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.**

Returns Inward Book

Date 2024	Particulars	Details	Amount (₹)
Dec 6	Aar Store		
	30 shirt @ 300/- each 9000		
	15 Trousers @ 500/- each 7,500	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%	(120)	1,080
	Total		16,260

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 ₹ 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 machinery 1 sold	1,31,648
	Machine 1 13,16,480				
	Machine 2 7,61,024	20,77,504	Oct. 1	By Bank – machinery 1 sold	2,50,000
Oct. 1	To Bank A/c (Machine 3)	8,50,000	Oct. 1	By Profit & Loss– Loss on Sale of machinery (WN. 1)	9,34,832
			2024		
			Mar. 31	By Depreciation (WN. 2)	
				Machine 2 1,52,205	
				Machine 3 41,000	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	
	2,00,000	20,000	
Total Cost	17,00,000	9,20,000	
Less: Depreciation @ 12%			

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

1. 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
2. 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

Add: 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:

Cash Book (Bank Column)

Particulars	Amount (₹)	Particulars	Amount (₹)
To discount	310	By balance b/d	24,768
To dividends	1,980	By bank charges not entered in cash book	350
To credit side of the bank column overcast	6,789	By payment recorded in the cash column of cash book	4,590
To balance c/d	26,329	By cheque returned out 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 ₹ 15,500 is a net amount. then the discount will be ₹ 316 {(i.e. (15,500/98 %) x 2%) and accordingly the solution will be:

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

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	45,789	56,429
		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	(6,789)	(1,00,103)
Balance as per Pass Book (Cr.)		(18,906)

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:

Cash Book (Bank Column only)

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

Bank Reconciliation Statement as on June 30, 2024

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

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*

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*	

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 1st June, 2023 and another ₹ 15,000 on 1st October 2023. On 31st January 2024, X withdrew ₹ 25,000.

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

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

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

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

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Opening stock		3,86,000	By Sales	29,86,000	
To Purchases	24,95,000		*Less:* Returns	(135,000)	28,51,000
Less: 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	12,000	1,27,000	By Interest		34,500
			By Discount received		24,600
To Rent	66,000				
Add: Outstanding	6,000	72,000			
To Advertisement		40,300			
To Printing & stationery		32,200			
To Electricity charges		57,700			
To Interest (₹ 12,500 + 3000)		15,500			
To Discount allowed		55,200			
To Bad Debts	18,500				
Add: Provision for Doubtful Debts	10,500	29,000			

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

Balance Sheet as at 31st March,2024

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	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
Less: 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%	30,000
		34,500
	Less: Interest received on investments and deposits	(28,500)
	Accrued interest	6,000

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	2,750

(b) (a) **Calculation of Effective Capital**

X	Amount	Y	Amount
₹ 2,80,000 invested for 2 months i.e., ₹ 5,60,000 invested for 1 month	5,60,000	₹ 1,60,000 invested for 4 months i.e., ₹ 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.,	

₹ 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 = ₹ 36,000

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

(c) Calculation of Interest on Drawings

X = ₹ 5,000 x4x 10/100 x 7.5/12 = ₹ 1,250

Y = ₹ 1,500x12 x 10/100 x 5.5/12 = ₹ 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*
B	*1,90,000*	*Furniture & Fixtures*	*1,05,000*

C	*1,50,000*	*Trade Receivables*	*1,55,200*	
General Reserve	*1,35,000*	*Less: Provision for*		
Trade Payables	*97,400*	*Doubtful debts*	*5,700*	*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:*

   31st March, 2021 ₹ 1,14,000

   31st March, 2022 ₹ 1,22,000

   31st March, 2023 ₹ 1,19,000

   31st March, 2024 ₹ 1,25,000

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

ii. *Profit till the date of death to be ascertained on the basis of average profit of previous four years and share of C was to be credited to his capital account.*

iii. *Assets were to be revalued: Land & Building was appreciated by 15%, Machinery to be depreciated by 5%, Furniture & Fixtures to be revalued at ₹ 1,00,000 and the value of Stock to be taken at ₹ 90,000.*

iv. *Provision for doubtful debts to be increased by ₹ 1,800.*

v. *A sum of ₹ 2,40,000 was received from insurance company against Joint Life Policy.*

vi. *Amount due to C was paid to the executors.*

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

(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:*

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

To Provision for doubtful debt	1,800		
To Capital A/c (Revaluation Profit) A = 26,100 x 3/6 = 13,050 B= 26,100 x 2/6= 8,700 C = 26,100x 1/6= 4,350	26,100		
	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	Amount (₹)	Assets		Amount (₹)
Capital accounts:		Land and Building		2,76,000
A	4,05,550	Machinery		1,42,500
B	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 <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
A	$\frac{3}{6}$	$\frac{5}{8}$	$\frac{6}{48}$
B	$\frac{2}{6}$	$\frac{3}{8}$	$\frac{2}{48}$
C	$\frac{1}{6}$	–	–

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)			

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. 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:

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
		By Joint Life Policy (WN. 3)	1,50,000
To Provision for doubtful debt	1,800		

To Capital A/c (Revaluation Profit) A = 1,76,100 x 3/6 = 88,050 B = 1,76,100 x 2/6 = 58,700 C = 1,76,100 x 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
A	4,05,550	Machinery		1,42,500
B	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
A	$\frac{3}{6}$	$\frac{5}{8}$	$\frac{6}{48}$
B	$\frac{2}{6}$	$\frac{3}{8}$	$\frac{2}{48}$
C	$\frac{1}{6}$	–	–

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)

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 31-03-2023 (₹)	Amount 31-03-2024 (₹)	Assets	Amount 31-03-2023 (₹)	Amount 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	(40,000)
	3,92,600
Add: Drawings (₹ 2500 × 12)	30,000
	4,22,600
Less: Capital Balance as on 31-03-2023	(3,14,500)
Profit for the year ended 31st 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 31st March, 2024, you are required to prepare receipt and payment account for the year ending 31st March, 2024 and Balance Sheet as on 1st April, 2023.*

Income and Expenditure Account

For the year ending 31st March, 2024

Expenditure	***Amount ₹***	***Income***	***Amount ₹***
To Lawn Maintenance	*42,000*	*By subscription*	*1,05,000*
To General Expenses	*13,000*	*By Admission fees*	*12,000*
To Stationery (depreciation)	*1,500*	*By Sports material (Sale of second-hand material)*	*2,400*

To Depreciation on 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	***1st April,2023***	***31st 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 (₹)
To Balance b/d		60,000	By Lawn maintenance	42,000
To Subscriptions as per Income & Expenditure Account	1,05,000		By General Expenses	13,000
Add: Outstanding for 2022-23	10,000		By Honorarium	10,400
Less: Outstanding for 2023-24	(15,000)	1,00,000	By Tournament Expenses	14,000
To Admission Fees		12,000	By Sports material (W.N.2)	14,000
To Entertainment		14,000	By Stationary (W.N.1)	2,000
To Donation for Building		1,40,000	By By balance c/d (bal. fig)	2,53,000
To Tournament Income (6,000 + 14,000)		20,000		
To Sale of sports material (Refer Note)		2,400		
		3,48,400		3,48,400

Balance Sheet of Club as at 1st April, 2023

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

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

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 1st April, 2023.

(b) (i) Journal Entries in the books of Mr. B

Date 2024	**Particulars**		**Amount (₹)**	**Amount (₹)**
1st 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)			
3rd 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 1st bill discounted from bank)			
2nd 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)			

2nd 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)			
3rd 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.

3rd 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)			
3rd 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)			

Or

(ii) (a) Weighted Average basis

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

	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

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

	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				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

$$= \frac{300 \times 18 + 300 + 150}{300} = ₹\ 19.5$$

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

$$= \frac{500 \times 21 + 300 + 150}{500} = ₹\ 21.9$$

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.

(c)

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

On Application	*₹ 2 per share*
On Allotment (1st July, 2023)	*₹ 7(including premium) per share*
On First call (1st Nov,2023)	*₹ 3 per share*
On Final call (1st Jan,2024)	*₹ 3 per share*

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

Give journal entries with narrations to record all these transactions in the books of Arpit Ltd. ***(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 Amount (₹)	Credit 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
	(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

	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)			

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 x 12% x 4 / 12 = ₹ 2,400

Final Call from 1st July 2023-to 1st, Jan 2024
= ₹ 60,000 x 12% x 6 / 12 = ₹ 3,600

Total ₹ 6,000

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

(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.