 28	To Bank	С		20,000		Mar 28	By Cash	С			20,000
						Mar 30	By Rent				8,000
						Mar 31	By Balance c/d			89,800	85,800
			400	1,24,100	1,49,300				500	1,24,100	1,49,300

(b) (i) Capitalization Method:

Total Capitalised Value of the firm

= AverageProfit ×100 NormalRate of Return = ₹ 6,50,000 X 100/20 = ₹ 32,50,000

Goodwill = Total Capitalised Value of Business - Capital Employed

= ₹ 32,50,000 – ₹ 26,00,000 [i.e., ₹ 14,00,000 (R) + ₹ 12,00,000 (S)]

Goodwill = ₹ 6,50,000

(ii) Super Profit Method:

Normal Profit = Capital Employed x Normal rate of return i.e. ₹ 26,00,000 x 20/100

= ₹ 5,20,000

Average Profit = ₹ 6,50,000

Super Profit = Average profit – Normal Profit

= ₹ 6,50,000 - ₹ 5,20,000 = ₹ 1,30,000

Goodwill = Super Profit x Number of years' purchase

= ₹ 1,30,000 x 6 = ₹ 7,80,000

FOUNDATION EXAMINATION: NOVEMBER, 2022

Balance Sheet of S as on 31st March, 2022

Liabilities		₹	Assets	₹
Capital	22,00,000		Cash at Bank	5,50,000
Add: Net Profit (WN.1)	<u>6,50,000</u>		Trade receivables (WN. 2)	12,61,000
	28,50,000		Vehicles (WN. 3)	2,70,000
Add: Introduction of capital	3,00,000		Furniture & Fixtures (WN. 4)	5,85,000
		31,50,000	Inventories	6,50,000
Outstanding commission		35,000	Prepaid expenses	15,000
Trade payables		1,46,000		
		33,31,000		33,31,000

Working Note 1

Profit and Loss Account (Revised)

Particulars	₹	Particulars	₹
To Outstanding Commission	35,000	By Balance b/d	6,70,000
To Net profit	6,50,000	By Prepaid expenses	15,000
	6,85,000		6,85,000

Working Note 2

Trade Receivables

Particulars	₹	Particulars	₹
To Balance b/d	13,00,000	By Provision for Doubtful Debts	39,000
		By Balance c/d (b/f)	12,61,000
	13,00,000		13,00,000

Working Note 3

Vehicles A/c

Particulars	₹	Particulars	₹
To Balance b/d	2,75,000	By Depreciation	55,000
To Bank a/c	50,000	By Balance c/d (b/f)	2,70,000
	3,25,000		3,25,000

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(c)

Working Note 4

Furniture & Fixtures A/c

Particulars	₹	Particulars	₹
To Balance b/d	6,50,000	By Depreciation	65,000
		By Balance c/d (b/f)	5,85,000
	6,50,000		6,50,000

Question 6

(a) PQR Limited issued 2,00,000 equity shares of, 10 each payable as ₹ 3 per share on application & ₹ 5 per share (including ₹ 2 as premium) on allotment and ₹ 4 per share on call. All these shares were subscribed. Money due on all shares was fully received except from Mr. J, holding 5,000 shares who failed to pay the allotment and call money and Mr. K, holding 10,000 shares, who failed to pay the call money. All these 15,000 shares were forfeited. Out of the forfeited shares, 10,000 shares (including whole of J's shares) were subsequently re-issued to Mr. L as fully paid up at a discount of ₹ 1 per share.

Pass necessary journal entries in the books of PQR Limited. Also prepare Balance Sheet and notes to accounts of the company. (15 Marks)

(b) "The cost of Property, Plant and Equipment comprises of any cost directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in a manner intended by the enterprise". Give any five examples of such 'directly attributable costs'.
 (5 Marks)

Answer

(a)

In the books of PQR. Ltd.

Journal

Entry no.	Particulars		₹	₹
1	Bank A/c To Equity Share Application A/c (Being application money on 2,00,000 shares @ ₹ 3 per share received)	Dr	6,00,000	6,00,000
2	Equity Share Application A/c To Equity Share Capital A/c (Being transfer of application money to Equity Share Capital on 2,00,000 shares @ ₹ 3 per share as per Director's Resolution no dated)	Dr	6,00,000	6,00,000

FOUNDATION EXAMINATION: NOVEMBER, 2022

3	Equity Share Allotment A/c To Equity Share Capital A/c To Securities Premium A/c (Being amount due from shareholders in respect of allotment on 2,00,000 shares @ ₹ 5 per share including premium ₹ 2 per share as per Director's Resolution nodated)	Dr	10,00,000	6,00,000 4,00,000
4	Bank A/c To Equity Share Allotment A/c (Being amount received against allotment on 1,95,000 shares @ ₹ 5 per share including premium @ ₹ 2 per share) OR	Dr	9,75,000	9,75,000
	Bank A/c Calls in Arrears A/c To Equity Share Allotment A/c (Being amount received against allotment on 2,00,000 share @ ₹ 5 per share including premium @ ₹ 2 per share, Mr. J holding 5,000 shares failed to pay allotment money)	Dr Dr	9,75,000 25,000	10,00,000
5	Equity Share Call A/c To Equity Share Capital A/c (Being amount due from shareholders in respect of call on 2,00,000 shares @ ₹ 4 per share as per Director's resolution nodated)	Dr	8,00,000	8,00,00
6	Bank A/c To Equity Share Call A/c (Being amount received against the call on 1,85,000 shares @ ₹ 4 per share)	Dr	7,40,000	7,40,000
	Bank A/c Calls in Arrears A/c To Equity Share Call A/c (Being amount received against the call on 1,85,000 shares @ ₹ 4 per share, J holding 5,000 shares and K holding 10,000 shares failed to pay call money)	Dr Dr	7,40,000 60,000	8,00,000

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7	Equity Share Capital A/c (15,000 x ₹ 10) Securities Premium A/c (5000 x ₹ 2) To Equity Share Allotment A/c (5000 x ₹ 5) To Equity Share Call A/c (15,000 x ₹ 4) To Forfeited Shares A/c (Being forfeiture of 15,000 equity shares for non- payment of allotment and call money on 5,000 shares and for non-payment of call money on 10,000 shares as per Board's Resolution Nodated)	Dr Dr	1,50,000 10,000	25,000 60,000 75,000
	OR Equity Share Capital A/c (15,000 x ₹ 10) Securities Premium A/c (5000 x ₹ 2) To Calls in Arrears A/c (₹ 25,000 + ₹ 60,000) To Forfeited Shares A/c (Being forfeiture of 15,000 equity shares for non- payment of allotment and call money on 5,000 shares and for non-payment of call money on 10,000 shares as per Board's Resolution Nodated)	Dr Dr	1,50,000 10,000	85,000 75,000
8	Bank A/c Forfeited Shares A/c To Equity Share Capital A/c (Being re-issue of 10,000 shares @ ₹ 9 each as per Board's Resolution Nodated)	Dr	90,000 10,000	1,00,000
9	Forfeited Shares A/c To Capital Reserve A/c (Being profit on re-issue transferred to Capital Reserve)	Dr	35,000	35,000

Balance Sheet of PQR as at.....

Particulars	Notes No.	₹
EQUITY AND LIABILITIES		
Shareholders' funds		
Share Capital	1	19,80,000
Reserves and Surplus	2	4,25,000
Total		24,05,000

FOUNDATION EXAMINATION: NOVEMBER, 2022

ASSETS		
Current assets		
Cash and Cash Equivalents	3	24,05,000
Total		24,05,000

Notes to accounts

		₹	₹
1.	Share Capital		
	Equity share capital		
	Issued share capital		
	2,00,000 Equity shares of ₹ 10 each	20,00,000	
	Subscribed, called up and paid up share capital		
	1,95,000 Equity shares of ₹ 10 each	19,50,000	
	Add: Forfeited shares	30,000	19,80,000
2.	Reserves and Surplus		
	Securities Premium	3,90,000	
	Capital Reserve	35,000	4,25,000
3.	Cash and Cash Equivalents		
	Amount received on Share Application	6,00,000	
	Amount Received on Share Allotment	9,75,000	
	Amount Received on Share Call	7,40,000	
	Amount Received on Re-issue of Shares	90,000	24,05,000

Working Note:

(1) Calculation of Amount to be Transferred to Capital Reserve

Amount forfeited per share of J	₹3	Amount forfeited per share of K	₹6
Less: Loss on re-issue per share	<u>(₹ 1)</u>	Less: Loss on re-issue per share	<u>(₹ 1)</u>
Surplus	₹2	Surplus	₹5
Transferred to Capital Reserve: J's share $(5,000 \times 7,2)$		₹ 10,000	
(5,000 X < 2)		7 05 000	
K's Share (5,000 x ₹ 5)		<u>₹ 25,000</u>	
Total		₹ 35,000	

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(2) Balance of Security Premium

Total Premium amount receivable on allotment	=	4,00,000
Less: Amount reversed on forfeiture	=	<u>(10,000)</u>
Balance remaining	=	<u>3,90,000</u>

(b) Cost of Property, Plant and Equipment comprise of any cost directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in a manner intended by the enterprise.

Examples of directly attributable costs are:

- (a) cost of employee benefits arising directly from acquisition or construction of an item of property, plant and equipment.
- (b) cost of site preparation
- (c) initial delivery and handling costs
- (d) installation and assembly costs
- (e) cost of testing whether the asset is functioning properly, after deducting the net proceeds from selling the items produced while testing (such as samples produced while testing)
- (f) professional fees e.g., engineers hired for helping in installation of a machine
- (g) transportation cost
- (h) trial run expenses

Thus, all the expenses which are necessary for asset to bring it in condition and location for desired use will become part of cost of the asset.

Question No. **1** is compulsory.

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

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

Working Notes should form part of the answer.

Question 1

- (a) State with reasons, whether the following statements are True or False:
 - (i) A claim that an enterprise is pursuing through legal process, where the outcome is uncertain, is a Contingent Liability.
 - (ii) At the end of the accounting year, all the nominal accounts of the ledger book are balanced.
 - (iii) The specific due date excludes the addition of grace days to arrive at the due date.
 - (iv) Any amount spent for replacement of worn out part of a machine is capital expenditure.
 - (v) Debentures Suspense Account appears on the Liability side of the Balance Sheet of a Company.
 - (vi) If the errors are detected after preparing trial balance, then all the errors are rectified through suspense account.
 (6 x 2 = 12 Marks)
- (b) Briefly explain the following Concepts of Accounting:
 - (i) Money Measurement Concept
 - (ii) Periodicity Concept.

(4 Marks)

(c) One of your clients Mr. X asked you to finalize his account for the year ended 31st March,2022. As a basis for audit, Mr. X furnished you with the following statement:

	Dr.	Cr.
X's Capital		4,668
X's Drawings	1,692	
Leasehold Premises	2,250	
Sales		8,250
Due from customers		1,590
Purchases	3,777	
Purchase Return	792	

Loan from Bank		768
Trade Expense	2,100	
Trade Payable	1,584	
Bills Payable	300	
Salaries and Wages	1,800	
Cash at Bank	678	
Opening Inventory		792
Rent and Rates	1,389	
Sales Return		294
	16,362	16,362

The closing inventory was ₹1,722. Mr. X claims that he has recorded every transaction correctly as the trial balance is tallied. Check the accuracy of the above trial balance and give reasons for the errors, if any. (4 Marks)

Answer

- (a) (i) **False:** A claim that an enterprise is pursuing through legal process, where the outcome is uncertain, is a contingent asset.
 - (ii) False: At the end of the accounting year, all the nominal accounts of the ledger book are totalled and transferred to Profit & Loss A/c.
 - (iii) **True:** Where the due date is specifically given, then there is no need of further addition of 3 days grace to it.
 - (iv) **False:** Amount spent for replacement of any worn- out part of a machine is revenue expense since it is part of its maintenance cost.
 - (v) False: Debentures Suspense Account appears on asset side of Balance Sheet under Non-Current Asset.
 - (vi) False: If the errors are detected after preparing trial balance, then all the errors are not rectified through suspense account. There may be Errors of Principle and/or Errors of Omission, which can be rectified without opening a suspense account.
- (b) Money Measurement concept: As per this concept, only those transactions, which can be measured in terms of money are recorded. Since money is the medium of exchange and the standard of economic value, this concept requires that those transactions alone that are capable of being measured in terms of money be only to be recorded in the books of accounts. Transactions and events that cannot be expressed in terms of money are not recorded in the business books.

Periodicity concept: According to this concept, accounts should be prepared after every period not at the end of the life of the entity. This is also called the concept of definite accounting period. Usually, this period is one accounting year. We generally follow from 1st April of a year to 31st March of the immediately following year.

Particulars	Dr Amount ₹	Cr Amount₹
Y'a Conital	BI: A mount (4 669
A S Capital		4,000
X's Drawings	1,692	
Leasehold premises	2,250	
Sales		8,250
Due from customers	1,590	
Purchases	3,777	
Purchases returns		792
Loan from Bank		768
Trade expenses	2,100	
Trade Payable		1,584
Bills payable		300
Salaries and Wages	1,800	
Cash at Bank	678	
Inventory (1.4.2021)	792	
Rent and rates	1,389	
Sales return	294	
	16,362	16,362

(c)

Corrected Trial Balance of Mr. X as on 31st March, 2022

Reasons:

- 1. Due from customers is an asset, so its balance will be a debit balance.
- 2. Purchases return account always shows a credit balance because assets goes out.
- 3. Trade Payable is a liability, so its balance will be a credit balance.
- 4. Bills payable is a liability, so its balance will be a credit balance.
- 5. Inventory (opening) represents assets, so it will have a debit balance.
- 6. Sales return account always shows a debit balance because assets come in.

Question 2

 (a) The Machinery Account of a Factory showed a balance of ₹ 95 Lakhs on 1st April,2020. The Books of Accounts

Depreciation is written off of the Factory are closed on 31^{st} March every year and (a) 10% per annum under the Diminishing Balance Method. On 1^{st} September, 2020 a new machine was acquired at a cost of ₹ 14 Lakhs and ₹ 44,600 was incurred on the same day as installation charges for erecting the machine. On 1^{st} September, 2020 a machine which had cost ₹ 21,87,000 on 1^{st} April, 2018 was sold for ₹ 3,75,000. Another machine which had cost ₹ 21,85,000 on 1^{st} April, 2019 was scrapped on 1^{st} September, 2020 and it realized nothing.

Prepare Machinery Account for the year ended 31st March,2021. Allow the same rate of depreciation as in the past and calculate depreciation to the nearest multiple of a rupee. Also show all the necessary working notes. (10 Marks)

(b) Zed Enterprises furnishes the following information for the year ended 31st March, 2021.

Particulars	Amount (₹)
Value of Stock as on 1st April,2020	28,00,000
Purchases during the year	1,38,40,000
Manufacturing Expenses during the year	28,00,000
Sales during the year	2,08,80,000

The following further information is also provided:

- (i) At the time of valuing stock on 31st March,2020 a sum of ₹ 2,40,000 was written off for a particular item which was originally purchased for ₹ 8,00,000. This item was sold during the year ended 31st March,2021 for ₹ 6,40,000.
- (ii) Except for the above transaction, the rate of gross profit during the year was 1/3rd on cost.

Ascertain the value of Stock as on 31st March, 2021. (5 Marks)

(c) From the following particulars, prepare a Bank Reconciliation Statement on 31st March 2021.

Particulars	Amount (₹)
Bank balance as per Pass Book	25,00,000
Bills discounted dishonored not recorded in Cash Book	12,50,000
Cheque received entered twice in Cash Book	25,000
Bank charges entered twice in Cash Book	5,000
Insurance premium paid directly by Bank under-standing instruction	1,50,000
Cheque issued but not presented to Bank for payment	12,50,000

Cheque received, but not sent to Bank	28,00,000
Cheque deposited in Bank, but no entry passed in the Cash Book	12,50,000
Credit side of the Bank column cast short	5,000

(5 Marks)

Answer

(a)

Plant and Machinery Account for the year ended 31st March,2021

		₹			₹
01-04-20	To Balance b/d	95,00,000	01-09-20	By Bank (Sales)	3,75,000
01-09-20	To Bank (14,00,000 + 44,600)	14,44,600		By Depreciation (on sold machine)	73,811
				By Loss on sale	13,22,659
				By Loss on scrapping the machine	18,84,562
				By Depreciation (on Scrapped machinery)	81,938
				By Depreciation (Note iii)	6,60,471
				By Balance c/d	65,46,159
		109,44,600			109,44,600

Working Note:

(i)	Calculation of loss on sale of machine on 01-09-2020	
		₹
	Cost on 1-4-2018	21,87,000
	Less: Depreciation @ 10% on ₹ 21,87,000	(2,18,700)
	W.D.V. on 31-03-2019	19,68,300
	Less: Depreciation @ 10% on ₹ 19,68,300	(1,96,830)
	W.D.V. on 31-03-2020	17,71,470
	Less: Depreciation @ 10% on ₹ 17,71,470 for 5	(73,811)
	months	
		16,97,659
	Less: Sale proceeds on 01-09-2020	(3,75,000)
	Loss	13,22,659

(ii)	Calculation of loss on scrapped machine		
	Cost on 1-4-2019		21,85,000
	Less: Depreciation @ 10% on ₹ 21,85,000		(2,18,500)
	W.D.V. on 31-3-2020		19,66,500
	Less: Depreciation @ 10% on ₹19,66,500 for 5 months		(81,938)
	Loss		18,84,562
(iii)	Depreciation		
	Balance of machinery account on 1-4-2020		95,00,000
	Less: W.D.V of machinery sold	17,71,470	
	W.D.V. of machinery scrapped	19,66,500	(37,37,970)
	Balance of other machinery after sale and scrap on 1-4-2020		57,62,030
	Depreciation @ 10% on ₹ 57,62,030 for 12 months		5,76,203
	Depreciation @ 10% on ₹ 14,44,600 for 7 months		84,268
			6,60,471

Note: The figures are rounded off to nearest rupee.

(b)

Statement of Valuation of Stock as on 31st March, 2021

		₹
Value of stock as on 1st April, 2020		28,00,000
Add: Purchases during the year		1,38,40,000
Add: Manufacturing expenses during the above period		28,00,000
		1,94,40,000
Less: Cost of sales during the period:		
Sales	2,08,80,000	
Less: Gross profit	51,40,000	1,57,40,000
Value of stock as on 31.3.2021		37,00,000

Working Note:

	₹
Calculation of gross profit:	
Gross profit on normal sales 25/100 x (2,08,80,000 -6,40,000)	50,60,000
Gross profit on the particular (abnormal) item 6,40,000 - (8,00,000 - 2,40,000)	80,000
	51,40,000

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The value of closing stock on 31st March, 2021 may, alternatively, be found out by preparing Trading Account for the year ended 31st March, 2021.

Alternatively the solution can be presented in the following manner:

Tradium account for the year anded 24st March 2004	C
Trading account for the year ended 31% march, 2021	G

	Normal	Abnormal	Total		Normal	Abnormal	Total
To Opening	22,40,000	5,60,000	28,00,000	By Sales	2,02,40,000	6,40,000	2,08,80,000
Stock	13,8,40,000	0	1,38,40,000	By Closing	37,00,000	0	37,00,000
To Purchases	28,00,000	0	28,00,000	Stock			
To Manufacturing Expenses	50,60,000	80,000	51,40,000				
To Gross Profit							
(Working Note)*							
Total	2,39,40,000	6,40,000	2,45,80,000		2,39,40,000	6,40,000	2,45,80,000

Dr

Bank Reconciliation Statement as on 31st March,2021

	₹	₹
Bank balance as per Pass book		25,00,000
Add: Bills dishonoured not recorded in the cash book	12,50,000	
Cheque received entered twice in the cash book	25,000	
Insurance premium paid directly not recorded in the cash book	1,50,000	
Cheque received but not sent to the bank	28,00,000	
Credit side of the bank column cast short	5,000	42,30,000
		67,30,000
Less: Cheque deposited into the bank but no entry was passed in the cash book	12,50,000	
Bank charges recorded twice in the cash book	5,000	
Cheque issued but not presented to the bank	12,50,000	(25,05,000)
Bank balance as per Cash book		42,25,000

Question 3

(a) M of Mumbai sent on consignment, goods valued ₹ 4,00,000 to A of Agra on 1st March,2020. He incurred the expenditure of ₹48,000 on freight and insurance. M's accounting year closes on 31st December. A was entitled to a commission of 5% on gross sales plus a del-credere commission of 3%. A took delivery of the consignment by incurring expenses of ₹ 12,000 for the goods consigned.

On 31/12/2020. A informed on phone that he had sold all the goods for $\notin 6.00.000$ by incurring selling expenses of ₹8,000. He further informed that only ₹5,92,000 had been realized and rest was considered irrecoverable, and would be sending the cheque in a day or so for the amount due along with the accounts sale.

On 5/1/2021, M received the cheque for the amount due from A and incurred bank charges of ₹1,040 for collecting the cheque. The amount was credited by the bank on 9/1/2021.

Write up the consignment account finding out the profit/loss on the consignment and A's account in the books of M. (10 Marks)

(b) P sends out goods on approval to few customers and includes the same in the Sales Account. On 31.3.2021, the Trade receivables balance stood at ₹3.00.000 which included ₹21,000 goods sent on approval against which no intimation was received during the year. These goods were sent out at 25% over and above cost price and were sent to Mr. A ₹12,000 and Mr. B ₹9,000.

Mr. A sent intimation of acceptance on 30th April and Mr. B returned the goods on 10th April, 2021.

Make the adjustment entries and show how these items will appear in the Balance Sheet on 31st March, 2021. Also show the entries to be made during April, 2021. Value of closing inventories as on 31st March,2021 was ₹1,80,000. (5 Marks)

- Date Particulars Amount (₹) 15/7/2021 Balance due from Mr. K 6.000 10,000 20/8/2021 Sold goods to Mr. K 25/8/2021 1.600 Goods returned by Mr. K 6,400 15/9/2021 Cheque paid by Mr. K 20/10/2021 Cash received from Mr. K 4.000
- Attempt any ONE of the following two sub-parts i.e. either (i) or (ii): (c) The following particulars are sent by Mr. A to Mr. K:

Prepare an Account Current as sent by Mr. A to Mr. K as on 31st October, 2021 by means of product method charging interest @ 8% per annum. Round off the amounts to the nearest rupee. (5 Marks)

(ii) Mr. X gives the following particulars in respect of business carried on by him:

Particulars	Amount (₹)
Capital Invested in business	9,00,000
Market rate of interest on investment	8%
Rate of risk return on capital invested in business	3%

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(i)

Remuneration per annum from alternative employment of 36,000 proprietor if he was not engaged in business

The business earned profits of ₹2,40,000, ₹2,16,000 and ₹3,00,000 in the years 2018, 2019 and 2021 respectively but made a loss of ₹36,000 in the year 2020.

Compute the value of Goodwill on the basis of 6 years' purchase of super profits of the business, calculated on the basis of average profit of last four years. (5 Marks)

Answer

(a)

2020		₹	2020		₹
March 1	To Goods sent on consignment A/c	4,00,000	Dec. 31	By A's A/cs	6,00,000
	To Cash A/c (freight and insurance)	48,000			
Dec. 31	To A's A/c:				
	Clearance expenses 12,000				
	Selling expenses 8,000				
	Commission				
	@ 5% on ₹ 6,00,000 = 30,000				
	Del-credere commission @ 3%				
	on ₹ 6,00,000 = <u>18,000</u>	68,000			
Dec. 31	To Provision for expenses (bank charges)	1,040			
	To Profit and loss A/c (profit on consignment)	82,960			
		6,00,000			6,00,000

In the books of Mr. M Consignment to Agra Account

A's Account

2020		₹	2020			₹
Dec. 31	To Consignment A/c	6,00,000	Dec. 31	Dec. By Consignment A/c- 31		
				Clearance expenses	12,000	
				Selling expenses	8,000	
				Commission	30,000	
			Del-credere commission		<u>18,000</u>	68,000
				By Balance c/d		5,32,000
		6,00,000				6,00,000

In the Books of P

Journal Entries

Date	Particulars		L.F.	₹	₹
2021	Sales A/c	Dr.		21,000	
Mar, 31	To Trade receivables A/c*				21,000
	(Being the cancellation of original entry for sale in respect of goods lying with customers awaiting approval)				
	*To Mr. A ₹ 12,000 and To Mr. B ₹ 9,000 can be given				
Mar,31	Inventories with Customers on Sale or Return A/c	Dr.		16,800	
	To Trading A/c				16,800
	(Being the adjustment for cost of goods lying with customers awaiting approval)				
April,30	Trade receivables A/c or Mr. A A/c	Dr.		12,000	
	To Sales A/c				12,000
	(Being goods costing ₹ 9,600 sent to Mr. A on sale or return basis has been accepted by him)				

Balance Sheet of P as on 31st March, 2021 (Extracts)

Assets	₹	₹
Trade receivables (₹3,00,000 - ₹ 21,000)		2,79,000
Inventories-in-trade	1,80,000	
Add: Inventories with customers on Sale or Return	16,800	1,96,800
100/125 x ₹ 21,000 = ₹ 16,800		
		4,75,800

(c) (i)

K in Account Current with A

(Interest to 31st October 2021, @ 8% p.a.)

Date	Particulars	Amount	Days	Products	Date	Particulars	Amount	Days	Products
2021		₹			2021		₹		
15.7.21	To Balance	6,000	109	6,54,000	25.8.21	By Sales	1,600	67	1,07,200
	b/d					Returns			
20.8.21	To Sales	10,000	72	7,20,000	15.9.21	By Bank	6,400	46	2,94,400
	A/c					A/c			

(b)

31.10.21	To Interest	203	-	-	20.10.21	By Cash	4,000	11	44,000
	A/c					A/c			
					31.10.21	By Balance	-	-	9,28,400
						of products			
						By Balance	4,203	-	-
						c/d			
		16,203		13,74,000			16,203		13,74,000

Calculation of interest:

Interest =
$$\frac{9,28,400}{365} \times \frac{8}{100} = ₹ 203$$

OR

(ii) Computation of Goodwill of Mr. X

Average maintainable profits:		₹
Trading profit during	2018	2,40,000
	2019	2,16,000
	2021	3,00,000
		7,56,000
Less: Loss during	2020	(36,000)
Total		7,20,000
Average Profits (₹ 7,20,000 / 4)		1,80,000
Less: Remuneration for the proprietor		(36,000)
Average maintainable Profit		1,44,000
Less: Normal Profit (11% on capital employed of		(99,000)
₹ 9,00,000)		
Super Profit		45,000
Goodwill at 6 year's purchase of Super Profit		2,70,000

Alternative:

₹

Total profit (` 2,40,000 + ₹ 2,16,000 + ₹ 3,00,000 - ₹ 36,000)	=	₹ 7,20,000
Normal Profit (11% on capital employed of ₹ 9,00,000)	=	(99,000)
Remuneration for the proprietor	=	(36,000)
		(1,35,000)
Average Profits (₹ 7,20,000 / 4)		1,80,000
Super Profit		45,000
Goodwill at 6 year's purchase of Super Profit	=	2,70,000

Question 4

(a) The following is the Receipts and Payments Account of Mumbai Club for the year ended March 31, 2021:

Receipts	Amount (₹)	Payments	Amount (₹)
Cash in hand	20,000	Ground man's Fee	75,000
Balance at Bank as per Pass Book:		Purchase of Equipment's	1,55,000
Saving Account	1,93,000	Rent of Ground	25,000
Current Account	60,000	Club night expenses	38,000
Bank Interest	5,000	Printing and Office Expenses	30,000
Donations and Subscriptions	2,50,000	Repairs to Equipment	50,000
Entrance fees	18,000	Honorarium to Secretary (2019-20)	40,000
Contribution to Club night	10,000	Balance at Bank as per Pass Book:	
Sale of Equipment	8,000	Saving Account	2,04,000
Bar Room receipts	20,000	Current Account	20,000
Proceeds from club night	<u>78,000</u>	Cash in hand	<u>25,000</u>
	6,62,000		6,62,000

Receipt and Payment Account of Mumbai Club

You are given the following additional information (All figures are in ₹)

	01.04.20	31.03.21
Subscription due	15,000	10,000
Amount due for printing etc.	10,000	8,000
Cheques unpresented being payment for repairs	30,000	25,000
Interest not yet entered in the Pass book	-	2,000
Estimated value of machinery and equipment	80,000	1,75,000

For the year ended March 31, 2021, the honorarium to the Secretary is to be increased by a total of \gtrless 20,000 and Ground man is to receive a bonus of \gtrless 20,000. Prepare the Income and Expenditure Account for period ended 31st March,2021 and the Balance Sheet as at that date. (10 Marks)

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(b) X, Y and Z are partners sharing profits and losses in the ratio of 1:2:3. Their Balance Sheet as on 31st March,2021 was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Capitals:		Building	2,50,000
X	1,75,000	Machinery	3,37,500
Y	2,50,000	Debtors	3,25,000
Z	4,00,000	Stock	4,00,000
General Reserve	3,00,000	Bank	62,500
Trade Creditors	2,50;000		
Total	13,75,000	Total	13,75,000

Z retired from business on 1st April,2021 on the following terms:

- (i) Building to be appreciated by 25%.
- (ii) X and Y to bring in additional capital of \mathbf{z} 5,00,000 each.
- (iii) Machinery to be depreciated by 10%.
- (iv) Stock is revalued at ₹3,72,250.
- (v) Provision for Doubtful Debts to be created at 4%.
- (vi) Goodwill was to be valued at 3 years' purchase of average profits of past 3 years. The profits of past 3 years were ₹2,75,000, ₹2,50,000 and ₹1,95,000 respectively.
- (vii) Goodwill was not to be raised in the Books of Accounts.
- (viii) Balance payable to Z was to be paid immediately.

Prepare Revaluation Account, Bank Account and Partners' Capital Accounts after giving effect to Z's retirement, Also show the valuation of Goodwill and pass a Journal Entry for adjustment of Goodwill. (10 Marks)

Answer

Income and Expenditure Account of Mumbai Club

for the year ending 31st March, 2021

Expenditure		₹	Income	₹
To Groundsman's fee		75,000	By Donations and Subscription (W.N.2)	2,45,000
To Rent of Ground		25,000		
To Club nighť Expenses	38,000		By Receipts from bar room	20,000
Less: Contribution	(10,000)	28,000*		

⁽a)

To Printing & Office Expenses (W.N. 3)	2	28,000	By Proceeds of club night	78,000*
To Repairs to Equipment (W.N.4)	4	5,000	By Interest (5,000+2,000)	7,000
To Depreciation on Machinery (W.N. 5)	5	52,000		
To Honorarium to Secretary	6	60,000		
To Bonus to Groundsman	2	20,000		
To Excess of Income over				
Expenditure	1	7,000		
	3,5	50,000		3,50,000

* Alternatively, the profits from club night can be shown as the net amount of ₹ 50,000 (₹ 78,000 - ₹ 28,000) on the credit side of Income and Expenditure Account.

Balance Sheet of Mumbai Club as on 31st March,2021

Liabilities		₹	Assets	₹
Outstanding Expenses:				
Groundsman Bonus		20,000	Cash in hand	25,000
Printing		8,000	Cash in Saving A/c	2,04,000
Honorarium (40,000+20,000)		60,000	Subscription Receivable	10,000
Bank Overdraft (25,000-20,000)		5,000	Interest Due	2,000
Capital Fund: Opening	2,88,000		Machinery & Equipment's	1,75,000
Add: Surplus for the year	17,000			
Add: Entrance Fees	18,000	3,23,000		
		4,16,000		4,16,000

Balance Sheet as on 1st April,2020

Liabilities	₹	Assets	₹
Outstanding Expenses		Cash in hand	20,000
Printing	10,000	Cash in Saving A/c	1,93,000

Honorarium to Secretary	40,000	Cash in Current A/c	30,000
Capital Fullu (Dalancing Figure)	2,00,000	Subscription Receivable	15 000
		Machinery & Equipment's	13,000
			80,000
	3,38,000		3,38,000
Calculation of Donations and Su	bscriptions		₹
Donations and Subscriptions as p	er Receipt	and Payments A/c	2,50,000
Add: Outstanding as on 31.03.21			10,000
Less: Outstanding as on 01.04.20)		15,000
			2,45,000
Printing and Office Expenses			₹
Printing and Office Expenses as p	per Receipt	and Payments A/c	30,000
Add: Outstanding as on 31.03.21			8,000
Less: Outstanding as on 01.04.20)		10,000
			28,000
Repairs to Equipment			₹
Repairs as per Receipt and Paym	ents A/c		50,000
Add: Outstanding as on 31.03.21			25,000
Less: Outstanding as on 01.04.20)		30,000
			45,000
Depreciation on Machinery and e	equipment		₹
Balance as on 01.04.20			80,000
Add: Purchases during the year			1,55,000
Less: Sale of Equipment			8,000
Less: Balance as on 31.03.21			1,75,000
			52 000

Revaluation A/c

Particulars	₹	Particulars	₹
To Provision for Doubtful Debts	13,000	By Building	62,500

To Machinery	33,750	By Loss on		
To Stock	27,750	X 2,000		
		Y 4,000		
		Z	6,000	12,000
	74,500			74,500

Partners' Capital A/c

Particulars	Х	Y	Z	Particulars	Х	Y	Z
To Loss on Revaluation	2,000	4,000	6,000	By Balance b/d	1,75,000	2,50,000	4,00,000
To Bank	-	-	9,04,000	By General Reserve	50,000	1,00,000	1,50,000
To Z's Capital	1,20,000	2,40,000	-	By X and Y's Capital	-	-	3,60,000
To Balance c/d	6,03,000	6,06,000	-	By Bank	5,00,000	5,00,000	-
	7,25,000	8,50,000	9,10,000		7,25,000	8,50,000	9,10,000

Bank A/c

Particulars	₹	Particulars	₹
To Balance b/d	62,500	By Z's Capital	9,04,000
To X's Capital	5,00,000	By Balance c/d	1,58,500
To Y's Capital	5,00,000		
	10,62,500		10,62,500

Valuation of Goodwill:

Total Profit of past 3 years	= ₹ 2,75,0	000 + ₹ 2,50,000 + ₹ 1,95,000 = ₹ 7,20,000
Average profit	=	₹ 7,20,000 / 3 = ₹ 2,40,000
Goodwill (3 years purchase)	=	₹ 2,40,000 x 3 = ₹ 7,20,000
Z's share = (3/6)th	=	₹ 7,20,000 X 1/2 = ₹ 3,60,000
Journal entry for adjustmer	nt of goodw	vill
X's capital A/c	Dr.	1,20,000
Y's capital A/c	Dr.	2,40,000
To Z's capital A/c		3,60,000

(Being Goodwill adjusted through Partners Capital account as per gaining ratio)

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Question 5

The following is the trial balance of M	r. B for the year ended 31 st March,2021:
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Particulars	Dr.	Particulars	Cr.
Opening Stock:		Sundry Creditors	1,75,000
Raw Material	5,25,000	Purchase Return	17,500
Finished Goods	2,62,500	Capital	3,50,000
Purchase of Raw Material	17,50,000	Bills Payable	84,000
Land & Building	3,50,000	Long Term Loan	7,00,000
Loose Tools	1,05,000	Provision for bad	
Plant and Machinery	1,05,000	and doubtful debts	7,000
Investments	87,500	Sales	29,75,000
Cash in Hand	70,000	Bank Overdraft	80,500
Cash at Bank	17,500		
Furniture and Fixtures	52,500		
Bills Receivables	52,500		
Sundry Debtors	1,40,000		
Drawings	70,000		
Salaries	70,000		
Coal and Fuel	52,500		
Factory rent and rates	70,000		
General Expenses	14,000		
Advertisement	17,500		
Sales Return	35,000		
Bad Debts	14,000		
Direct Wages (Factory)	2,80,000		
Power	1,05,000		
Interest paid	24,500		
Discount allowed	10,500		
Carriage inwards	52,500		
Carriage outwards	24,500		
Commission paid	17,500		
Dividend paid	14,000		
	43,89,000		43,89,000

Additional Information:

- (i) Stock of finished goods at the end of the year was ₹3,50,000.
- (ii) A provision for doubtful debts is to be created @ 5% on Sundry Debtors. Provide Depreciation on building 3,500 and Plant and Machinery 10,500.
- (iii) Accrued commission is 43,750. Interest has accrued on investment ₹52,500.
- (iv Salary Outstanding is ₹7,000 and Prepaid Interest is ₹5,250.

You are required to prepare Manufacturing, Trading and Profit & Loss Account for the year ended 31st March,2021 and Balance Sheet as at that date. (20 Marks)

Answer

In the books of Mr. B

Manufacturing Account for the year ended 31st March, 2021

Particulars		₹	Particulars	₹
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		
		28,28,000		28,28,000

Trading Account for the year ended 31st March, 2021

Particulars	₹	Particulars		₹
To Opening Stock of finished goods	2,62,500	By Sales	29,75,000	
To Cost of goods transferred	28 28 000	Less: Sales Return	35,000	29,40,000
from Manufacturing A/c	20,20,000	By Closing Stock		3,50,000
To Gross Profit c/d	1,99,500			
	32,90,000			32,90,000

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Particulars		₹	Particulars	₹
To Carriage Outward		24,500	By Gross Profit b/d	1,99,500
To Discount Allowed		10,500	By Accrued Commission*	43,750
To Commission Paid		17,500	By Accrued Interest	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		
		2,95,750		2,95,750

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

*Alternatively Accrued Commission may be treated as Expenses, in that case total Commission will be ₹ 61,250 (₹17,500 + ₹43,750) and Net Loss will be ₹ 3,500.

Balance Sheet as on 31 ^s	st March	, 2021
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Capital and Liabilities		₹	Assets		₹
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
14,10,500			14,10,500

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

Question 6

(a) A Limited issued 20,000 Equity shares of, 10 each at a premium of 10%, payable ₹ 2 on application; ₹ 4 on allotment (including premium); ₹ 2 on first call and balance on the final call. All the shares were fully subscribed. Mr. M who held 2000 shares paid full remaining amount on first call itself. The final call which was made after 4 months from the first call was fully paid except a shareholder having 200 shares and one another shareholder having 100 shares. They paid their due amount after 3 months and 4 months respectively along with interest on calls in arrears, Company also paid interest on calls in advance to Mr. M. The Company maintains Calls in Arrear and Calls in Advance A/c. Give journal entries to record these transactions. Show workings of Interest calculation. (Ignore dates).

(15 Marks)

(b) What is petty cash book? Write it's any two advantages. (5 Marks)

(a)

Entry No.	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c	Dr.		40,000	
1	To Equity Share Application A/c				40,000
	(Money received on applications for 20,000 shares @ ₹ 2 per share)				
	Equity Share Application A/c	Dr.		40,000	

2	To Equity Share Capital A/c			40,000
	(Transfer of application money on 20,000 shares to share capital)			
	Equity Share Allotment A/c	Dr.	80,000	
3	To Equity Share Capital A/c To Securities Premium A/c			60,000 20,000
	(Amount due on the allotment of 20,000 shares @ ₹ 3 per share and Securities Premium @ ₹1 per share)			
	Bank A/c	Dr.	80,000	
4	To Equity Share Allotment A/c			80,000
	(Allotment money received)			
	Equity Share First Call A/c	Dr.	40,000	
5	To Equity Share Capital A/c			40,000
	(Being first call made due on 20,000 shares at ₹ 2 per share)			
	Bank A/c	Dr.	46,000	
6	To Equity Share First Call A/c			40,000
	To Calls in Advance A/c			6,000
	(Being first call money received along with calls in advance on 2,000 shares at ₹ 3 per share)			
	Equity Share Final Call A/c	Dr.	60,000	
7	To Equity Share Capital A/c			60,000
	(Being final call made due on 20,000 shares at ₹ 3 each)			
	Bank A/c	Dr.	53,100	
	Calls in Advance A/c	Dr.	6,000	
8	Calls in Arrears A/c	Dr.	900	
	To Equity Share Final Call A/c			60,000
	(Being final call received for 17,700 shares, calls in advance for 2,000 shares and calls in arrears on 300 shares adjusted)			
	Interest on Calls in Advance A/c	Dr.	240	
9	To Shareholders A/c			240

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	(Being interest made due on calls in advance of ₹6,000 at the rate of 12% p.a.)			
	Shareholders A/c	Dr.	240	
10	To Bank A/c			240
	(Being payment of interest made to shareholder)			
	Shareholders A/c	Dr.	15	
11	To Interest on Calls in Arrears A/c			15
	(Being interest on calls in arrears made due at the rate of 10%)			
	Bank A/c	Dr.	615	
12	To Calls in Arrears A/c			600
	To Shareholders A/c			15
	(Being money received from shareholder having 200 shares for calls in arrears and interest thereupon)			
13	Shareholders A/c	Dr.	10	
	To Interest on Calls in Arrears A/c			10
	(Being interest on calls in arrears made due at the rate of 10%)			
14	Bank A/c	Dr.	310	
	To Calls in Arrears A/c			300
	To Shareholders A/c			10
	(Being money received from shareholder having 100 share for calls in arrears and interest thereupon)			

Calculation of Interest on Calls in Advance & Calls in Arrears:

Interest on Calls in Advance = ₹ 6,000 x 12% x 4 / 12 = ₹ 240

Interest on Calls in Arrears ₹ 600 x 10% x 3 / 12 = ₹ 15

Interest on Calls in Arrears ₹ 300 x 10% x 4 / 12 = ₹ 10

Table F of The Companies Act,2013 prescribes 10% and 12% p.a. as the maximum rates respectively for calls in arrears and calls in advance. Accordingly these rates have been considered while passing the above entries,

Note: For entry no 9&10, 11&12,13&14 combined entry can also be passed.

- (b) In a business house a number of small payments, such as for taxi fare, cartage, etc., have to be made. If all these payments are recorded in the cash book, it will become unnecessarily heavy. Also, the main cashier will be overburdened with work.
 - Therefore, it is usual for firms to appoint a person as 'Petty Cashier' and to entrust the task of making small payments. of-course he will be reimbursed for the payments made.
 - Later, on an analysis, the respective account may be debited.
 - Imprest system of petty cash is followed, under this system a fixed sum of money is given to petty cashier for meeting expenses for a prescribed period.

Advantages of Petty cash book are:

- (i) Saving of time of the chief cashier
- (ii) Saving in labour in writing up the cash book and posting into the ledger
- (iii) Control over small payments

Question No. 1 is compulsory.

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

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

Question 1

- (a) State with reasons, whether the following statements are True or False:
 - (i) Any amount spent to minimize the working expenses is revenue expenditure.
 - (ii) Expenses incurred on the repairs for the first time on purchase of an old building are capital expenditure.
 - (iii) The provision for bad debts is debited to sundry debtors account.
 - (iv) Non-participating preference shareholders enjoy voting rights.
 - (v) There is no entry passed by the consignee in his books for the remaining stock of goods lying with him.
 - (vi) Discount column of the cash book is never balanced. (6 x 2 = 12 Marks)
- (b) The following are the details of the spare parts of an Oil Mill:

1-1-2021	Opening Inventory	Nil
1-1-2021,	Purchases	10 units @ ₹300 per unit
15-1-2021	Issued for consumption	5 units
1-2-2021	Purchases	20 units @ ₹400 per unit
15-2-2021	Issued for consumption	10 units
20-2-2021	Issued for consumption	10 units

Find out the value of Inventory as on 31.3.2021, if the company follows Weighted Average Method. (4 Marks)

- (c) Explain the followings:
 - (i) Accrual Basis of Accounting
 - (ii) Amortisation
 - (iii) Contingent Assets
 - (iv) Contingent Liabilities

(4 Marks)

2 FOUNDATION EXAMINATION: DECEMBER, 2021

Answer

- (a) (i) False: It may be reasonably presumed that money spent for reducing revenue expenditure would have generated long-term benefits to the entity. So this is capital expenditure.
 - (ii) **True**: Repairs for the first time of an old building are incurred to put the building in usable condition. This is a part of the cost of building. Accordingly, this is a capital expenditure.
 - (iii) False: The provision for bad debts is debited to Profit and loss Account, in Balance Sheet it is shown either on liability side or deducted from the head debtors.
 - (iv) False: A share on which only a fixed rate of dividend is paid every year, without any accompanying additional rights in profits and in the surplus on winding-up, is called 'Non-participating Preference Shares. Non-participating preference shareholders do not enjoy voting rights.
 - (v) **True**: It is the consignor who has to record the closing stock of the consigned goods since he is the owner of the goods. There is no entry passed in the books of the consignee.
 - (vi) True: Discount column is totalled and transferred to the discount allowed or received account.

(b)

Oil Mill

		Receipts			Issues			Balanc	e
Date	Units	Rate	Amount	Unit	Rate	Amoun	Units	Rate	Amount
				S		t			
		₹	₹		₹	₹		₹	₹
1-1-2021	Balance							Nil	
1-1-2021	10	300	3,000				10	300	3,000
15-1-2021				5	300	1,500	5	300	1,500
1-2-2021	20	400	8,000				25	380	9,500
15-2-2021				10	380	3,800	15	380	5,700
20-2-2021				10	380	3,800	5	380	1,900

Calculation of the value of Inventory as on 31-3-2021

Therefore, the value of Inventory as on 31-3-2021 = 5 units @ ₹380 = ₹1,900

(c) 1. Accrual Basis of Accounting

The method of recording transactions by which revenues, costs, assets and liabilities are reflected in the accounts in the period in which they accrue.

2. Amortisation

The gradual and systematic writing off of an asset or an account over an appropriate period.

3. Contingent Asset

An asset the existence, ownership or value of which may be known or determined only on the occurrence or non-occurrence of one or more uncertain future events.

4. Contingent Liability

An obligation relating to an existing condition or situation which may arise in future depending on the occurrence or non-occurrence of one or more uncertain future events.

Question 2

(a) From the following information, draw up a Trial Balance in the books of Shri M as on 31st March, 2021:

Particulars	Amount (₹)	Particulars	Amount (₹)
Capital	1,40,000	Purchases	36,000
Discount Allowed	1,200	Carriage Inward	8,700
Carriage Outwards	2,300	Sales	60,000
Return Inward	300	Return Outwards	700
Rent and Taxes	1,200	Plant and Machinery	80,700
Stock on 1 st April 2020	15,500	Sundry Debtors	20,200
Sundry Creditors	12,000	Investments	3,600
Commission Received	1,800	Cash in Hand	100
Cash at bank	10,100	Motor Cycle	34,600
Stock on 31 st March, 2021	20,500		

(5 Marks)

(b) On 1st January, 2019 Kohinoor Transport Company purchased a Bus for ₹ 8,00,000. On 1st July, 2020 this bus was damaged due to fire and was completely destroyed and ₹ 6,00,000 were received by a cheque from the Insurance Company in full settlement on 1st October, 2020. On 1st July, 2020 another Bus was purchased by the company for ₹ 10,00,000.

The Company charges Depreciation @ 20% per annum under the WDV Method. Calculate the amount of depreciation for the year ended 31st March, 2021 and gain or loss on the destroyed Bus. (5 Marks)

4 FOUNDATION EXAMINATION: DECEMBER, 2021

- (c) According to the cash-book of G there was balance of ₹ 4,45,000 in his bank on 30th June, 2021 On investigation you find that :
 - (i) Cheques amounting to 60,000 issued to creditors have not been presented for payment till the date
 - (ii) Cheques paid into bank amounting to 1,10,500 out of which cheques amounting to ₹ 55,000 only collected by bank up to 30th June 2021
 - (iii) A dividend of ₹ 4,000 and rent amounting to 60,000 received by the bank and entered in the pass-book but not recorded in the cash book.
 - (iv) Insurance premium (up to 31st December, 2020) paid by the bank ₹ 2,700 not entered in the cash book.
 - (v) The payment side of the cash book had been under cast by ₹500
 - (vi) Bank charges ₹150 shown in the pass book had not been entered in the cash book.
 - (vii) A bill payable of ₹ 20,000 had been paid by the bank but was not entered in the cash book and bill receivable for ₹ 6,000 had been discounted with the bank at a cost of ₹ 100 which had also not been recorded in cash book.

You are required:

- (1) To make the appropriate adjustments in the cash book, and
- (2) To prepare a statement reconciling it with the bank pass book. (10 Marks)

Answer

(a)

Particulars	Dr. Amount ₹	Cr. Amount ₹
Capital		1,40,000
Purchases	36,000	
Discount Allowed	1,200	
Carriage Inward	8,700	
Carriage Outwards	2,300	
Sales		60,000
Return Inward	300	
Return Outwards		700
Rent and taxes	1,200	
Plant and Machinery	80,700	

Trial Balance of Shri. M as on 31st March, 2021

Stock on 1 st April,2020	15,500	
Sundry Debtors	20,200	
Sundry Creditors		12,000
Investments	3,600	
Commission Received		1,800
Cash in Hand	100	
Cash at Bank	10,100	
Motor Cycle	34,600	
	2,14,500	2,14,500

Note : Stock as on 31st March,2021 will not appear in trail balance.

(b) Calculation of Gain/Loss on Bus damaged by Fire

Particulars	₹
Original cost as on 1.1.2019	8,00,000
Less: Depreciation for 2018-19 (3 months)	(40,000)
WDV as on 31 st March,2019	7,60,000
Less: Depreciation for 2019-20	(1,52,000)
WDV as on 31 st March,2020	6,08,000
Less: Depreciation for 2020-21 (3 months)	(30,400)
WDV as on 1 st July,2020	5,77,600
Less: Amount received from Insurance company	(6,00,000)
Gain on Bus damaged by Fire	22,400

Calculation of depreciation for the year ended 31st March,2021

	Machine I damaged on 1 st July,2020 (8,00,000) .₹	Machine II Purchased on 1 st July,2020 (10,00,000) ₹
Book value as on 1 st April,2020 Purchased on 1 st July,2020 Depreciation @20% Machines	6,08,000 30,400 (for 3 months)	10,00,000 1,50,000 (for 9 months)

Total depreciation ₹ 1,80,400

In the Books of G

Cash Book (Bank Column)

Receipts	₹	Payments	₹
To Balance b/d	4,45,000	By Insurance premium A/c	2,700
To Dividend A/c	4,000	By Correction of errors	500
To Rent A/c	60,000	By Bank charges	150
To Bill receivable A/c	5,900	By Bill payable	20,000
		By Balance c/d	4,91,550
	5,14,900		5,14,900

Bank Reconciliation Statement as on 30th June, 2021

	₹
Adjusted balance as per cash book	4,91,550
Add: Cheques issued but not presented for payment till 30th June, 2021	60,000
Less: Cheques paid into bank for collection but not collected till 30th June, 2021	(55,500)
Balance as per pass book	4,96,050

Question 3

(a) On 12th May, 2020 A sold goods to B for 36,470 and drew upon the later two bills one for ₹ 16,470 at one month and the other for ₹ 20,000 at three months. B accepted both the bills.

On 5th June, 2020 A sent both the bills to his banker for collection on the due dates. The first bill was duly met. But due to some temporary financial difficulties, B failed to honour the second bill on the due date and the bank had to pay $\gtrless 20$ as noting charges.

However, on 16th August, 2020 it was agreed between A and B that B would immediately pay \gtrless 8,020 in cash and accept a new bill at 3 months for \gtrless 12,480 which included interest for postponement of the part payment of the dishonoured bill. A immediately sent new acceptance to its bank for collection on the due date. On 1st October,2020 B approached A offering \gtrless 12,240 for retirement of his acceptance A accepted the request.

You are required to pass journal entries of all the above transactions in the books of A.

(10 Marks)

6

(c)
(b) Mr. Grow and Mr. Green had the following mutual dealings. They desired to settle their account on the average due date:

Purchases by Grow from Green:	₹
6 th January, 2021	60,000
2 nd February, 2021	28,000
31 st March, 2021	20,000
Sales by Grow to Green:	
6 th January, 2021	66,000
9 th March, 2021	24,000
20 th March, 2021	5,000

You are asked to ascertain the average due date taking base date as 6th January 2021.

(5 Marks)

- (c) Attempt any ONE of the following two sub-parts i.e. either (i) or (ii):
 - (i) From the following details, prepare an account current, as sent by A to B on 30th June, 2021 by means of products method charging interest @ 6% p.a:

2021	Particulars	Rs.
January 1	Balance due from B	600
January 11	Sold due from B	520
January 18	B returned goods	125
February 11	B paid by cheque	400
February 14	B accepted a bill drawn by A for one month	300
April 29	Goods sold to B	615
May 15	Received cash from B	700

(ii) A, B and C are partners in a firm. On 1st April 2019 their fixed capital stood at ₹50,000, ₹25,000 and ₹25,000 respectively.

As per the provision of partnership deed:

- (1) C was entitled for a salary of 5,000 p.a.
- (2) All the partners were entitled to interest on capital at 5% p.a.
- (3) Profits and losses were to be shared in the ratio of Capitals of the partners.

Net Profit for the year ended 31st March, 2020 of ₹ 33,000 and 31st March,2021 of ₹ 45,000 was divided equally without providing for the above adjustments.

You are required to pass an adjustment journal entry to rectify the above errors. (5 Marks)

Answer

(a)

Journal Entries in the books of Mr. A

2020			(₹)	(₹)
May,12	B's A/c	Dr.	36,470	
	To Sales account			36,470
	(Being goods sold to B on credit)			
May,12	Bills receivable (No. 1) A/c	Dr.	16,470	
	Bills receivable (No. 2) A/c	Dr.	20,000	
	To B's A/c			36,470
	(Being drawing of bills receivable No. 1 due for maturity on 15.6.2020 and bills receivable No. 2 due for maturity on 14.8.2020)			
	OR			
	Bills receivable A/c	Dr.	36,470	
	To B's A/c			36,470
	(Being acceptances received from B, one for ₹ 16,470 at one month and other for ₹ 20,000 at 3 months)			
June,5	Bills for Collection A/c	Dr.	36,470	
	To Bills receivable (No.1) A/c To Bills receivable (No.2) A/c			16,470 20,000
	(Being both the bills sent to bank for collection)			
	OR			
	Bills for Collection A/c	Dr.	36,470	
	To Bills receivables A/c			36,470
	(Being B's acceptances sent for collection on due dates)			
June,15	Bank A/c	Dr.	16,470	
	To Bills for Collection A/c			16,470
	(Being amount received on retirement of Bills receivable No. 1)			

Aug,14	B's A/c	Dr.	20,020	
	To Bills for Collection a/c			20,000
	To Noting Charges or Bank Charges			20
	(Being the amount due from Mr. B on dishonour of his acceptance on presentation on the due date)			
Aug,16	B's A/c	Dr.	480	
	To Interest a/c			480
	(Being interest due)			
Aug,16	Bank/Cash A/c	Dr.	8,020	
	To B's A/c			8,020
	(Being cash received)			
Aug,16	Bills receivable (No. 3) A/c	Dr.	12,480	
	To B's A/c			12,480
	(Being Bills receivable (No. 3) drawn accepted by B)			
	OR			
	Alternatively combined entry may be given for the above two entries:			
	Bank/Cash a/c	Dr.	8,020	
	Bills receivable a/c	Dr.	12,480	
	Io B's A/c			20,500
	received from B)			
Aug,16	Bills for Collection A/c	Dr.	12,480	
	To Bills receivable (No.3) A/c			12,480
	(Being Bills receivable (No.3) sent to bank for collection)			
	OR			
	Bills for collection A/c To Bills receivable A/c	Dr.	12,480	12,480
	(Being new acceptance sent to bank for collection on due date)			

Oct, 1	Bank A/c	Dr.	12,240	
	Rebate A/c	Dr.	240	
	To Bills for Collection			12,480
	(Being amount received on retirement of Bills receivable (No.3))			

Alternately combined entry may be given for the first three entries of Aug,16 :

Aug,16	Bank/ Cash A/c	Dr.	8,020	
	Bills Receivable (No. 3) A/c	Dr.	12,480	
	To B's A/c			20,020
	To interest A/c			480
	(Being the ₹ 8,020 paid in cash and new bill			
	(Bills receivable No. 3) accepted for 3 months)			

(b) Taking 6th January, 2021 as base date

Due date	Amount ₹	No. of days from the base date i.e. 6 th Jan. 2021	Product
For Grow's payments 2021			
6 th January	60,000	0	0
2 nd February	28,000	27	7,56,000
31st March	20,000	84	16,80,000
Total	1,08,000		24,36,000
For Green's payment			
2021			
6 th January	66,000	0	0
9 th March	24,000	62	14,88,000
20 th March	5,000	73	3,65,000
Total	95,000		18,53,000

Excess of Grow's products over Green's = ₹ 24,36,000 – ₹ 18,53,000 = ₹ 5,83,000

= ₹ 1,08,000 - ₹ 95,000 = ₹ 13,000

Number of days from the base date to the date of settlement is ₹5,83,000 / ₹13,000 = 45 days (approx)

Hence, the date of settlement of the balance amount is 45 days after 6^{th} January i.e. on 20^{th} February.

On 20th February, 2021, Grow has to pay Green ₹ 13,000 to settle the account.

(c) (i)

B in Account Current with A

(Interest to 30th June 2021, @ 6% p.a.)

Date	Particulars	Amount	Days	Products	Date	Particulars	Amount	Days	Products
2021		₹			2021		₹		
Jan.1	To Balance b/d	600	181	1,08,600	Jan.18	By Sales Returns	125	163	20,375
Jan. 11	To Sales A/c	520	170	88,400	Feb. 11	By Bank A/c	400	139	55,600
Apr. 29 June 30	To Sales A/c To Interest A/c	615 15.69	62	38,130	Feb. 14	By B/R A/c (due date: March 17)	300	105	31,500
					May 15	By Cash A/c	700	46	32,200
					June 30	By Balance of products			95,455
					£3	By Balance c/d	225.69		
		1750.69		2,35,130			1750.69		2,35,130

Calculation of interest:

Interest =
$$\frac{95,455}{365} \times \frac{6}{100}$$
 = ₹ 15.69

OR

(ii)

Particulars	A	В	C	Total Profit of firm
I. Amount already credited:				
Share of profit (in the ratio of 1:1:1) (2019-20,2020-21)	26,000	26,000	26,000	78,000
II. Amount which should have been credited:				
C's Salary (2019-20,2020-21)			10,000	
Interest on Capital (2019-20,2020-21)	5,000	2,500	2,500	
Share of Profit	29,000	14,500	14,500	58,000
	34,000	17,000	27,000	
Net effect (I-II)	(8,000)	9,000	(1,000)	-

The necessary journal entry will be:

Particulars	Debit (₹)	Credit (₹)
B's Current A/c	9,000	

To A's Current A/c	8,000
To C's Current A/c	1,000
(Salary to C, Interest on capital charged and profit shared	
among partners in the ratio of capital)	

Question 4

(a) The Income and Expenditure Account of the Women Club for the Year ended on December 31, 2021 is as follows.

Expenditure	₹	Income	₹
To Salaries	47,500	By Subscription	75,000
To General Expenses	5,000	By Entrance Fees	2,500
To Audit Fee	2,500	By Contribution for Annual Dinner	10,000
To Secretary's honorarium	10,000	By Annual Sports Meet Receipts	7,500
To Stationary and Printing	4,500		
To Annual Dinner Expenses	15,000		
To Interest and bank charges	1,500		
To Depreciation	3,000		
To Surplus	6,000		
	95,000		95,000

This account had been prepared after the following adjustments:

	₹
Subscription outstanding at the end of 2020	6,000
Subscription received in advance on 31st December, 2020	4,500
Subscription received in advance on 31 st December, 2021	2,700
Subscription outstanding on 31 st December,2021	7,500

Salaries outstanding at the beginning and end of the year 2021 were respectively \notin 4,000 and \notin 4,500. General Expenses include insurance prepaid to the extent of \notin 600. Audit fee for the year 2021 is as yet unpaid. During the year 2021 audit fee for the year 2020 was paid amounting to \notin 2,000

The Club owned a freehold lease of ground valued at ₹ 1,00,000. The club had sports equipment on 1st January, 2021 valued at ₹ 26,000. At the end of the year 2021, after depreciation, this equipment amounted to ₹27,000. In the year 2020, the Club had raised a bank loan of ₹20,000. This was outstanding throughout the year 2021. On 31^{st} December, 2021 in hand was ₹ 16,000.

You are required to:

Prepare the Receipts and Payments Account for the year ended on December 31, 2021 and the Balance Sheet as on that date.

(b) A and B are partners, sharing profits and losses in the proportion of 3/4th and 1/4th As at 31st March, 2021, following is the Balance Sheet of A and B.

Liabilities		(₹)	Assets	(₹)
Capital accounts			Cash in hand	1,15,000
Α	2,85,000		Cash at bank	1,10,000
В	1,55,000	4,40,000	Sundry Debtors	1,60,000
Creditors		3,75,000	Stock	2,00,000
General reserve		60,000	Bills receivable	30,000
			Land and building	2,50,000
			Office furniture	<u> 10,000</u>
		8,75,000		8,75,000

Balance Sheet as at 31st March, 2021

They agreed to take C into Partnership on 1st April, 2021 on the following terms:

- (i) Goodwill is to be valued at ₹ 2,00,000. C is unable to bring cash for his share of goodwill. So, it was decided that due credit for goodwill be given to A and B for their sacrifice in favour of C through C's current account.
- (ii) C pays ₹ 1,40,000 as his capital for $1/5^{th}$ share in the future profits.
- (iii) Stock and Furniture to be reduced by 10%.
- (iv) A provision @ 5% for doubtful debts to be created on debtors.
- (v) Land and building to be appreciated by 20%.
- (vi) Capital Accounts of the partners be readjusted on the basis of their profit sharing arrangement and any excess or deficiency is to be transferred to their Current Accounts.

Prepare Revaluation Account and Partners Capital Accounts.

(10 Marks)

Answer

(a)

The Women Club

Receipts and Payments Account for the year ended 31st December, 2021

	Receipts	₹	₹	Payments	₹	₹
То	Balance b/d (balancing figure)		13,900	By Salaries (W	.N.2)	47,000

То	Subscriptions (W.N.1)	71,700	Ву	General Expenses	5,000	
То	Entrance Fees	2,500		Add: Paid for 2022	600	5,600
То	Contribution for annual dinner	10,000	Ву	Audit fee (2021)		2,000
То	Annual sport meet receipt	7,500	Ву	Secy. Honorarium		10,000
			By	Stationery & Printing		4,500
			Ву	Annual Dinner Expenses		15,000
			Ву	Interest & Bank Charges		1,500
			By	Sports Equipment's		
				[27,000 (26,000 - 3,000)] (W.N.3)		4,000
			Ву	Balance c/d		16,000
		1,05,600				1,05,600
То	Balance b/d	16,000				

Balance Sheet of Women Club as on December 31, 2021

Liabilities		```	Assets	``	
Subscription received			Freehold Ground		1,00,000
in advance		2,700	Sport Equipment:		
Audit Fee Outstanding		2,500	As per last		
Salaries Outstanding		4,500	Balance Sheet	26,000	
Bank Loan		20,000	Additions	4000	
Capital Fund:				30,000	
Balance as per previous			Less: Depreciation	(3,000)	27,000
Balance Sheet	1,15,400		Subscription Outstanding		7,500
Add: Surplus for 2021	6,000	1,21,400	Insurance Prepaid		600
			Cash in hand		16,000
		1,51,100			1,51,100

PAPER – 1 : PRINCIPLES AND PRACTICE OF ACCOUNTING

Liabilities	₹	Assets	₹
Subscriptions received in advance	4,500	Freehold Ground	1,00,000
Salaries outstanding	4,000	Sports Equipment	26,000
Audit fees unpaid	2,000	Subscriptions Outstanding	6,000
Bank Loan	20,000	Cash in hand	13,900
Capital Fund (balancing figure)	1,15,400		
	1,45,900		1,45,900

Balance Sheet of Women Club as on 31st December, 2020

Working Note 1:

Calculation of Subscription received during the year ended 31st December, 2021

	₹
Subscription as per Income & Expenditure account	75,000
Add: Subscription outstanding at the end of 2020	6,000
Add: Subscription received in advance on 31.12.2021	2,700
	83,700
Less: Subscription received in advance on 31.12.2020	(4,500)
Less: Subscription outstanding on 31.12.2021	(7,500)
	71,700

Working Note 2:

Salaries as per income & expenditure	47,500
Add: Opening outstanding	4,000
Less: Closing outstanding	(<u>4,500</u>)
Total Salary paid	47,000

Working Note 3:

Purchase of Sports equipment = Closing Balance + Depreciation- Opening

= 27,000 + 3,000 - 26,000 = ₹ 4,000

Revaluation Account

	Particulars	Amount ₹		Particulars	Amount ₹
То	Furniture	1,000	Ву	Land and Building	50,000
То	Stock	20,000			
То	Provision for doubtful debts	8,000			
То	Revaluation Profit	21,000			
	A (21,000 x ³ ⁄ ₄) 15,750				
	B (21,000 x ¼) 5,250				
		50,000			50,000

Partners' Capital Accounts

	A ₹	B₹	C₹		A ₹	B₹	C ₹
To 'B's Current A/c (bal fig)	-	45,250	-	By Balance b/d	2,85,000	1,55,000	-
To Balance c/d	4,20,000	1,40,000	1,40,000	By General reserve	45,000	15,000	-
				By Revaluation Profit	15,750	5,250	
				By Bank A/c	-	-	1,40,000
				By C's Current A/c (Goodwill)	30,000	10,000	-
				By As Current A/c (bal fig)	44,250	-	-
	4,20,000	1,85,250	1,40,000		4,20,000	1,85,250	1,40,000

Working Notes:

1. Calculation of total Capital

C's capital contribution of ₹ 1,40,000 consists of 1/5th of capital.

Therefore, total capital of firm should be ₹ 1,40,000 x 5 = ₹ 7,00,000

Hence, ₹ 5,60,000 (7,00,000 -1,40,000) will be shared by A and B in the ratio of 3:1 i.e., A's capital ₹ 4,20,000 and B's capital ₹ 1,40,000

2. Calculation of New Profit Sharing ratio

A = ³/₄ x 4/5 = 12/20 = 3/5

⁽b)

B = 1 /4 X 4/ 5 = 4/20 = 1/5

C = 1/5= 4/20 = 1/5 or 3 : 1 : 1

OR

Calculation of sacrificing ratio

Partners	New share	Old share	Sacrifice	Gain
A	3 5	3 4	$\frac{-3}{20}$	-
В	<u>1</u> 5	$\frac{1}{4}$	$\frac{-1}{20}$	-
С	1 5	•	•	1 5

3. Goodwill

C's share in Goodwill = $40,000 (2,00,000 \times 1/5)$ is adjusted through C's Current Account because capitals of old partners are also adjusted on the basis of C's Capital.

Therefore, Journal entry for goodwill will be

C's Current A/c Dr. 40,000 To A's Capital A/c 30,000 To B's Capital A/c 10,000

Question 5

- (a) Pass the Journal entries to rectify the following errors detected during preparation of the Trial Balance:
 - (i) Wages paid for construction of office building debited to wages account ₹20,000.
 - (ii) A credit sale of goods ₹ 1,200 to Ramesh has been wrongly passed through the Purchase Book.
 - (iii) An amount of ₹ 2,000 due from Mahesh Chand which had been written off as a bad debit in the previous year was unexpectedly recovered and has been posted to the personal account of Mahesh Chand.
 - (iv) Goods (Cost being ₹ 5,000 and Sales price being ₹ 6,000) distributed as free samples amount prospective customers were not recorded anywhere.
 - (v) Goods worth ₹1,500 returned by Green have not been recorded anywhere.

(5 Marks)

Particulars	Debit	Particulars	Credit
	(₹)		(₹)
Stock on 1/4/2020		Sundry Creditors	1,50,000
Raw Materials	2,10,000	Bills Payables	75,000
Work-in-Progress	95,000	Sale of scrap	25,000
Finished Goods	1,55,000	Commission received	4,500
Sundry Debtors	2,40,000	Provision for doubtful debts	16,500
Carriages on Purchase	15,000	Capital account	10,00,000
Bills Receivables	1,50,000	Sales	16,72,000
Wages	1,30,000	Bank overdraft	85,000
Salaries	1,00,000		
Telephone and Postage	10,000		
Repairs to office furniture	3,500		
Cash at Bank	1,70,000		
Office Furniture	1,00,000		
Repairs to Plant	11,000		
Purchases	8,50,000		
Plan and Machinery	7,00,000		
Rent	60,000		
Lighting	13,500		
General Expenses	15,000		
	30,28,000		30,28,000

(b) On 31st March, 2021 the Trial Balance of Mr. Black was as follows:

The following additional information is available:

Stocks on 31st March, 2021 were:

Raw material	₹1,62,000
Finished goods	₹1,81,000
Work-in-progress	₹78,000

Salaries and wages unpaid for the year ended 31^{st} March,2021 were respectively, \notin 9,000 and \notin 20,000. 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,2021. (15 Marks)

Journal

Answer

(a)

	Particulars	L.F.	Dr. ₹	Cr. ₹
(1)	Building A/c To Wages A/c	Dr.	20,000	20,000
	(Correction of wrong debit in the wages A/c of the construction of office building)			
(2)	Ramesh	Dr.	2,400	
	To Purchases A/c			1,200
	To Sales A/c			1,200
	(Correction of wrong entry in the Purchases Book of a credit sale of goods to Ramesh)			
(3)	Mahesh Chand	Dr.	2,000	
	To Bad Debts Recovered A/c			2,000
	(Correction of wrong credit to Personal A/c in respect of recovery of previously written off bad debts)			
(4)	Advertisement expenses or Sales Promotion or Free Samples A/c	Dr.	5,000	
	To Purchases A/c			5,000
	(Entry of the goods distributed as free samples omitted from records)			
(5)	Returns Inwards /Sales Return A/c	Dr.	1,500	
	To Green			1,500
	(Entry of goods returned by Green omitted from records)			

(b)

In the books of Mr. Black

Manufacturing Account for the year ended 31st March, 2021

Particulars	₹	Particulars			₹
Raw material consumed:		By Closing Work in F	Stock Progress	of	78,000

To Opening Stock of Raw Materials	2,10,000		By Sale of Scrap By Cost of goods Manufactured	25,000
Add: Purchases	8,50,000		(Transferred to	11,90,000
Less: Closing Stock	1,62,000	8,98,000	Trading Account)	
To Opening Stock of WIP		95,000		
To Wages	1,30,000			
<i>Add</i> : Outstanding Wages	20,000	1,50,000		
To Carriage on Purchases		15,000		
To Repairs to Plant		11,000		
To Rent (3/4)		45,000		
To Lighting (2/3)		9,000		
To Depreciation of Plant		70,000		
		12,93,000		12,93,000

Trading Account for the year ended 31st March, 2021

Particulars	₹	Particulars	₹
To Opening Stock of finished goods	1,55,000	By Sales	16,72,000
To Cost of goods transferred from Manufacturing A/c	11,90,000	By Closing Stock	1,81,000
To Gross Profit c/d	5,08,000		
	18,53,000		18,53,000

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

Particulars		₹	Particulars	₹
To Salaries	1,00,000		By Gross Profit b/d	5,08,000
Add: Outstanding	<u>9,000</u>	1,09,000	By Commission	4,500
To Telephone & Postage		10,000		
To Repairs to Furniture		3,500		
To Depreciation of furniture		7,500		
To Rent (1/4)		15,000		

To Lighting (1/3)		4,500	
To General Expenses		15,000	
To Provision for doubtful Debts: Required (1% of ₹1,67,200)	16,720		
Less: Existing Provision	16,500	220	
To Net Profit		3,47,780	
		5,12,500	5,12,500

Question 6

(a) Fashion Garments Ltd invited applications for issuing 10,000 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. Ram to whom 100 shares were allotted, failed to pay the allotment money and his shares were forfeited immediately after the allotment. Shyam to whom 150 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 50 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 Fashion Garments Ltd. (15 Marks)

- (b) Discuss the following:
 - (i) What do you mean by principal books of accounts?
 - (ii) What are the rules of posting of journal entries into the Leger? (5 Marks)

Answer

(a)

In the books of Fashion Garments Ltd.

Journal Entries

Particulars		L.F.	Debit	Credit
			Amount	Amount
			(₹)	(₹)
Bank A/c	Dr.		10,000	
To Equity Share Application A/c				10,000

(Money received on applications for 10,000 shares @ ₹ 1 per share)			
Equity Share Application A/c To Equity Share Capital A/c (Transfer of application money on 10,000 shares to share capital)	Dr.	10,000	10,000
Equity Share Allotment A/c To Equity Share Capital A/c (Amount due on the allotment of 10,000 shares @ ₹ 2 per share)	Dr.	20,000	20,000
Bank A/c To Equity Share Allotment A/c (Allotment money received on 9,900 shares) OR	Dr.	19,800	19,800
Bank A/c Calls in arrears A/c To Equity Share Allotment A/c (Allotment Amount received except 100 shares)	Dr. Dr.	19,800 200	20,000
Equity Share Capital A/c To Share Forfeiture A/c To Equity Shares Allotment A/c (100 Shares of Ram forfeited) OR	Dr.	300	100 200
Equity Share Capital A/c To Shares Forfeiture A/c To Calls in arrears A/c (100 shares forfeited due to non-payment of allotment money)	Dr.	300	100 200
Equity Share First Call A/c To Equity Share Capital A/c (First call made due on 9,900 shares at ₹ 3 per share)	Dr.	29,700	29,700
Bank A/c To Equity Share First Call A/c (First call money received on 9,750 shares at ₹ 3 per share) OR	Dr.	29,250	29,250

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Bank A/c	Dr.	29,250	
Calls in arrears A/c	Dr.	450	
To Equity Share First Call A/c			29,700
(First Call money received except 150 shares)			
Equity Share Capital A/c	Dr.	900	
To Share Forfeiture A/c			450
To Equity Share First Call A/c			450
(150 Shares of Shyam forfeited)			
OR			
Equity Share Capital A/c	Dr.	900	
To Share Forfeiture A/c			450
To Calls in arrears A/c			450
(150 shares forfeited due to non - payment of			
First call money)			
Equity Share Second and Final Call A/c	Dr.	39,000	
To Equity Share Capital A/c			39,000
(Second and Final call made due on 9,750			
shares at ₹ 4 per share)			
Bank A/c	Dr.	38,800	
To Equity Share Second and Final Call A/c			38,800
(Second and Final call money received on			
9,700 shares at ₹ 4 per share)			
OR			
Bank A/c	Dr.	38,800	
Calls in arrears A/c	Dr.	200	39,000
To Equity Shares Second and Final call A/c			
(Second and Final call money received except			
50 shares)			
Equity Share Capital A/c	Dr.	500	
To Share Forfeiture A/c			300
To Equity Share Second and Final Call A/c			200
(50 Shares of Mohan forfeited)			
OR			
Equity Share Capital A/c			
To Shares Forfeiture A/c	Dr.	500	
To Calls in arrears A/c			300
(50 shares forfeited due to non-payment of			200
Second and final call money)		 0 - 00	
Bank A/c	Dr.	2,700	

Share Forfeiture A/c To Equity Share Capital A/c	Dr.	300	3.000
(300 shares reissued at ₹ 9 per share)			,
Share Forfeiture A/c	Dr.	550	
To Capital Reserve A/c (W.N.1)			550
(Profit on re-issue transferred to Cap	ital		
Reserve)			

Working Note-1: Calculation of amount to be transferred to Capital Reserve:

Surplus out of 100 shares of Ram forfeited	₹ 100
Surplus out of 150 shares of Shyam forfeited	₹ 450
Surplus out of 50 shares of Mohan forfeited	₹ <u>300</u>
	₹ 850
Less: Loss on re-issue of shares	₹ <u>300</u>
Transferred to Capital Reserve	₹ <u>550</u>

(b) (i) Ledger is known as principal books of accounts as it provides full information regarding all the transactions pertaining to any individual account.

Ledger contains all set of accounts (viz. personal, real and nominal accounts)

- (ii) Rules regarding posting of entries in the ledger:
 - 1. Separate account is opened in ledger book for each account and entries from journal are posted to respective ledger account accordingly.
 - 2. It is a practice to use words 'To' and 'By' while posting transactions in the ledger. The word 'To' is used in the particular column with the accounts written on the debit side while 'By' is used with the accounts written in the particular column of the credit side. These 'To' and 'By' do not have any meanings but are used to the account debited and credited.
 - 3. The concerned account debited in the journal should also be debited in the ledger but reference should be of the respective credit account.

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Question No. 1 is compulsory.

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

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

Working Notes should form part of the answer.

Question 1

- (a) State With reasons, whether the following statements are True or False:
 - (i) Goods sold on approval or return basis are not recorded as credit sales initially when they are sent-out,
 - (ii) A Company is not allowed to issue shares at a discount to the public in general.
 - (iii) Warehouse rent paid for storage of finished inventory should be included in the cost of finished inventory.
 - (iv) A person holding preference shares of a company cannot hold equity shares of the same company.
 - (v) Business of partnership comes to an end on death of a partner.
 - (vi) Cash book is a subsidiary book as well as a principal book. (6 x 2 = 12 Marks)
- (b) Discuss the basic considerations in distinguishing between capital and revenue expenditure. (4 Marks)
- (c) The balance of Machinery Account of a firm on 1st April, 2020 was ₹28,54;000. Out of this, a plant having book value of ₹2,16,090 as on 1st April, 2020 was sold on 1st July, 2020 for ₹82,000. On the same date a new plant was purchased for ₹4,58,000 and ₹22,000 was spent on its erection. On 1st November, 2020 a new machine was purchased for ₹5,60,000. Depreciation is written off@ 15% per annum under the diminishing balance method. Calculate the depreciation for the year ended 31st March, 2021. (4 Marks)

Answer

(a)

(i)	False: They are recorded as sales irrespective of whether the customer might accept or reject the goods at the end of the period given for the approval.
(ii)	True: According to Section 53 of the Companies Act, 2013, a Company cannot issue shares at a discount except in the case of issue of sweat equity shares (issued to employees and directors).
(iii)	False: Warehousing costs related to finished goods are expensed when incurred and are not included in inventory costs unless storage is incurred for getting the

	inventory ready for sale i.e. until and unless storage is required as a part of process of production of inventory like in case of wine.
(iv)	False: Preference share holder can hold both Equity shares and Preference shares of the company. Any person can hold both kinds of shares.
(v)	False: Surviving partners may continue to carry on the business in case of partnership.
(vi)	True: Cash transactions are straightaway recorded in the Cash Book and on the basis of such a record, ledger accounts are prepared. Therefore, the Cash Book is a subsidiary book. But the Cash Book itself serves as the cash account and the bank account; the balances are entered in the trial balance directly. The Cash Book therefore, is part of the ledger also. Hence, it has also to be treated as a principal book. The Cash Book is thus both a subsidiary book and a principal book.

(b) The basic considerations in distinction between capital and revenue expenditures are:

(a)	Nature of business: For a trader dealing in furniture, purchase of furniture is revenue expenditure but for any other trade, the purchase of furniture should be treated as capital expenditure and shown in the balance sheet as asset. Therefore, the nature of business is a very important criterion in separating expenditure between capital and revenue.
(b)	Recurring nature of expenditure: If the frequency of an expense is quite often in an accounting year then it is said to be an expenditure of revenue nature while non-recurring expenditure is infrequent in nature and do not occur often in an accounting year. Monthly salary or rent is the example of revenue expenditure as they are incurred every month while purchase of assets is not the transaction done regularly therefore, classified as capital expenditure unless materiality criteria defines it as revenue expenditure.
(C)	Purpose of expenses: Expenses for repairs of machine may be incurred in course of normal maintenance of the asset. Such expenses are revenue in nature. On the other hand, expenditure incurred for major repair of the asset so as to increase its productive capacity is capital in nature.
(d)	Effect on revenue generating capacity of business: The expenses which help to generate income/revenue in the current period are revenue in nature and should be matched against the revenue earned in the current period. On the other hand, if expenditure helps to generate revenue over more than one accounting period, it is generally called capital expenditure.
(e)	Materiality of the amount involved: Relative proportion of the amount involved is another important consideration in distinction between revenue and capital.

	Machine	Machine	Machine	Depreciation on sold machine
	I	II	III	IV
	(28,54,000 - 2,16,000)	Purchased on 1 st Julv	Purchased on 1 st Nov	
	₹	₹	₹	₹
Book value as on 1 st April, 2020	26,38,000	4,80,000	5,60,000	2,16,000
Depreciation	3,95,700 (for	54,000	35,000	8,100
@15%	full year)	(for 9 months)	(for 5 months)	(for 3 months)

(c) Calculation of depreciation for the year ended 31.3.21

Total depreciation (I + II + III + IV)

₹ 4,92,800

(10 Marks)

Question 2

- (a) Mr. Ratan 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) Purchase account was over cast by $\neq 1,00,000$.
 - (iii) A credit purchase of goods from Mr. X for ₹20,000 was entered as sale.
 - (iv) Receipt of cash from Mr. Anand was posted to the account of Mr. Bhaskar ₹10,000.
 - (v) Receipt of cash from Mr. Chandu was posted to the debit of his account, ₹5,000.
 - (vi) ₹5,000 due by Mr. Ramesh was omitted to be taken to the Trial Balance.
 - (vii) Sale of goods to Mr. Ram for ₹20,000 was omitted to be recorded.

(viii) Amount of ₹23,950 of purchase was wrongly posted as ₹25,930.

Suggest the necessary rectification entries.

- (b) From the following information, ascertain the Cash Book balance of Mr. Bajaj as on 31st March, 2021:
 - (i) Debit balance as per Bank Pass Book ₹3,500. (5 Marks)
 - (ii) A cheque amounting to ₹2,500 deposited on 15th March, but the same was returned by the Bank on 24th March for which no entry was passed in the Cash Book.
 - (iii) During March, two bills amounting to ₹2,500 and ₹500 were collected by the Bank but no entry was made in the Cash Book.

- (iv) A bill for ₹ 5,000 due from Mr. Balaji previously discounted for ₹ 4,800 was dishonored. The Bank debited the account, but no entry was passed in the Cash Book.
- (v) A Cheque for ₹1,500 was debited twice in the cash book.
- (c) From the following information, calculate the historical cost of closing inventories using adjusted selling price method:

Purchase during the year	- ₹5,00,000	
Sales during the year	- ₹7,50,000	
Opening Inventory	Nil	
Closing Inventory at selling price	- ₹1,00,000	(5 Marks)

Answer

(a)

Date	Particulars		Dr.	Cr.
			₹	₹
(1)	Scooter Account	Dr.	27,000	
	To Profit and Loss Adjustment A/c			27,000
	(Purchase of scooter wrongly debited to			
	conveyance account now rectified-capitalization			
	of ₹27,000, i.e., ₹30,000 less 10% depreciation)			
(2)	Suspense Account	Dr.	1,00,000	
	To Profit & Loss Adjustment A/c			1,00,000
	(Purchase Account overcast in the previous year			
	error now rectified).			
(3)	Profit & Loss Adjustment A/c	Dr.	40,000	
	To X's Account			40,000
	(Credit purchase from X₹20,000, entered as			
	sales last year, now rectified)			
(4)	Bhaskar's Account	Dr.	10,000	
	To Anand's Account			10,000
	(Amount received from Mr. Anand wrongly			
	posted to the account of Mr. Bhaskar; now			
	recuiiea)			
(5)	Suspense Account	Dr.	10,000	

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	To Chandu's Account			10,000
	(₹ 5,000 received from Chandu wrongly debited to his account; now rectified)			
(6)	Trade receivables (Ramesh) / Ramesh	Dr.	5,000	
	To Suspense Account			5,000
	(₹5,000 due by Mr. Ramesh not taken into trial balance now rectified)			
(7)	Ram's Account	Dr.	20,000	
	To Profit & Loss Adjustment A/c			20,000
	(Sales to Ram omitted last year; now adjusted)			
(8)	Suspense Account	Dr.	1,980	
	To Profit & Loss Adjustment A/c			1,980
	(Excess posting to purchase account last			
	year, ₹25,930, instead of ₹23,950, now adjusted)			
(9)	Profit & Loss Adjustment A/c	Dr.	1,08,980	
	To Ratan's Capital Account			1,08,980
	(Balance of Profit & Loss Adjustment A/c transferred to Capital Account)			
(10)	Ratan's Capital Account	Dr.	1,06,980	
	To Suspense Account			1,06,980
	(Balance of Suspense Account transferred to Capital Account)			

(b) Bank Reconciliation Statement as on 31st March,2021

Particulars	Amount ₹
Balance as per Pass Book (Dr.)	(3,500)
Add: Cheques deposited but returned on 24 th March,2021	2,500
Discounted bill from Mr. Balaji dishonoured	5,000
Wrong debit in passbook	1,500
	5,500
Less: Bill discounted by bank (2,500+500)	(3000)
Balance as per Cash book (Dr. / Favourable)	2,500

(c)	Sales	7,50,000
	Add: Closing inventory (at selling price)	<u>1,00,000</u>
	Selling price of goods available for sale:	8,50,000
	Less: Cost of goods available for sale	<u>5,00,000</u>
	Gross margin	3,50,000
	2 50 000	

Rate of gross margin $=\frac{3,50,000}{8,50,000} \times 100 = 41.18\%$

Cost of closing inventory = 1,00,000 less 41.18% of ₹1,00,000 = ₹ 58,820

*This rate may also be considered as 41.176% in that case, the closing inventory will be valued at ₹ 58,824

OR as 41.17% in that case, the closing inventory will be valued at ₹ 58,830

Question 3

- (a) Ramesh lent ₹ 1,50,000 to Deepak on 1st January, 2016 at the rate of 12% per annum. The loan is repayable as under:
 - (i) ₹10,000 on 1st January, 2017
 - (ii) ₹20,000 on 1st January, 2018
 - (iii) ₹30,000 on 1st January, 2019
 - (iv) ₹40,000 on 1st January, 2020
 - (v) ₹50,000 on 1st January, 2021

You are required to determine the average due date for settling all the above installments by a single payment and compute interest. (5 Marks)

(b) ABC Limited supplied goods on sale or return basis to customers.

Goods are to be returned within 15 days from the date of dispatch, failing which it is treated as sales. The books of BC Limited are closed on 31st March, 2021. The particulars of the same are as under:

Date of Dispatch	Party Name	Amount	Remarks
10.03.2021	PQR	25,000	No information till 31.03 .2021
12.03.2021	DEF	15,000	Returned on 16.03.2021
15.03.2021	GHI	40,000	Goods worth ₹ 8,000 Returned on 20.03.2021
20.03.2021	DEF	10,000	Goods Retained on 24.03.2021
25.03.2021	PQR	22,000	Goods Retained on 28.03.2021
30.03.2021	XYZ	35,000	No information till 31.03.2021

You are required to prepare the following accounts in the books of ABC Limited:

- (i) Goods on sale or return, sold and returned day books
- (ii) Goods on sales or return total account
- (c) Max Chemical Works consigned 700 boxes of medicines to Raja Medical Stores at an invoice price of ₹1,68,000 which was 20% above the actual cost price and paid ₹14,000 for Insurance and freight. In the course of transit, 50 boxes were lost and the transporter paid ₹22,000 for the loss. The Consignee took the delivery of the remaining boxes and incurred ₹9,750 for carriage. The Consignee sold 500 boxes for ₹1,60,000 and incurred ₹6,000 for selling expenses. The Consignee is entitled to a commission of 6% on gross sales.

Show the Consignment Account.

(10 Marks)

(5 Marks)

Answer

(a)

Due date	Amount (in ₹)	No. of months from 1.1.2016	Products
1 st January 2017	10,000	12	1,20,000
1 st January 2018	20,000	24	4,80,000
1 st January 2019	30,000	36	10,80,000
1 st January 2020	40,000	48	19,20,000
1 st January 2021	50,000	60	30,00,000
	1,50,000		66,00,000

Average due date= Base date + $\frac{\text{Total of product}}{\text{Total of amount}}$

1st January 2016+
$$\frac{66,00,000}{1,50,000}$$
 = 44 months

Average due date= 1st January 2016+ 44 months = 1st September 2019.

Interest for the 44 months =
$$\frac{1,50,000 \times 12 \times 44/12^{*}}{100}$$
 = ₹ 66,000.

*may be considered as 3.67 years, in this case, interest will be calculated as ₹ 66,060.

(b)

In the books of 'ABC'

Goods on sales or return, sold and returned day book

Date	Party to whom goods	L.F	Amount	Date	Sold	Returned
2021	sent		₹	2021	₹	₹
Mar.10	M/s PQR		25,000	Mar. 25	25,000	-

Mar.12	M/s DEF	15,000	Mar. 16	-	15,000
Mar.15	M/s GHI	40,000	Mar. 20	32,000	8,000
	M/s DEF	10,000	Mar. 24	10,000	-
Mar.20					
Mar.25	M/s PQR	22,000	Mar. 28	22,000	-
Mar.30	M/s GHI	<u>35,000</u>	-		
		<u>1,47,000</u>		<u>89,000</u>	<u>23,000</u>

Goods on Sales or Return Total Account

Date	Particulars	Amount	Date	Particulars	Amount
		₹			₹
2021			2021		
Mar. 31	To Returns	23,000	Mar. 31	By Goods sent	
	To Sales	89,000		on sales or return	1,47,000
	To Balance c/d	<u>35,000</u>			
		<u>1,47,000</u>			<u>1,47,000</u>

(c)

Books of Max Chemical works

Consignment to Raja Medical store Account

	Particulars	₹	₹		Particulars	₹
То	Goods sent on Consignment A/c (700 box)		1,68,000	Ву	Goods sent on Consignment A/c (loading)	28,000
То	To Cash A/c		14,000	Ву	Abnormal Loss (50 box)	11,000
То	Raja Medial Store -			Ву	Raja medical store	1,60,000
	Carriage Expenses on 650 box		9,750		(Sales- 500 box)	
	Selling exp		6,000			
То	Commission		9,600	Ву	Inventories on Consignment A/c	41,250
То	Inventories Reserve A/c		6,000			
То	General Profit & Loss A/c		26,900			
			2,40,250			2,40,250

Working Notes:

Calculation of value of goods sent on consignment
 Value of goods sent on consignment = 1,68,000
 Loading of goods sent on consignment 1,68,000 X 20 / 120 = 28,000

 Calculation of abnormal loss (50 boxes in transit):
 Abnormal Loss paid by transporter = ₹ 22,000.
 Abnormal Loss at Invoice price = ₹ 1,68,000 / 700 * 50 = ₹ 12,000

Abnormal Loss at cost = 12,000/120*100 = ₹ 10,000 Add: Proportionate expenses of Max chemical works (₹ 14,000/700X50) = ₹ 1,000 ₹ 11,000

3. Calculation of closing Inventories (700-50-500 boxes = 150 box):

Invoice price per box =1,68,000 / 700= ₹240

Max chemical works Basic Invoice price of consignment (150 x240)	36,000
Add: consigner expenses 14,000/700X 150	3000
Add: consignee expenses 9,750/650X150	2,250
Closing Inventory	41,250

Loading in closing Inventories = ₹28,000 / 700 x 150 = ₹6,000

Where ₹36,000 (150/700 of ₹ 1,68,000) is the basic invoice price of the goods sent on consignment remaining unsold.

Note :

- In the above solution, abnormal loss has been shown at the full amount of cost ₹ 11,000 without considering the amount of ₹ 22,000 received from transporter. Otherwise, there would have been gain of ₹ 11,000 (Money received from transporter ₹ 22,000 less cost of boxes lost ₹ 11,000)
- 2. Consignment account given above has been prepared at the loaded price. The alternative way of preparing the consignment account at cost is also possible.

Question 4

(a) Karuna decided to start business of fashion garments under the name of M/s. Designer Wear on 1st April, 2020. She had a saving of about ₹10,00,000. She invested ₹3,00,000 out of her savings and borrowed equal amount from bank. She purchased a commercial space for ₹5,00,000 and further spent ₹1,00,000 on its renovation to make it ready for business.

Loan and interest repaid by her in the first year are as follows:

30th June, 2020	-	₹15,000 principal+ ₹9,000 interest
30th September, 2020	-	₹15,000 principal+ ₹8,550 interest
31st December, 2020	-	₹15,000 principal+ ₹8,100 interest
31st March, 2021	-	₹15,000 principal+ ₹7,650 interest.

In view of further capital requirement, she transferred \gtrless 2,00,000 from her saving bank account to the bank account of the business. She paid security deposit of \gtrless 7,000 for telephone connection. Furniture of \gtrless 10,000 was purchased, All payments were made by cheque and all receipts in cash were deposited in the bank.

	At the end of the	vear. her business	showed the	following	results:
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Particulars	Amount	Particulars	Amount
Total Sales	20,00,000	Total Purchases	17,00,000
Electricity Expenses paid	40,000	Telephone Charges	50,000
Cartage Outwards	60,000	Travelling Expenses	45,000
Entertainment Expenses	5,000	Maintenance Expenses	25,000
Misc. Expenses	15,000	Electricity Expenses Payable	20,000

Other Information:

- (i) She withdrew ₹5,000 by cheque each month for her personal expenses.
- (ii) Depreciation on building @ 5% p.a. and oil furniture @ 10% p.a.
- (iii) Closing stock in hand as on 31st March, 2021: ₹5,50,000

Prepare trading account, profit and loss account for the year ended 31-3-2021 and Balance Sheet as on that date. (10 Marks)

(b) Summary of Receipts and Payments of AMA Society for the year ended 31st March, 2021 are as follows:

Receipts	Amount	Payments	Amount
Subscription Received	5,00,000	Payment for Medicine Supply	3,00,000
Donation Raised for meeting revenue expenditure	ng 1,50,000 Honorarium to Doctors		1,00,000
Interest on Investments @ 9% p.a.	90,000	Salaries	2,80,000
Charity Show Collection	1,25,000	Sundry Expenses	10,000
		Equipment Purchase	1,50,000
		Charity Show Expenses	15,000

Additional Information:

Particulars	01.04.2020	31.03.2021
Subscription due	15,000	22,000
Subscription received in advance	12,000	7,000
Stock of medicine	1,00,000	1,50,000
Amount due for medicine supply	90,000	1,30,000
Value of equipment	2,10,000	3,00,000
Value of building	5,00,000	4'80 '000
Cash Balance	80,000	90,000
Opening Balance of Capital Fund	18,03,000	

You are required to prepare:

- (i) Income and Expenditure Account for the year ended 31st March, 2021.
- (ii) Balance Sheet as on 31st March, 2021

(10 Marks)

Answer

(a)

In the books of M/s Designer wear

Trading and Profit & Loss Account (for the year ending 31.3.2021)

			₹			₹
То	Purchases		17,00,000	By	Sales	20,00,000
То	Gross profit		<u>8,50,000</u>	Ву	Closing stock	<u>5,50,000</u>
			<u>25,50,000</u>			<u>25,50,000</u>
То	Interest		33,300	Ву	Gross profit	8,50,000
	(9,000+8,550+8,100+7,6	50)				
То	Telephone charges		50,000			
То	Travelling expenses		45,000			
То	Maintenance expenses		25,000			
То	Entertainment expenses		5,000			
То	Electricity exp 40,0	000				
	Add: outstanding <u>20,</u>	000	60,000			
То	Carriage outward		60,000			
То	Depreciation					
	Building 5% 30,0	000				
	Furniture 10% <u>1,0</u>	00	31,000			
То	Misc. exp		15,000			

То	Net profit	5,25,700		
		<u>8,50,000</u>		<u>8,50,000</u>

Balance Sheet as on 31st March, 2021

LIABILITIES	₹	₹	ASSETS	₹	₹
Capital	3,00,000		Building	6,00,000	
Further Capital	2,00,000		Less: dep	<u>30,000</u>	5,70,000
Less: Drawings	(60,000)		Furniture	10,000	
Add: Net profit	<u>5,25,700</u>	9,65,700	Less: dep	<u>1,000</u>	9,000
Bank Loan	3 00 000		Security deposit- Telephone		7,000
Less: repayment	60 000	2 40 000	Bank		89 700
outstanding electricity exp	<u>00,000</u>	<u>20,000</u>	Closing stock		<u>5,50,000</u>
		<u>12,25,700</u>			<u>12,25,700</u>

Working note:

Bank Account

	PARTICULARS	RS.		PARTICULARS	RS.
То	Capital	3,00,000	Ву	Building	6,00,000
То	Further capital	2,00,000	Ву	Furniture	10,000
То	Bank loan	3,00,000	Ву	Bank loan repaid	60,000
То	Sales	20,00,000	Ву	Interest	33,300
			Ву	Security deposit	7,000
			Ву	Drawings	60,000
			Ву	Purchase	17,00,000
			Ву	Telephone charges	50,000
			Ву	Travelling expenses	45,000
			Ву	Maintenance expenses	25,000
			Ву	Entertainment expenses	5,000
			Ву	Electricity	40,000



PAPER – 1 : PRINCIPLES AND PRACTICE OF ACCOUNTING

(b)

In the books of AMA society

Income and Expenditure Account for the year ending 31st March, 2021

	Expenditure	₹	₹	Inco	me		₹	₹
То	Medicine		2,90,000	Ву	Subscription			5,12,000
То	Honorarium		1,00,000	Ву	donation			1,50,000
То	Salaries		2,80,000	Ву	Interest of investment	on		90,000
То	Sundry expenses		10,000	Ву	Charity show		1,25,000	
То	Depreciation				Less: Charity sho expenses	w	<u>(15,000</u>)	1,10,000
	Equipment		60000					
	Building		20000					
То	Surplus		<u>1,02,000</u>					
			8,62,000					8,62,000

Balance Sheet of AMA society as on 31st March, 2021

Liabilities	₹	₹	Assets	₹	₹
Capital Fund:			Equipments	2,10,000	
Opening balance	18,03,000		Add: Purchases.	<u>1,50,000</u>	
Add: Surplus	<u>1,02,000</u>	19,05,000		3,60,000	
Adv subscription		7,000	Less: dep. (bal. fig)	<u>(60,000)</u>	3,00,000
Creditors (medicine)		1,30,000	Building	5,00,000	
			Less: dep. (bal. fig)	<u>(20,000)</u>	4,80,000
			Investment (₹ 90,000/9%)		10,00,000
			Closing outstanding subscription		22,000
			Closing stock(medicine)		1,50,000
			Cash		<u>90,000</u>
		20,42,000			20,42,000

Working Note:

(i) Subscription for the year ended 31st March, 2021

Particulars	Amount
Subscription Received during the year	5,00,000
Less: Subscription outstanding as on 1" April, 2020	(15,000)
Add: Subscription outstanding as on 31" March, 2021	22,000
Add: Subscription received in advance as on 1" April, 2020	12,000
Less: Subscription received in advance as on 31°' March, 2021	(7,000)
Total	5,12,000

(ii) Medicines purchased during the year ended 31st March, 2021

Particulars	Amount
Opening due for medical supply	90,000
Less: Payment made during the year	(3,00,000)
Less: Closing due for medical supply	(1,30,000)
Medicines purchased during the year	3,40,000

(iii) Medicines consumed during the year ended 31st March, 2021

Particulars	Amount
Opening stock	1,00,000
Add: Purchase during the year	3,40,000
Less: Closing Stock	(1,50,000)
Medicines consumed during the year	2,90,000

(iv) Depreciation on Equipment

Particulars	Amount
Opening Balance	2,10,000
Add: Purchase during the year	1,50,000
Less: Closing Balance	(3,00,000)
Depreciation for the year	60,000

Question 5

- (a) From the following information prepare the Purchase. Book of Mis. Shyam & Company:
 - (i) Purchased from Red & Company on credit:

10 pairs of black shoes.@ ₹800 per Pair.

5 pairs of brown shoes @ 900 per pair

Less: Trade Discount @ 10%

- (ii) Purchased Computer from M/s. Rahul. Enterprises on credit for ₹40,000.
- (iii) Purchased from Blue & Company in cash:

5 pairs of black shoes @ ₹700 per pair

15 pairs of brown shoes@ ₹100 per pair

Less: Trade Discount @ 15%

- (5 Marks) (5 Marks)
- (b) Attempt any ONE of the following two sub-parts i.e. either (i) or (ii):
 - (i) Rama, Krishna and Raghu shared profits and losses in the ratio of 5:3:2. They took out a Joint Life Policy in 2017 for ₹50,000, a premium of ₹3,000 being paid annually on 10th June. The surrender value of the policy on 31st December of various years was as follows:

2017	Nil
2018	₹900
2019	₹2,000
2020	₹3,600

Rama retired on 15th April, 2021 and the policy was surrendered. You are required to prepare Joint Life Policy Account from 2017 to 2021 (assuming the Policy Account is maintained at surrendered value basis).

OR

(ii) PQR Limited's Profit and Loss account for the year ended 31st March, 2021 includes the following information:

(1)	Liability for Income Tax	₹40,000
(2)	Retained Profit	₹2,00,000
(3)	Proposed Dividend	₹20,000
(4)	Increase in Provision for Doubtful Debts	₹25,000
(5)	Bad Debts written off	₹20,000

State which one of the items above is - (a) transfer to provisions; (b) transfer to reserves; and (c) neither related to provisions nor reserves.

(c) It was provided under the Partnership Agreement between Ram, Laxman and Bharat that in the event of death of a partner, the survivors would have to purchase his share in the firm on the following terms:

- (i) Goodwill is to be valued at 3 year's purchase of simple average profits of last 4 completed years.
- (ii) Outstanding amount due to the representative of a deceased partner shall be paid in 4 equal half yearly installments commencing 6 months after the death plus interest @ 5% p.a. on the outstanding dues.

They shared profit and loss in the ratio 9:4:3.

Ram died on 30th September 2020 and Partner's Capital account balances on that date were: Ram - ₹ 21,600, Laxman - ₹ 12,800 and Bharat - ₹ 7,200. Ram's current account on 30th September, 2020 after crediting his share of profit to that date, however showed a debit balance of ₹ 1,920.

Firm profits were for the year ended

-	31 st March, 2017	₹70,400
-	31 st March, 2018	₹56,320
-	31 st March, 2019	₹48,160
-	31 st March, 2020	₹17,408

Show Ram's Capital Account and Executor's Account (of Ram) till full payment is made to Ram's Executor. (10 Marks)

Answer

(a)

PURCHASES BOOK

Date	Particulars	L.F.	Amount ₹
(i)	Red & Co.		
	10 pair of black shoes @ ₹ 800		8,000
	5 pair of Brown shoes @ ₹ 900		4,500
			12,500
	Less: 10% trade discount		(<u>1,250)</u>
			11,250

Note:

- 1. Purchases made in cash are entered in cash book not in purchase book.
- 2. Purchase of computer cannot be entered in the Purchase Book but entered in journal proper.

		₹			₹
10 th June,	To Bank	3,000	31 st Dec.,	By Profit and Loss	3,000
2017	Account		2017	A/c	
10 th June,	To Bank	3,000	31 st Dec.,	By Profit and Loss	2,100
2018	Account		2018	A/c	
				By Balance c/d	900
		3,000			3,000
1 st January,	To Balance	900	31st Dec.,	By Profit and Loss	1,900
2019	b/d		2019	A/c	
10 th June,	To Bank	3,000		By Balance c/d	2,000
2019	Account				
		3,900			3,900
1 st January,	To Balance	2,000	31 st Dec.,	By Profit and Loss	1,400
2020	b/d		2020	A/c	
10 th June,	To Bank	3,000		By Balance c/d	3,600
2020	Account				
		5,000			5,000
1 st January,	To Balance	3,600	15 th April,	By Bank	3,600
2021	b/d		2021		
		3,600			3,600

Joint Life Policy Account

(ii)

(b) (i)

- (a) Transfer to provisions (i), (iv)
- (b) Transfer to reserves (ii)
- (c) Neither related to provisions nor reserves (iii), (v).

(c)

Ram's Capital Account

Date	Particulars	₹	Date	Particulars	₹
2020			2020		
Sep. 30	To Ram's current Account	1,920	Sep. 30	By bal b/d	21,600
Sep. 30	To Ram's Executor A/c	1,00,802	Sep. 30	By Bharat Capital A/c and Laxman Capital A/c (Share of goodwill)	81,122
		1,02,722			1,02,722

Date	Particulars	₹	Date	Particulars	₹
2020			2020		
31.3.2021	To Bank A/c	27,720.50	1.10.2020	By Capital A/c	1,00,802.00
	(25,200.50+2,520)		31.3.2021	By Interest	2,520.00
	To Balance c/d	75,601.50		(1,00,802 x 2.5%)	
		1,03,322.00			1,03,322
30.9.2021	To bank A/c	27,090.50	1.4.2021	By Balance b/d	75,601.50
	(25,200.50+1,890)		30.9.2021	By Interest	1,890.00
31.3.2022	To bank A/c	26,460.50		(75,601.50 x 2.5%)	
	(25,200.50+1,260)		30.3.2022	By Interest	1,260.00
31.3.2022	To balance c/d	25,200.50		(25,200.50 x 2) x 2.5%	
		78,751.50			78,751.50
30.9.2022	To bank A/c	25,830.50	1.4.2022	By balance b/d	25,200.50
	(25,200.50+630)		30.9.22	By Interest	630.00
				(25,200.50 x 2.5%)	
		25,830.50			25,830.50

Ram's executor Account

Working notes

1.	Ascertainment of Value of Goodwill			
	2017	70,400		
	2018	56,320		
	2019	48,160		
	2020	17,408		
	Total Profit for 4 years	1,92,288		
	Average Profit	48,072		
	Goodwill - 3 years			
	Purchase of Average Profit	1,44,216		
	Ram's Share of goodwill			
	(9/16 of ₹1,44,216)	81,122		
* Profit sharing ratio between Ram, Laxman and Bharat = 9:4:3, Therefore Ram's share of Profit = 9/16				
2. Calculation of amount of each instalment (without interest) = ₹1,00,802 / 4 = 25,200.50

Question 6

- (a) X Limited invited applications for issuing 75,000 equity shares of ₹10 each at a premium of ₹5 per share. The total amount was payable as follows:
 - ₹9 per share (including premium) on application and allotment
 - Balance on the First and Final Call

Applications for 3,00,000 equity shares were received. Applications for 2,00,000 equity shares were rejected and money refunded. Shares were allotted on pro-rata basis to the remaining applicants. The first and final call was made. The amount was duly received except on 1,500 shares applied by Mr. Raj. His shares were forfeited. The forfeited shares were re-issued at a discount of \mathcal{F} 4/- per share.

Pass necessary journal entries for the above transactions in the books of X Limited.

(15 Marks) (5 Marks)

	(b) What are	the advantage	s of Subsidiar	v Books ?
I	~	/ Innacaro	the darantage	o or ouseraidi	,

			Dr.	Cr.
			₹	₹
1	Bank Account	Dr.	27,00,000	
	To Share Application & Allotment A/c			27,00,000
	(Being Application money on 3,00,000 shares at ₹ 9 per share received.)			
2	Share Application & Allotment A/c	Dr.	27,00,000	
	To Share Capital A/c (75,000 x ₹ 4)			3,00,000
	To Securities premium A/c (75,000 x ₹ 5)			3,75,000
	To Bank A/c (2,00,000 x ₹ 9)			18,00,000
	To Share First & Final Call A/c			2,25,000
	(Being application money transferred)			
3	Share First & Final Call A/c (75,000 x6)	Dr.	4,50,000	
	To Share Capital Account			4,50,000
	(Amount First & Final Call A/c due from members as per Directors, resolution no dated)			
2	Bank Account A/c	Dr.	2,21,625	

(a)

Answer

	Calls in arrear A/c	Dr.	3,375	
	To Share First & Final Call Account			2,25,000
	(Being Receipt of the amounts due on first call.)			
5	Equity share capital A/c	Dr.	11,250	
	To Share forfeiture A/c			7,875
	To Calls in arrear A/c			3,375
	(Being 1,125 shares forfeited for non payment of final call.)			
6	Bank Account A/c (1,125 x ₹ 6)	Dr.	6,750	
	Share forfeiture A/c (1,125 x ₹ 4)		4,500	
	To Share Capital Account (1,125 x ₹ 10)			11,250
	(Being forfeited shares reissued at ₹ 4 discount)			
7	Share forfeiture A/c		3,375	
	To Capital reserve A/c			3,375
	(Being share forfeiture transferred to capital reserve*)			

Working notes:

1.

Shares Applied	Shares Allotted	Money Received on Application @ ₹ 9/-	Money Transferred to Share Capital@ ₹ 4/-	Money Transferred to Security Premium @₹ 5/-	Excess Application Money	Share First and Final Call @ ₹ 6/-	Amount received from Share First and Final Call after adjusting excess appl. money	Money Refunded
2,00000	-	18,00,000	-	-	-	-	-	18,00,000
1,00,000	75,000	9,00,000	3,00,000	3,75,000	2,25,000	4,50,000	4,25,000	-
3,00,000	75,000	27,00,000	3,00,000	3,75,000	2,25,000	4,50,000	4,46,625*	18,00,000

* ₹ 4,50,000 less ₹ 3,375.

2. Number of shares allotted to Mr. Raj = 1,500 x 75,000 / 1,00,000 = 1,125 shares

3. Calculation of calls in arrear

Application money received from Raj	(1,500 x9)	13,500
Less: actual application money	1,125 x9	<u>10,125</u>
Excess Application & Allotment Money Adjusted with first		<u>3,375</u>

and final call	
Final call due from Raj	6,750
Less: Adjusted with final call	<u>(3,375)</u>
Calls in arrear	<u>3,375</u>

(b) Advantages of Subsidiary Books

The use of subsidiary books affords the under mentioned advantages:

- Division of work: Since in the place of one journal there will be so many subsidiary books, the accounting work may be divided amongst a number of clerks.
- (ii) Specialization and efficiency: When the same work is allotted to a particular person over a period of time, he acquires full knowledge of it and becomes efficient in handling it. Thus the accounting work will be done efficiently.
- (iii) Saving of the time: Various accounting processes can be undertaken simultaneously because of the use of a number of books. This will lead to the work being completed quickly.
- (iv) Availability of information: Since a separate register or book is kept for each class of transactions, the information relating to each transactions will be available at one place.
- (v) Facility in checking: When the trial balance does not agree, the location of the error or errors is facilitated by the existence of separate books. Even the commission of errors and frauds will be checked by the use of various subsidiary books.

Question No. 1 is compulsory.

Attempt any four questions from the remaining five questions.

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

Working Notes should form part of the answer.

Question 1

- (a) State with reasons, whether the following statements are True or False :
 - (i) Re-issue of forfeited shares is allotment of shares but not a sale.
 - (ii) Subsidy received from the government for working capital by a manufacturing concern is a revenue receipt.
 - (iii) The Sale Book is kept to record both the cash and credit sales.
 - (iv) There are two ways of preparing an account current.
 - (v) Consignee will not pass any journal entry in his books at time of receiving of goods from Consignor.
 - (vi) Accounting Standards for non-corporate entities in India are issued by the Central Government.
 (6 x 2 = 12 Marks)
- (b) Define the following terms:
 - (i) Capital Commitment
 - (ii) Expired Cost
 - (iii) Floating Charge
 - (iv) Obsolescence

(4 Marks)

(c) Prepare a Bank Reconciliation Statement from the following particulars as on 31st December, 2020 :

Particulars	₹
Bank Balance as per Cash Book (Debit)	1,98,000
Bank Charges debited by the bank not recorded in Cash Book	34,000
Received from debtors vide RTGS on 31st December, 2020 not recorded in Cash Book	1,00,000
Cheque issued but not presented for payment	45,000
Cheque deposited but not cleared	25,000

Cheque received and deposited but dishonoured. Entry for dishonour	
not made in the Cash Book	5,000
Instruction for payment given to the bank on 31st December, 2020 but the same effected by the Bank on 01 st January, 2021	4,000

(4 Marks)

Answer

- (a) (i) False; Reissue of forfeited shares is not allotment of shares but only a sale because such shares already has been allotted earlier.
 - (ii) **True**; Subsidy received from the government for working capital by a manufacturing concern is a revenue receipt because it has no effect on improvement of future capability of business in revenue generation.
 - (iii) False; Sales Book is a register specially kept for recording credit sales of goods dealt in by the firm, cash sales are entered in the Cash Book and not in the Sales Book.
 - (iv) False; There are three ways of preparing an Account Current: with help of interest table; by means of products and by means of products of balances.
 - (v) True; Consignee is not concerned when goods are consigned to him or when the consignor incurs expenses. He is concerned only when he sends an advance to the consignor, makes a sale, incurs expenses on the consignment and earns his commission. He does not pass any entry in his books at the time of receiving goods from consignor.
 - (vi) False; Accounting Standards for non-corporate entities in India are issued by the Institute of Chartered Accountants of India (ICAI).
- (b) (i) Capital commitment: Future liability for capital expenditure in respect of which contracts have been made.
 - (ii) **Expired cost**: The portion of the expenditure from which no further benefit is expected. Also termed as expense.
 - (iii) Floating charge: A general charge on some or all assets of an enterprise which are not attached to the specific assets and are given as security against a debt.
 - (iv) Obsolescence: Diminution in the value of an asset by reason of its becoming out-of-date or less useful due to technological changes, improvement in production methods, change in market demand for the product or service output of the asset, legal or other restrictions.

Adjusted Cash Book as on 31st December, 2020

Particulars	₹	Particulars	₹
To Balance b/d	1,98,000	By Bank charges	34,000
To Debtors	1,00,000	By Debtor (cheque dishonour)	5,000
		By Balance c/d	2,59,000
	2,98,000		2,98,000

Bank Reconciliation	Statement as on	1 31 st December,	2020
----------------------------	-----------------	------------------------------	------

Particulars	₹	₹
Balance as per adjusted cash book		2,59,000
ADD: Cheque issued but not presented	45,000	
Payment not effected by bank	<u>4,000</u>	
		<u>49,000</u>
		3,08,000
LESS: Cheque deposited but not cleared	25,000	<u>25,000</u>
Balance as per Bank pass book		2,83,000

Question 2

- (a) Mr. Joshi's trial balance as on 31st March, 2020 did not agree. The difference was put to a Suspense Account. During the next trading period, the following errors were discovered:
 - (i) The total of the Purchases Book of one page, ₹ 5,615 was carried forward to the next page as ₹ 6,551.
 - (ii) A sale of ₹ 281 was entered in the Sales Book as ₹ 821 and posted to the credit of the customer.
 - (iii) A return to creditor, ₹ 295 was entered in the Returns Inward Book; however, the creditor's account was correctly posted.
 - (iv) Cash received from Senu, ₹895 was posted to debit of Sethu.
 - (v) Goods worth ₹ 1,400 were dispatched to a customer before the close of the year but no invoice was made out.
 - (vi) Goods worth ₹1,600 were sent on sale or return basis to a customer and entered in the Sales Book at the close of the year, the customer still had the option to return the goods. The gross profit margin was 20% on Sale.
 - (vii) ₹600 due from Mr. Q was omitted to be taken ·to the trial balance.
 - (viii) Sale of goods to Mr. R for ₹ 3,000 was omitted to be recorded.

(c)

You are required to give journal entries to rectify the errors in a way so as to show the current year's profit or loss correctly. (10 Marks)

(b) M/s. Dayal Transport Company purchased 10 trucks @ ₹ 50,00,000 each on 1st July 2017. On 1st October, 2019, one of the trucks is involved in an accident and is completely destroyed and ₹ 35,00,000 is received from the insurance in full settlement. On the same date, another truck is purchased by the company for the sum of ₹ 60,00,000. The company writes off 20% of the original cost per annum. The company observes the calendar year as its financial year.

Give the motor truck account for two years ending 31st December, 2020. (10 Marks)

	Particulars		L.F.	Dr.	Cr.
				₹	₹
(i)	Suspense Account	Dr.		936	
	To Profit and Loss Adjustment A/c				936
	(Correction of error by which Purchase				
	Account was over debited last year- ₹5,615 carried forward instead of ₹6,551)				
(ii)	Profit & Loss Adjustment A/c	Dr.		540	
	Customer's Account	Dr.		1,102	
	To Suspense Account				1,642
	(Correction of the entry by which (a) Sales A/c was over credited by ₹ 540 (b) customer was credited by ₹821 instead of being debited by ₹281)				
(iii)	Suspense Account	Dr.		590	
	To Profit & Loss Adjustment A/c				590
	(Correction of error by which Returns Inward Account was debited by ₹295 instead of Returns Outwards Account being credited by ₹295)				
(iv)	Suspense Account	Dr.		1,790	
` <i>`</i>	To Senu				895

Answer

(a)

Journal Entries

	To Sethu			895
	(Removal or wrong debit to Sethu and giving credit to Senu from whom cash was received)			
(v)	Customer's Account	Dr.	1,400	
	To Profit & Loss Adjustment A/c			1,400
	(Rectification of the error arising from non-			
	preparation of invoice for goods delivered)			
(vi)	Profit & Loss Adjustment A/c	Dr.	1600	
	To Customer's Account			1,600
	(The Customer's A/c credited with goods			
	not yet purchased by him)			
(vii)	Inventory A/c	Dr.	1280	
	To Profit & Loss Adjustment A/c			1280
	(Cost of goods debited to inventory and credited to Profit & Loss Adjustment A/c)			
(viii)	Trade receivable/ Q's Account	Dr.	600	
	To Suspense Account			600
	(₹600 due by Q not taken into trial balance, now rectified)			
(ix)	R's account/Trade receivable	Dr.	3,000	
	To Profit & Loss Adjustment A/c			3,000
	(Sales to R omitted, now rectified)			
(x)	Profit & Loss Adjustment A/c	Dr.	5,066	
	To Joshi's Capital Account			5,066
	(Transfer of the Profit & Loss Adjustment A/c balance to the Capital Account)			

1	h)
l	v)

Truck A/c

Date	Particulars	Amount	Date	Particulars	Amount
2019			2019		
Jan-01	To balance b/d	35,000,000	Oct-01	By bank A/c	35,00,000
	To Profit & Loss A/c			By Depresiation	
Oct-01	Profit on settlement of Truck (W.Note 1)	7,50,000	Oct-01	on lost assets	7,50,000

Date	Particulars	Amount	Date	Particulars	Amount
Oct-01	To Bank A/c	60,00,000	Dec-31	By Depr eciation A/c (W Note 3)	93,00,000
			Dec-31	By balance c/d	2,82,00,000
		4,17,50,000			4,17,50,000
2020			2020		
Jan-01	To balance b/d	2,82,00,000	Dec-31	By Depreciation A/c (W Note 3)	1,02,00,000
			Dec-31	By balance c/d	1,80,00,000
		2,82,00,000			2,82,00,000

Working Note:

1. Profit on settlement of truck

Original cost as on 1.7.2017	50,00,000
Less: Depreciation for 2017 (6 months)	5,00,000
	45,00,000
Less: Depreciation for 2017	10,00,000
	35,00,000
Less: Depreciation for 2019 (9 months)	7,50,000
	27,50,000
Less: Amount received from Insurance company	35,00,000
Profit on settlement of truck	7,50,000

2. Calculation of WDV of 10 trucks as on 01.01.2018

	Amount
WDV of 1 truck as on 31.12.2017 (Refer W.N 1)	35,00,000
WDV of 10 trucks as on 01.01.2018	3,50,00,000

3. Calculation for Depreciation for 2018 and 2019

	Amount
Depreciation for 2018	
On 9 trucks (₹ 50,00,000 x 9 x 20%)	90,00,000
On new truck (₹ 60,00,000 x 1 x 20% x 3/12)	3,00,000
	<u>93,00,000</u>
Depreciation for 2019	

On 9 tucks (₹ 50,00,000 x 9 x 20%)	
On new truck (Rs 60,00,000 x 1 x 20%)	90,00,000
	12,00,000
	<u>1,02,00,000</u>

Question 3

(a) A Products Limited of Kolkata has given the following particulars regarding tea sent on consignment to C Stores of Mumbai:

	Cost price	Selling price	Qty consigned
5 Kg. Tin	₹100 each	₹150 each	1,000 Tins
10 Kg. Tin	₹180 each	₹250 each	1,000 Tins

- (i) The consignment was booked on freight "To Pay" basis. The freight was charged @ 5% of selling value.
- (ii) C Stores sold 500, 5 kg Tins and 800, 10 kg Tins. It paid insurance of ₹ 10,000 and storage charges of ₹ 20,000.
- (iii) C Stores is entitled to a fixed commission @ 10% on Sales.
- (iv) During transit 50 quantity of 5 kg Tin and 20 quantity of 10 kg Tin got damaged and the transporter paid ₹ 5,000 as damage charge.

Prepare the Consignment Account in the books of A Products Limited. (10 Marks)

(b) From the following particulars prepare an account current, as sent by Mr. Amit to Mr. Piyush as on 31st December, 2020 by means of product method charging interest @ 8% p.a.

Date	Particulars	₹
01-09-2020	Balance due from Piyush	900
15-10-2020	Sold goods to Piyush	1,450
20-10-2020	Goods returned by Piyush	250
22-11-2020	Piyush paid by Cheque	1,200
15-12-2020	Received cash from Piyush	600

(5 Marks)

- (c) Attempt any ONE of the following two sub-parts i.e. either (i) or (ii)
 - (i) From the following information show the journal entries in the books of ABC Limited for the year ended 31st March, 2020:

- 100 units of goods costing ₹500 each sent to XYZ Limited on Sales or Return Basis @ ₹750 per unit. This transaction was however treated as actual sales in the books of accounts.
- (2) Out of the above 100 units, only 60 units were accepted by XYZ Limited during the year @ ₹700 per unit. No information was received about acceptability of balance units by the year end.

OR

(ii) Mahesh had the following bill receivables and bills payables against Rajesh. Calculate the average due date, when the payment can be received or made without any loss of interest.

Date	Bills Receivable	Tenure	Date	Bills Payable	Tenure
12-06-20	5,000	3 months	27-05-20	3,700	3 months
10-07-20	6,200	1 month	07-06-20	4,000	3 months
15-07-20	3,500	3 months	10-07-20	5,000	1 month
12-06-20	1,500	2 months			
28-06-20	2,500	2 months			

15th August, 2020 was Public holiday. However, 10th September, 2020 was also suddenly declared as holiday. (5 Marks)

Answer

(a)

A Products Ltd.

D	r.	Consig	nment to I	Numbai Account		Cr.
	Particulars			Particulars		
			₹			₹
	To Goods sent on Consignment A/c			By C Stores		
	1,000 5 kg. tins @ Rs 100	1,00,000		500, 5 kg. tins @ ₹150	75,000	
	1,000 10 kg. tins. @ ₹ 180	1,80,000	2,80,000	800,10 kg. tins. @ ₹250	<u>2,00,000</u>	2,75,000
	To C Stores:			By Bank A/c (Damage charges)		5,000
	Freight	20,000		By Profit & Loss A/c -		

	Insurance	10,000		abnormal loss (Net)		4,225
	Storage charge	20,000				
	Commission	27,500	77,500	By Inventory on consignment A/c		83,025
	To Profit & Loss A/c Profit	-	9,750			
			3,67,250			3,67,250
١	Working Notes:					
((i) Calculation of F	reight				
	Sale value of to	tal consignme	nt:			
	1,000 5 kg. tins	@₹150		1,50	,000	
	1,000 10 kg. tin	s @ ₹ 250			2,50,000	
				4,00	,000	
	Freight @ 5% o	f above		20	,000	
((ii) Inventories at th	ie end:				
	450, 5 kg. tins (⊉ ₹ 100 (Selli	ng Price ₹	67,500)	45,000	
	180,10 kg.	tins. @ ₹ 180) (Selling P	rice ₹ 45,000)	32,400	
					77,400	
	Add: Freig	ht 5% of (Selli	ing Price ₹	1,12,500)	5,625	
					83,025	
((iii) Loss in transit:					
	Cost of 50	,5 kg. tins @ ₹	100 & 20	, 10 kg tins @ 180	8,600	
	Freight @	5% of Selling	Price ₹ 12	,500	<u>625</u>	
	Gross abn	ormal Loss			9,225	
	Less : Dan	nage charges	received		<u>(5,000)</u>	
	Net abnorr	nal Loss			4,225	

(b)

Piyush in Account Current with Amit

for the period ending on 31^{st} December, 2020

Date	Particulars	Amount	Days	Products	Date	Particulars	Amount	Days	Products
2020		₹			2020		₹		
Sept. 1	To Balance	900	122	1,09,800	Oct.	By Sales	250	72	18,000

	b/d				20	Returns			
Oct. 1	5 To Sales A/c	1,450	77	1,11,650	Nov. 22	By Bank A/c	1,200	39	46,800
Dec. 31	To Interest A/c	32			Dec. 15	By Cash A/c	600	16	9,600
					Dec. 31	By Balance of products			1,47,050
						By Balance c/d	332		
		2,382		2,21,450			2,382		2,21,450

Calculation of interest:

Interest = 1,47,050/ 366 days X 8% = ₹ 32 (Rounded off)

Note: 366 days taken for interest calculation since 2020 is a leap year. Alternatively,365 days can also be taken. In that case amount of interest will be $\stackrel{?}{=}$ 32.23 (Rounded off $\stackrel{?}{=}$ 32) and amount of balance c/d will be $\stackrel{?}{=}$ 332.23 (Rounded off $\stackrel{?}{=}$ 332).

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In the books of ABC. Ltd.

Journal Entries

				Dr.	Cr.
Date	Particulars		L.F.	₹	₹
Marah 21	Salaa A/a (7 50 X 60)	Dr		2 000	
	To XYZ Limited A/c	DI.		3,000	3,000
	(Being the60 units of goods accepted by XYZ limited at 700 per unit.)				
	Sales A/c (40 X ₹ 750)	Dr		30,000	
	To XYZ Limited A/c				30,000
	(Being the cancellation of original entry for sale in respect of 40 units of goods not yet returned or approved by customers)				
March. 31	Inventories with Customers on Sale or Return A/c	Dr.		20,000	
	To Trading A/c				20,000
	(Being the cost of goods sent to customers on approval or return basis not yet approved, adjusted)				

Note: Quantity of goods lying with XYZ as on 31.3.2020 = 100-60 = 40 (ii) Let us take 13.08.2020 as Base date.

Bill Date	Tenure	Due date	No. Of days from 13.08.2020	Amount	Product
12/06/19	3 months	15/09/2020	33	5,000	1,65,000
10/07/19	1 month	13/8/2020	0	6,200	0
15/07/19	3 months	18/10/2020	66	3,500	2,31,000
12/06/19	2 months	14/08/2020	1	1,500	1,500
28/06/19	2 months	31/8/2020	18	<u>2,500</u>	<u>45,000</u>
				<u>18,700</u>	<u>4,42,500</u>

Bills receivable

Bills payable

Bill Date	Tenure	Due date	No. Of days from 13.08.2020	Amount	Product
27/05/19	3 months	30/08/2020	17	3,700	62,900
07/06/19	3 months	11/09/2020	29	4,000	1,16,000
10/07/19 1 month		13/08/2020	0	5,000	0
				<u>12,700</u>	<u>1,78,900</u>

Excess of products of bills receivable over bills payable = 4,42,500 - 1,78,900= 2,63,600

Excess of bills receivable over bills payable = 18,700 - 12,700 = 6,000

Number of days from the base date to the date of settlement is 2,63,600 / 6,000 = 43.94 (approx.)

Hence date of settlement of the balance amount is 44 days after 13.08.2020 i.e. **26th September, 2020.**

On 26th September, 2020, Rajesh has to pay Mahesh ₹ 6,000 to settle the account.

Question 4

- (a) The partnership deed of a firm consisting of 3 partners P, Q and R (profit sharing ratio being 2:1:1) and whose fixed capitals are ₹ 30,000, ₹ 12,000 and ₹ 8,000 respectively provides as follows:
 - (i) The partners be allowed interest @ 8% p.a. on their fixed capitals, but no interest to be allowed on undrawn profits or charged on drawings.

- (ii) That upon the death of a partner, the goodwill of the firm be valued at 2 years purchase of the average net profit (after charging interest on capital) for the 3 years to 31st December preceding the death of a partner.
- (iii) That an insurance policy of ₹ 25,000 each was taken in individual names of each partner. The premium was charged against the profits of the firm. The surrender value of the policy was 20% of the sum assured.
- (iv) Upon the death of a partner, he is to be credited with his share of the profits, interest on capitals, etc. calculated upto 31st December following his death.
- (v) That the share of the partnership policy and goodwill be credited to a deceased partner as on 31st December following his death.
- (vi) That the partnership books to be closed annually on 31st December.

P died on 30th September, 2020. The amount standing to the credit of his current account as on 31^{st} December, 2019 was ₹ 5,000 and from that date to the date of death he had withdrawn ₹ 30,000 from the business.

An unrecorded liability of \mathcal{T} 6,000 was discovered on 30th September, 2020 and it was decided to record it and immediately pay it off.

The trading results of the firm (before charging interest on capital) had been as follows:

- 2017 Profit ₹ 29,340
- 2018 Profit ₹26,470
- 2019 Loss ₹8,320
- 2020 Profit ₹13,470

You are required to prepare an account showing amount due to P's legal heir as on 31st December, 2020.

Note: Impact for unrecorded liability not to be given in earlier years. (10 Marks)

(b) Dr. Deku started private practice on 1st April, 2019 with ₹ 2,00,000 of his own fund and ₹ 3,00,000 borrowed at an interest of 12 p.a. on the security of his life policies. His accounts for the year were kept on a cash basis and the following is his summarized cash account:

Receipts		Payments	₹
Own Capital	2,00,000	Medicines Purchased	2,45,000
Loan	3,00,000	Surgical Equipment	2,50,000
Prescription Fees	6,60,000	Motor Car	3,20,000
Visiting Fees	2,50,000	Motor Car Expenses	1,20,000
Lecture Fees	24,000	Wages and Salaries	1,05,000

Pension Received	3,00,000	Rent of Clinic	60,000
		General Charges	49,000
		Household Expenses	1,80,000
		Household Furniture	25,000
		Expenses on Daughter's	2,15,000
		Marriage	
		Interest on Loan	36,000
		Balance at Bank	1,10,000
		Cash in Hand	19,000
	17,34,000		17,34,000

1/3rd of the motor car expenses may be treated as applicable to the private use of car and ₹ 30,000 of salaries are in respect of domestic servants. The stock of medicines in hand on 31st March, 2020 was valued at ₹95,000.

You are required to prepare his private practice income and expenditure account and capital account for the year ended 31st March, 2020. Ignore depreciation on fixed assets.

(10 Marks)

	r s capital Account							
2020		₹	2020		₹			
Sep. 30	To Current A/c	25,000	Jan. 1	By Balance b/d	30,000			
	(30,000 - 5000)		Dec. 31	By Profit and Loss A/c :				
Dec. 31	To Profit and Loss Adjt.	3,000		Interest on Capital	2,400			
	(Unrecorded Liability)		Dec. 31	Share of Profit	4,735			
Dec. 31	To Balance Transferred to P's Executor's A/c	38,465		Q&R (Goodwill)	11,830			
			Dec. 31	Insurance Policies A/c	17,500			
		66,465			66,465			

Answer

(a)

P's Capital Account

Working Notes:

(i) Valuation of Goodwill

	Year	Profit before Interest	Interest	Profit after				
		on fixed capital		interest				
		₹	₹	₹				
	2017	29,340	4,000	25,340				
	2018	26,470	4,000	22,470				
	2019	<u>(-) 8,320</u>	4,000	(-) 12,320				
		47,490	12,000	35,490				
				₹				
	Average			11,830				
	Goodwill a	t two years purchase of average n	et profits	23,660				
	Share of P	in the goodwill		11,830				
(ii)	Profit on	Separate Life Policy:						
	P's policy			25,000				
	Q and R's	policy @ 20% of ₹ 50,000		<u>10,000</u>				
				<u>35,000</u>				
	Share of P	(1/2)		17,500				
(iii)	Share in p	profit for 2020:						
	Profit for th	ne year			13,470			
	Less : Inte	rest on capitals			<u>(4,000)</u>			
					<u>9,470</u>			
	P's share i	n profit (1/2)			4,735			
	Income and Expenditure Account							

for the year ended 31st March, 2020

		₹		₹
To Medicines consumed			By Prescription fees	6,60,000
Purchases	2,45,000			
Less: Stock on 31.3.20	(95,000)	1,50,000	By Visiting fees	2,50,000
To Motor car expense		80,000	By Fees from lectures	24,000

(b)

To Wages and salaries (1,05,000 – 30,000)	75,000	
To Rent for clinic	60,000	
To General charges	49,000	
To Interest on loan	36,000	
To Net Income	<u>4,84,000</u>	
	<u>9,34,000</u>	<u>9,34,000</u>

Capital Account

for the year ended 31st March, 2020

	₹		₹
To Drawings:		By Cash/bank	2,00,000
Motor car expenses	40,000	By Cash/ bank (pension)	3,00,000
(one-third of ₹ 1,20,000) Household expenses Daughter's marriage exp.	1,80,000 2,15,000	By Net income from practice (derived from income and expenditure A/c)	4,84,000
Wages of domestic servants	30,000		
Household furniture	25,000		
To Balance c/d	4,94,000		
	<u>9,84,000</u>		<u>9,84,000</u>

Question 5

(a) From the following particulars ascertain the value of inventories as on 31st March, 2020 :

Inventory as on 1st April, 2019	₹3,50,000
Purchase made during the year	₹12,00,000
Sales	₹18,50,000
Manufacturing Expenses	₹1,00,000
Selling and Distribution Expenses	₹50,000
Administration Expenses	₹80,000

At the time of valuing inventory as on 31st March, 2019, a sum of ₹ 20,000 was written off on a particular item which was originally purchased for ₹ 55,000 and was sold during the year for ₹ 50,000.

Except the above mentioned transaction, gross profit earned during the year was 20 on sales. (5 Marks)

(b) Mr. K is engaged in business of selling magazines. Several of his customers pay money in advance for subscribing his magazines. Information related to year ended 31st March, 2020 has been given below:

On 1st April, 2019 he had a balance of \mathcal{Z} 3,00,000 advance from customers of which \mathcal{Z} 2,25,000 is related to year 2019-20 while remaining pertains to year 2020-21- During the year 2019-20 he made cash sales of \mathcal{Z} 7,50,000.

You are required to compute :

- (i) Total income for the year 2019-20.
- (ii) Total money received during the year, if the closing balance as on 31st March, 2020 in Advance from Customers Account is ₹2,55,000.
 (5 Marks)
- (c) From the following Income and Expenditure Account and additional information of A TK Club, prepare Receipts and Payments Accounts and Balance Sheet of the club as on 31st March, 2020.

Expenditure	₹	Income	₹
To Salaries	4,80,000	By Subscription	6,80,000
To Printing and Stationery	24,000	By Entrance Fees	16,000
To Postage	2,000	By Misc. Income	1,44,000
To Telephone	6,000		
To Office expenses	48,000		
To Bank Interest	22,000		
To Audit Fees	10,000		
To Annual General Meeting Exp.	1,00,000		
To Depreciation (Sports Equipment)	28,000		
To Surplus	1,20,000		
	8,40,000		8,40,000

Income and Expenditure Account for the year ending 31st March, 2020

Additional Information:

Particulars	As on 31st March, 2019	As on 31st March, 2020
Subscription Outstanding	64,000	72,000
Subscription Received in advance	52,000	33,600

Salaries Outstanding	24,000	32,000
Audit Fees Payable	8,000	10,000
Bank Loan	1,20,000	1,20,000
Value of Sports Equipment	2,08,000	2,52,000
Value of Club Premises	7,60,000	7,60,000
Cash in Hand	?	1,14,000

(10 Marks)

(a)		Statement of Inventory in trade as on 31st March, 2020		
			₹	₹
	Invente	ory as on 31st March, 2019	3,50,000	
	Less:B	look value of abnormal inventory		
		(₹ 55,000 - ₹ 20,000)	35,000	3,15,000
	Add: F	Purchases		12,00,000
		Manufacturing Expenses		1,00,000
				16,15,000
	Less:	Cost of goods sold:		
		Sales as per books	18,50,000	
		Less: Sales of abnormal item	50,000	
			18,00,000	
		Less: Gross Profit @ 20%	3,60,000	14,40,000
	Invent	ory in trade as on 31st March, 2020		1,75,000

(b) (i) Computation of Income for the year 2019-20:

	₹
Money received during the year related to 2019-20	7,50,000
Add: Money received in advance during previous years	2,25,000
Total income of the year 2019-20	9,75,000

(ii)

Advance from Customers A/c

Date	Particulars	₹	Date	Particulars	₹
	To Sales A/c	2,25,000	1.4.2019	By Balance b/d	3,00,000
	(Advance related to current year transferred to sales)				
				By Bank A/c	1,80,000
31.3.20	To Balance c/d	2,55,000		(Balancing Figure)	
		4,80,000			4,80,000

So, total money received during the year is:

	र
Cash Sales during the year	7,50,000
Add: Advance received during the year	1,80,000
Total money received during the year	9,30,000

(c)

ATK Club

Receipts and Payments Account for the year ended 31st March, 2020

	RECEIPTS	₹	₹		PAYMENTS	₹	₹
То	Balance b/d (balancing figure)		54,400	By	Salaries Paid (W.N. 2)		4,72,000
То	Subscriptions Received (W.N.1)		6,53,600	By	Audit fee (W.N. 3)		8,000
То	Entrance Fees		16,000				
То	Misc. Income		1,44,000	Ву	Telephone		6,000
				By	Stationery & Printing		24,000
				By	Postage		2000
				By	Office expense		48,000
				By	Bank Interest		22,000
				By	Annual general meeting expenses		1,00,000

By Sports Equipment's (W.N.4) By Balance c/d	72,000 <u>1,14,000</u>
8,68,000	8,68,000

Balance Sheet of ATK Club as at March31, 2020

Liabilities	₹	₹	Assets	₹	₹
Capital Fund :			Club Premises		7,60,000
Balance as per			Sport Equipment		2,52,000
previous			Subscription		
Balance Sheet	8,82,400		Outstanding		72,000
Add: Surplus for 2020	<u>1,20,000</u>	10,02,400	Cash in hand		1,14,000
Bank Loan		1,20,000			
Subscription received		33,600			
in advance					
Audit Fee Outstanding		10,000			
Salaries Outstanding		32,000			
		<u>11,98,000</u>			<u>11,98,000</u>

Balance Sheet of ATK Club as at 31st March, 2019

Liabilities	₹	Assets	₹
Subscriptions received in advance	52,000	Club Premises	7,60,000
Salaries Outstanding	24,000	Sports Equipment	2,08,000
Audit fees payable	8,000	Subscriptions Outstanding	64,000
Bank Loan	1,20,000	Cash in hand	54,400
Capital Fund (balancing figure)	<u>8,82,400</u>		
	<u>10,86,400</u>		<u>10,86,400</u>

Working Notes:

1. Subscription received in 2019-20

Add: Subscription for 2019-20 on accrual basis 6,80,000

	Add: Amount received in advance on 31.03.2020	33,600
	Outstanding as on 01.04.2019 received in 2019-20	<u>64,000</u>
		7,77,600
	Less: Outstanding to be received on 31.03.2020	72,000
	Amount of 2019-20 received in 2018-19	<u>52,000</u>
		Rs <u>6,53,600</u>
2.	Salary paid in 2019-20	
	Salary for 2019-20 on accrual basis	4,80,000
	Add: Outstanding as on 01.04.2019 paid in 2019-20	24,000
	Less: Outstanding to be paid on 31.03.2020	<u>32,000</u>
		Rs . <u>4,72,000</u>
3.	Audit Fees paid in 2019-20	
	Audit Fees for 2019-20 on accrual basis	10,000
	Add: Outstanding as on 01.04.2019 paid in 2019-20	8,000
	Less: Outstanding to be paid on 31.03.2020	<u>10,000</u>
		₹ <u>8,000</u>
4.	Sports Equipment purchased during 2019-20	
	WDV as on 31.03.2020	2,52,000
	Add: Depreciation	28,000
	Less: WDV as on 31.03.2019	<u>2,08,000</u>
		Rs <u>72,000</u>

Question 6

- (a) A Limited is a company with' an authorised share capital of ₹ 1,00,00,000 in equity shares of ₹10 each, of which 6,00,000 shares had been issued and fully paid up on 31st March, 2020. The company proposes to make a further issue of 1,35,000 of these ₹ 10 shares at a price of ₹14 each, the arrangement of payment being :
 - (i) ₹2 per share payable on application, to be received by 31st May, 2020;
 - (ii) Allotment to be made on 10th June, 2020 and a further ₹5 per share (including the premium to be payable);
 - (iii) The final call for the balance to be made, and the money received by 31st December, 2020.

Applications were received for 5,60,000 shares and dealt with as follows:

- (1) Applicants for 10,000 shares received allotment in full;
- (2) Applicants for 50,000 shares received allotment of 1 share for every 2 applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;
- (3) Applicants for 5,00,000 shares 'received an allotment of 1 share for every 5 shares applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and
- (4) The money due on final call was received on the due date.

You are required to record these transactions (including bank transactions) in the Journal Book of A Limited. (15 Marks)

(b) Discuss the rules if there is no Partnership Agreement.

Answer

(a)

Journal of A Limited

Date			Dr.	Cr.
2020	Particulars		₹	₹
May 31	Bank A/c (Note 1 – Column 3)	Dr.	11,20,000	
	To Equity Share Application A/c			11,20,000
	(Being application money received on 5,60,000			
	shares @ ₹ 2 per share)			
June 10	Equity Share Application A/c	Dr.	11,20,000	
	To Equity Share Capital A/c			2,70,000
	To Equity Share Allotment A/c			
	(Note 1 - Column 5)			5,50,000
	To Bank A/c (Note 1–Column 6)			3,00,000
	(Being application money on 1,35,000 shares transferred to Equity Share Capital Account; on 2,75,000 shares adjusted with allotment and on 1,50,000 shares refunded as per Board's Resolution Nodated)			
	Equity Share Allotment A/c	Dr.	6,75,000	
	To Equity Share Capital A/c			1,35,000
	To Securities Premium a/c			5,40,000
	(Being allotment money due on 1,35,000 shares @ ₹ 5 each including premium at ₹4 each as per Board's Resolution Nodated)			

(5 Marks)

	Bank A/c (Note 1 – Column 8)	Dr.	1,25,000	
	To Equity Share Allotment A/c			1,25,000
	(Being balance allotment money received)			
Dec. 31	Equity Share Final Call A/c	Dr.	9,45,000	
	To Equity Share Capital A/c			9,45,000
	(Being final call money due on 1,35,000 shares @₹ 7 per share as per Board's Resolution Nodated)			
	Bank A/c	Dr.	9,45,000	
	To Equity Share Final Call A/c			9,45,000
	(Being final call money on 1,35,000 shares @ ₹ 7 each received)			

Working Note:

Calculation for Adjustment and Refund

Category	No. of	No. of	Amount	Amount	Amount	Refund	Amount	Amount
	Shares	Shares	Received	Required	adjusted	[3 – (4 +	due on	received
	Applied	Allotted	on	on	on	5)]	Allotment	on
	for		Application	Application	Allotment			Allotment
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(i)	10,000	10,000	20,000	20,000	Nil	Nil	50,000	50,000
(ii)	50,000	25,000	1,00,000	50,000	50,000	Nil	1,25,000	75,000
(iii)	5,00,000	1,00,000	10,00,000	2,00,000	5,00,000	3,00,000	5,00,000	Nil
TOTAL	5,60,000	1,35,000	11,20,000	2,70,000	5,50,000	3,00,000	6,75,000	1,25,000

Also,

- (i) Amount Received on Application (3) = No. of shares applied for (1) X ₹2
- (ii) Amount Required on Application (4) = No. of shares allotted (2) X ₹ 2
- (b) As per the Indian Partnership Act, 1932, in the absence of any agreement among the partners,
 - 1. No partner has the right to a salary,
 - 2. No interest is to be allowed on capital,
 - 3. No interest is to be charged on the drawings,
 - 4. Interest at the rate of 6%.p.a is to be allowed on a partner's loan to the firm, and
 - 5. Profits and losses are to be shared equally.