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) Trade discount is recorded in the discount column in triple column cash book.

(ii) Money measurement concept means transactions are to be recorded at a uniform-monetary units.

(iii) If a society (Non-profit organization) has a separate trading activity, the profit / loss from the trading account shall be transferred to Income and Expenditure Account at the time of consolidation.

(iv) Partners in a partnership firm will share the profits of business according to their capital contribution in the absence of any agreement.

(v) LLP should have two designated partners who are resident in India.

(vi) A Non-Profit Organization registered under Section 8 of Companies Act, 2013 can distribute its surplus among its members. ***(6 x 2 = 12 Marks)***

(b) Explain the following:

(i) What are the objectives of accounting standards?

(ii) What is the difference between liability and contingent liability?

(4 Marks)

(c) A trader prepared his final accounts on 31st March, each year. Due to some unavoidable reasons, no inventory taking could be possible till 15th April,2025 on which date total cost of goods in his store came to ₹ 1,50,000.

The following facts were established between 31st March and 15th April, 2025:

Sales (Credit)	*₹ 70,000*
Sales (Cash)	*₹ 25,000*
Purchases (Cash)	*₹ 15,000*
Purchases (Credit)	*₹ 25,000*

On 25th March, goods of the sale value of ₹ 30,000 were sent on sale or return basis to a customer, the period of approval being four weeks. He returned 25% of the goods on 12th April, approving the rest; the customer was billed on 25th April.

The trader had also received goods costing ₹ 10,000 in March, for sale on consignment basis. 50% of the goods had been sold by 31st March and another 25% by 15th April. These sales are not included in above sales.

Goods are sold by the trader at a profit of 20% on sales.

You are required to ascertain the value of inventory as on 31st March, 2025.

(4 Marks)

Answer

(a) i. **False:** Discount column of cash book records the cash discount. Further, Trade discount is not shown in the Cash book/books of accounts.

ii. **True:** As per Money measurement concept, only those transactions, which can be measured in terms of money are recorded. Additionally, monetary units used should also be uniform. For example, - Rupee, dollars etc.

iii. **True:** Where in case of the trading activities, the profit /loss from such activity to be transferred to the Income and expenditure account in case of consolidated accounts.

iv. **False:** In absence of Partnership agreement, Profits and losses are to be shared equally among partners.

v. **False:** As per Section 7 of the LLP Act, every limited liability partnership should have at least two designated partners who are individuals and at least one of them should be a resident in India.

vi. **False:** A Non-profit organization ~~s~~ registered under section 8 of the Companies Act, 2013 can't distribute surplus to its members. The surplus must be credited to General fund for furtherance of its charitable objectives.

(b) (i) Accounting Standards standardise diverse accounting policies with an objective to:

(i) eliminate the non-comparability of financial statements and thereby improving the reliability of financial statements; and

(ii) provide a set of standard accounting policies, valuation norms and disclosure requirements.

(ii) A liability is defined as the present financial obligation of an enterprise, which arises from past events. The settlement of a liability results in an outflow from the enterprises of resources embodying economic benefits.

On the other hand, in the case of contingent liability, either outflow of resources to settle the obligation is not probable or the amount expected to be paid to settle the liability cannot be measured with sufficient reliability. For example- claims against the enterprise not acknowledged as debts, guarantees given in respect of third parties, liability in respect of bills discounted and statutory liabilities under dispute etc. In addition to present obligations that are recognized as liabilities in the balance sheet, enterprises are also required to disclose contingent liability in their balance sheets by way of notes.

(c) Statement of Valuation of Inventory (Stock) on 31st March, 2025

Particulars	**₹**	**Amount (₹)**
Value of stock as on 15th April, 2025		1,50,000
Add: Cost of sales during the period from 31st March, 2025 to 15th April, 2025:		
Sales	95,000	
Less: Gross profit (20% of ₹ 95,000)	(19,000)	76,000
Add: Cost of goods sent on approval basis (80% of ₹ 22,500)		18,000
		2,44,000

Less:	Purchases during the period from 31st March, 2025 to 15th April, 2025 (15,000 + 25,000)	(40,000)	
Less:	Unsold stock out of goods received on consignment basis (25% of ₹ 10,000)	(2,500)	(42,500)
			2,01,500

Question 2

(a) Following errors were found in the books of XYZ. Give necessary entries to correct them:

(i) A purchase of goods from R amounting to ₹ 10,000 has been wrongly entered through the sales book.

(ii) Furniture purchased for office use amounting to ₹ 25,000 has been entered in the purchase day book.

(iii) Minor repairs to the Furniture Account amounting to ₹ 1,500 were debited to Furniture Account.

(iv) Wages amounting to ₹ 3,000 paid to workmen for making Office Furniture has been charged to wages account.

(v) Tuition Fees of proprietor's son ₹ 25,000 has been debited to Audit fees A/c.

(vi) An amount of ₹ 10,000 due from Mohan which had been written off as bad debt in the previous year was unexpectedly recovered and has been posted to the personal account of Mohan.

(vii) Goods (Cost being ₹ 7,000 and sales price being ₹ 10,000) distributed as free samples among prospective customers were not recorded anywhere.

(viii) Goods amounting to ₹ 1,000 returned by a customer, G & Co. were entered in the Sales Day Book and posted there from to the credit of his account.

(ix) A bill of Exchange (received from SS & Co.) for ₹ 10,000 had been returned by the bank as dishonoured and had been credited to the bank and debited to bills receivable account.

(x) A Bills Receivable for ₹ 2,500 was passed through Bills Payable Book. The Bill was given by Jack. ***(10 Marks)***

(b) Prepare the Bank Reconciliation Statement of M/s. XYZ Brothers on 31st March, 2025 from the particulars given below:

(i) The Bank Pass Book had a debit balance of ₹ 62,500 on 31st March, 2025.

(ii) A cheque worth ₹ 1,000 directly deposited into Bank by customer but no entry was made in the Cash Book.

(iii) Out of cheques issued worth ₹ 85,000. Cheques amounting to ₹ 50,000 only were presented for payment till 31st March, 2025.

(iv) A cheque for ₹ 10,000 received and entered in the Cash Book but in was not sent to the Bank.

(v) Cheques worth ₹ 50,000 had been sent to Bank for collection but the collection was reported by the Bank as under.

(1) Cheques collected before 31st March,2025, ₹ 35,000.

(2) Cheques collected on 10th April, 2025 ₹ 10,000.

(3) Cheques collected on 12th April, 2025 ₹ 5,000.

(vi) The Bank made a direct payment of ₹ 1,500 which was not recorded in the Cash Book.

(vii) Interest on Overdraft charges by the bank ₹ 4,000 was not recorded in the Cash Book.

(viii) Bank charges worth ₹ 200 have been entered twice in the book whereas Insurance charges for ₹ 175 directly paid by Bank was not at all entered in the Cash Book.

(ix) The credit side of bank column of Cash Book was under cast by ₹ 5,000.

(10 Marks)

Answer

(a) **In the books of XYZ**

Journal

	Particulars	L.F.	Dr. ₹	Cr. ₹
(i)	Purchases A/c Dr.		10,000	
	Sales A/c Dr.		10,000	
	To R			20,000
	(Purchases from R wrongly entered in Sales Book now rectified)			
(ii)	Furniture A/c Dr.		25,000	
	To Purchases A/c			25,000
	(Furniture purchased was wrongly debited to purchases daybook now rectified)			
(iii)	Repairs A/c Dr.		1,500	
	To Furniture A/c			1,500
	(Minor repairs to the furniture wrongly debited to furniture now rectified)			
(iv)	Furniture A/c Dr.		3,000	
	To Wages A/c			3,000
	(Wages paid for making furniture wrongly charged to wages now rectified)			
(v)	Drawings A/c Dr.		25,000	
	To Audit Fees A/c			25,000
	(Tuition fees of proprietor's son wrongly debited to Audit fees A/c now rectified)			
(vi)	Mohan A/c Dr.		10,000	
	To Bad Debts Recovered A/c			10,000
	(Bad debts recovered had been wrongly posted to Personal A/c now rectified)			
(vii)	Advertisement Expenses/Free Sample A/c Dr.		7,000	
	To Purchases A/c			7,000

	(Goods distributed as free samples were not recorded anywhere now rectified)			
(viii)	Returns Inwards / Sales Return A/c Dr.		1,000	
	Sales A/c Dr.		1,000	
	To Suspense A/c			2,000
	(Goods returned wrongly posted to sales book now rectified)			
(ix)	SS & Co A/c Dr.		10,000	
	To Bills Receivable A/c			10,000
	(Bills of Exchange dishonoured and had credited to bank and debited to Bills receivable a/c now rectified)			
(x)	Bills Receivable A/c Dr.		2,500	
	Bills Payable A/c Dr.		2,500	
	To Jack A/c			5,000
	(Bills receivable wrongly passed through Bills payable now rectified)			

(b) Bank Reconciliation Statement as on 31st March, 2025

Particulars	Amount ₹	Amount ₹
Balance as per bank statement Dr (Overdraft)		62,500
Add: Cheques deposited directly by Customer	1,000	
Cheques issued but not presented for payment (₹ 85,000 - ₹ 50,000)	35,000	
Bank Charges entered twice in Cash Book	200	36,200
		98,700
Less: Cheques received but not sent to Bank	(10,000)	
Cheques collected on 10th and 12th April (₹ 10,000+₹ 5,000)	(15,000)	
Insurance charges paid by bank	(175)	
Direct Payment made by bank	(1,500)	

Interest on bank overdraft not entered in the cash book	(4,000)	
Credit side of the Cash Book undercast	(5,000)	(35,675)
Overdraft as per cash book Cr./(Overdraft)		63,025

Alternatively, Bank reconciliation statement can also be prepared

Bank Reconciliation Statement as on 31st March, 2025

Particulars	**Amount ₹**	**Amount ₹**
Overdraft Balance as per bank statement		(62,500)
Less: Cheques deposited directly by Customer	(1,000)	
Cheques issued but not presented for payment (₹ 85,000-₹50,000)	(35,000)	
Bank Charges entered twice in Cash Book	(200)	(36,200)
		(98,700)
Add: Cheques received but not sent to Bank	10,000	
Cheques collected on 10th and 12th April (₹ 10,000+₹ 5,000)	15,000	
Insurance charges paid by bank	175	
Direct Payment made by bank	1,500	
Interest on bank overdraft not entered in the cash book	4,000	
Credit side of the Cash Book undercast	5,000	35,675
Overdraft as per cash book (Overdraft)		(63,025)

The Bank Reconciliation statement can also be prepared using plus and minus method.

Question 3

(a) The Receipts and Payments Account of ABC Club for the year ended March 31, 2025 was as follows: (Figures are in '000)

Receipts	Amount ₹	Payments	Amount ₹
Cash in hand	150	Ground man's Fee	1,125
Balance at Bank as per		Moving Machine	2,250
Pass Book:		Ground Rent	375
- Deposit Account	3,345	Cost of Teas	375
- Current Account	900	Fares	600
Bank Interest	45	Printing & Office Expenses	420
Donations and Subscriptions	3,900	Repairs to Equipment	750
Receipts from teas	450	Honorarium to Secretary	
Contribution to fares	150	and Treasurer of 2024	600
Sale of Equipment	120	Balance at Bank as per	
Net proceeds of Variety		Pass Book:	
Entertainment	1,170	- Deposit Account	4,635
Donation for forthcoming		- Current Account	225
Tournament	1,500	- Cash in hand	375
Total	11,730	Total	11,730

You are given the following additional information:

(Figures are in '000)

Particulars	April 1, 2024 ₹	March 31,2025₹
Subscription due	225	150
Amount due for printing, etc.	150	120
Cheques unpresented being payment		
for repairs	450	390

Estimated value of machinery and equipment	*1,200*	*2,625*
Interest not yet entered in the Pass book		*30*
Bonus to Ground man outstanding		*450*

For the year ended March 31, 2025, the honorarium to the Secretary and Treasurer are to be increased by a total of ₹ 3,00,000.

Prepare the Income and Expenditure Account and Balance Sheet for the period ending March 31, 2025. ***(12 Marks)***

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

Their Balance Sheet as on 31st March, 2024 is as follows:

Liabilities	***Amount ₹***	***Assets***	***Amount ₹***
Trade Creditors	*19,275*	*Land and Building*	*37,500*
Outstanding Liabilities	*2,250*	*Furniture*	*9,750*
General Reserve	*9,750*	*Closing Stock*	*17,625*
Capital:		*Sundry Debtors*	*8,250*
A 18,000		*Cash and Bank balance*	*1,650*
B 18,000			
C 7,500	*43,500*		
Total	*74,775*	*Total*	*74,775*

The partners have agreed to take D as a partner w.e.f. 1st April, 2024 on the following terms:

(i) D shall bring ₹ 7,500 towards his capital and required sum of goodwill.

(ii) The value of stock should be increased by ₹ 3,750.

(iii) Provision for bad and doubtful debts should be provided at 10% of the debtors.

(iv) Furniture should be depreciated by 10%.

(v) The value of Land and Buildings should be enhanced by 20%.

(vi) The value of the goodwill is fixed at ₹ 22,500.

(vii) General Reserve will be transferred to the Partners' Capital Accounts.

(viii) The new profit -sharing ratio of A, B, C and D shall be 5:5: 3:2.

(ix) The outstanding liabilities include ₹ 1,500 due to R has been paid by A. Necessary entry was not made in the books.

You are required to prepare:

(1) Revaluation A/c.

(2) Capital Accounts of the Partners.

(3) Balance sheet as at 1st of April, 2024. **(8 Marks)**

Answer

(a) Income and Expenditure Account of ABC Club

for the year ending 31st March, 2025

(all figures in thousand)

Expenditure		Amount ₹	Income		Amount ₹
To Ground's man fee		1,125	By Donations and Subscription:		
To Rent of Ground		375	As per Receipt and Payment A/c	3,900	
To Fares' Expenses	600				
Less: Contribution	(150)	450			
To Printing & Office Expenses (420 +120-150)		390	*Add:* Outstanding as on 31st March,2025	150	
			Less: Outstanding as on 1st April,2024	225	3,825
To Repairs (750 +390 - 450)		690	By Receipts from teas	450	
To Depreciation on Machinery			*Less:* expenses	375	75
Opening balance and	1,200		By Proceeds of Variety Entertainment		1,170
Add: Purchases	2,250				
Less: Closing Balance	(2,625)		By Interest (₹ 45 +₹ 30)		75
	825				
Less: Sale	(120)	705			

To Honorarium to Sect. & Treasurer (600 + 300)	900		
To Bonus to Groundsman	450		
To Excess of Income over Expenditure	60		
	5,145		5,145

Balance Sheet of ABC Club as on 31st March, 2025

Liabilities		Amount ₹	Assets	Amount ₹
Capital Fund Opening (WN 1)	4,620		Machinery & Equipment's	2,625
Add: Surplus for the year	60	4,680		
Tournament Fund (Donation)		1,500	Interest Due	30
Outstanding Expenses:			Subscription Due	150
Groundsman Bonus		450	Cash in hand	375
Printing		120	Cash with Bank in Deposit A/c	4,635
Honorarium		900		
Bank Overdraft (₹ 390 – ₹ 225)		165		
		7,815		7,815

Working Note 1:

Balance Sheet of ABC Club as on 1st April, 2024

Liabilities	Amount ₹	Assets	Amount ₹
Capital Fund (Balancing Figure)	4,620	Machinery	1,200
Outstanding Expenses:		Subscription Due	225
Honorarium	600	Cash in hand	150
Printing & Stationery	150	Cash with Bank in Deposit A/c	3,345

		Cash with Bank in Current A/c	450
	5,370		5,370

(b) **Revaluation Account**

2024	Particulars		Amount ₹	2024	Particulars	Amount ₹
April 1	To Provision for bad and doubtful debts		825	April 1	By Stock	3,750
	To Furniture and fittings		975		By Land and Building	7,500
	To Capital A/c's:					
	(Profit on revaluation					
	Transferred in the ratio of 2:2:1)					
	A	3,780				
	B	3,780				
	C	1,890	9,450			
			11,250			11,250

Partners' Capital Accounts

Particulars	A (₹)	B (₹)	C (₹)	D (₹)	Particulars	A (₹)	B (₹)	C (₹)	D (₹)
To A's Capital A/c				1,500	By Balance b/d	18,000	18,000	7,500	–
To B's Capital A/c				1,500	By General Reserve	3,900	3,900	1,950	
To Balance c/d	28,680	27,180	11,340	7,500	By Cash	–	–	–	10,500
					By D's Capital A/c	1,500	1,500	–	–
					By Outstanding Liabilities	1,500	–	–	
					By Revaluation A/c	3,780	3,780	1,890	–
	28,680	27,180	11,340	10,500		28,680	27,180	11,340	10,500

Balance Sheet of M/s. A, B, C and D as at April 1, 2024 (after Admission of D)

Liabilities		(₹)	**Assets**		(₹)
Trade payables (Trade Creditors)		19,275	Land and Buildings	37,500	
			Add: Appreciation	7,500	45,000
Outstanding Liabilities		750	Furniture	9,750	
			Less: Depreciation	(975)	8,775
Capital Accounts of Partners:			Closing Stock	17,625	
			Add: Revaluation	3,750	21,375
Mr. A	28,680		Trade Debtors	8,250	
Mr. B	27,180		*Less*: Provisions	(825)	7,425
Mr. C	11,340		Cash in hand and Bank Balance		12,150
Mr. D	7,500	74,700			
		94,725			94,725

Working Note:

(a) Calculation of sacrificing ratio

Partners	New share	Old share	(Sacrifice)	Gain
A	$\frac{5}{15}$	$\frac{2}{5}$	$-\frac{1}{15}$	
B	$\frac{5}{15}$	$\frac{2}{5}$	$-\frac{1}{15}$	
C	$\frac{3}{15}$	$\frac{1}{5}$	No gain No loss	—
D	$\frac{2}{15}$			$\frac{2}{15}$

(b) D's Share of Goodwill = ₹ 22,500 × $\frac{2}{15}$ = ₹ 3,000

Sacrifice by Mr. A and Mr. B = ₹ 1,500 each

(c) Cash and Bank Balance:

Particulars	Amount
Balance as on 31.03.2024	1,650
Add: Capital introduced by D	7,500
Add: Goodwill introduced by D	3,000
Balance as on 01.04.2024	12,150

Question 4

(a) Amal, Bimal & Kamal were in partnership sharing profits in the proportion of 3: 2: 1. The balance sheet of the firm as on 31st March,2024 was as under:

Liabilities	***₹***	***Assets***	***₹***
Capital accounts:		*Building*	*3,00,000*
Amal	*4,00,000*	*Fixtures*	*1,25,000*
Bimal	*3,30,000*	*Office Equipment*	*1,00,000*
Kamal	*1,80,000*	*Inventories*	*2,25,000*
Trade Payables	*1,20,000*	*Trade Receivables*	*1,90,000*
		Cash & Bank	*90,000*
	10,30,000		*10,30,000*

Amal had been suffering from ill-health and gave notice that he wished to retire. An agreement was, therefore, entered into as on 31st March, 2024, the terms of which were as follows:

(i) The profit and loss account for the year ended 31st March, 2024 which showed a net profit of ₹ 1,50,000 was to be re-opened. Bimal was to be credited with ₹ 30,000 as bonus, in consideration of the extra work which had devolved upon him during the year. The profit-sharing ratio was to be revised to enable partners to share profits / losses equally w.e.f. 1st Apirl, 2023.

(ii) Goodwill was to be valued at three years' purchase of the average profits of the preceding four years. The following were the amounts of profit for the past four years:

Year	*Profit*
2020-21	*1,15,000*
2021-22	*1,25,000*
2022-23	*1,40,000*
2023-24	*1,50,000*

(iii) Fixtures were revalued at ₹ 1,00,000. Building was to be appreciated by 10%. Inventories were to be written down by ₹ 25,000. A provision of 2.5% was to be made for doubtful debts and the remaining assets were to be taken at their book values.

Bimal and Kamal agreed, as between themselves, to continue the business, sharing profits in the ratio of 3: 2. The amount due to Amal is to be transferred to his loan account to be settled later.

You are required to prepare:

(1) Revaluation Account

(2) Partners' Capital Accounts. ***(10 Marks)***

(b) The balance sheet of ABC as on 1st April, 2024 was as follows:

Particulars	***Amount (₹)***	***Particulars***	***Amount (₹)***
Sundry Creditors	*8,12,500*	*Furniture and Fixtures*	*8,12,500*
Expenses Payable	*93,750*	*Vehicle*	*3,43,750*
Capital	*27,50,000*	*Trade Receivable*	*13,75,000*
		Cash at Bank	*5,93,750*
		Inventories	*5,31,250*
	36,56,250		*36,56,250*

During 2024-25, his Profit and Loss Account revealed a net profit of ₹ 8,37,500. This was after allowing for the following:

(i) Commission paid to selling agent ₹ 81,250

(ii) Discount received from creditors ₹ 93,750

(iii) Purchased a vehicle of ₹ 62,500 on 31st March,2025

(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, 2025, but while preparing the Profit and Loss Account he had forgotten to provide for

(1) Prepaid expenses ₹ 18,750 and

(2) Outstanding commission ₹ 43,750.

His current assets and liabilities on 31st March,2025 were: Inventories ₹ 8,12,500. Trade Receivables ₹ 16,25,000 (before provision for doubtful debts), Cash at Bank ₹ 6,87,500 and Trade Payables ₹ 1,82,500. During the year he introduced further capital of ₹ 3,75,000 into the business.

You are required to prepare the balance sheet as at March 31, 2025.

(10 Marks)

Answer

(a) Revaluation Account

Particulars	**Amount (₹)**	**Particulars**		**Amount (₹)**
To Fixtures A/c	25,000	By Building A/c		30,000
To Inventories A/c	25,000	By Loss to Partners:		
To Provision for	4,750	Amal's Capital A/c	8,250	
Doubtful Debts A/c		Bimal's Capital A/c	8,250	
		Kamal's Capital A/c	8,250	24,750
	54,750			54,750

Partners' Capital Accounts

Particulars	Amal (₹)	Bimal (₹)	Kamal (₹)	Particulars	Amal (₹)	Bimal (₹)	Kamal (₹)
To Profit and Loss				By Balance b/d	4,00,000	3,30,000	1,80,000
Adjustment A/c	75,000	50,000	25,000	By Profit and Loss			
To Revaluation Loss	8,250	8,250	8,250	Adjustment A/c	–	30,000	–
To Amal (WN 2)	–	1,00,000	25,000	By Profit & Loss adj.	40,000	40,000	40,000
To Amal's Loan A/c	4,81,750			By Bimal (WN 2)	1,00,000		
To Balance c/d	–	2,41,750	1,61,750	By Kamal (WN 2)	25,000		
	5,65,000	4,00,000	2,20,000		5,65,000	4,00,000	2,20,000

Working Note:

1. Calculation of Goodwill

Calculation of Profit through simple average method since profit of the previous years has no trend.

Year	Profit
2020-21	1,15,000
2021-22	1,25,000
2022-23	1,40,000
2023-24	1,20,000
	5,00,000

Average profit (5,00,000/4) = 1,25,000

Goodwill (3 years purchase) = 3 X 1,25,000 = ₹ 3,75,000

2. Calculation for adjustment of Amount of Goodwill

Partners	Old Share	New Share	Gain /(loss)
Amal	$\frac{1}{3}$	–	$(\frac{1}{3})$
Bimal	$\frac{1}{3}$	$\frac{3}{5}$	$\frac{4}{15}$
Kamal	$\frac{1}{3}$	$\frac{2}{5}$	$\frac{1}{15}$

Amal's share = 1/3rd of 3,75,000 = ₹1,25,000

Amal's share of goodwill distributed among the remaining partners in sacrificing ratio i.e., 4:1

Bimal's share= 1,25,000 x 4/5 = ₹1,00,000

Kamal's share =1,25,000 x 1/5 = ₹ 25,000

(b) Balance Sheet of ABC as at 31st March, 2025

Liabilities		Amount ₹	Assets		Amount ₹
Capital	27,50,000		Furniture & Fixtures	8,12,500	
Add: Additional Capital	3,75,000		*Less:* Depreciation	(81,250)	7,31,250
Add: Net Profit	8,12,500	39,37,500	Vehicle	3,43,750	
			Add: Additions	62,500	
Outstanding Commission		43,750	*Less:* Depreciation	(68,750)	3,37,500
Trade payables		1,82,500	Trade receivables	16,25,000	
			Less: Provision for doubtful debts	(48,750)	15,76,250
			Inventories		8,12,500
			Prepaid expenses		18,750
			Cash at Bank		6,87,500
		41,63,750			41,63,750

Working Note:

Profit and Loss Account of ABC (Revised)

Particulars	Amount (₹)	Particulars	Amount (₹)
To Outstanding Commission	43,750	By Balance b/d	8,37,500
To Net profit	8,12,500	By Prepaid expenses	18,750
	8,56,250		8,56,250

Question 5

(a) On 1st July, 2022, Maritime Limited purchased second hand machine for ₹ 1,20,000 and reconditioned the same by spending ₹ 18,000. On 1st January, 2023 a new machine was purchased for ₹ 72,000.

On 30th June, 2024 the machine purchased on 1st January, 2023 was sold for ₹ 48,000 and another machine was installed at a cost of ₹ 90,000.

Rate of depreciation is 15% on original cost every year.

Show the Machinery Account from 1st July, 2022 to 31st March, 2025.

(5 Marks)

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

(i) For mutual accommodation of himself and Gagan, Aman drew upon Gagan a bill of ₹ 7,500 at 3 months on 01.04.2024. Gagan accepted the bill and returned to Aman who discounted it immediately @ 8% p.a. According to agreement, Aman and Gagan shared the proceeds as 2:1.

On the date of maturity Aman remitted his share to Gagan who honoured the bill by payment.

Show journal entries in the books of Aman and Gagan.

(ii) The following are some of the transactions of Digital Stores for the year 2024-25 as per their Rough Book:

Sold to M/s Alpha Industries

10 Laptops @ ₹ 77,000 per laptop

5 Laserjet Printers @ 21,000 per printer

Less: Trade Discount @ 15%

Sold old furniture to Singh Consultants on credit ₹ 19,000

Sold 20 Desktops to Brown & Co. @ ₹ 34,000 per desktop on credit

Sold 10 Tablets to GOKU Institute @ ₹ 7,000 per tablet for cash

Sold on credit to JAT Enterprises

15 Mobile phone @ ₹ 25,000 per mobile phone

10 External Hard Disk @ ₹ 4,500 per external hard disk

Less: Trade Discount @ 10%

Make out the Sales Book of Digital Store. ***(5 Marks)***

(c) *Following notes pertain to the Balance Sheet of PQR Company Limited as at 31st March, 2024:*

	₹ in lakhs
Authorized capital:	
5,00,000 shares of ₹ 100 each	*500*
	500
Issued and Subscribed capital:	
1,50,000 Equity Shares of ₹ 100 each, ₹ 70 paid up	*105*
10,000 11% Preference Shares of ₹ 100 each fully paid	*10*
	115
Reserves and Surplus:	
Revaluation Reserve	*5.20*
General Reserve	*25*
Capital Redemption Reserve	*25*
Securities premium (collected in cash)	*30*
Profit and Loss Account (Cr. Balance)	*20*

On 30th April, 2024, the Company has made final call@ ₹ 30 each on 1,50,000 equity shares. The call money was received by 31st May, 2024.

Thereafter, on 1st July, 2024 the company decided to issue bonus shares at the rate of 3 equity shares for every 5 equity shares held by way of capitalising its reserves, it decided that there should be minimum usage of balance in Profit & Loss A/c.

On 1st October, 2024, the Company issued right shares at the rate of one equity share for every five shares held on that date at a premium of 10%. All the rights shares were accepted by the existing shareholders and the money was duly received by 31st October, 2024.

Show necessary journal entries in the books of the company for bonus issue and rights issue. Also prepare notes on Share Capital & Reserve & Surplus relevant to the Balance Sheet of the company after the issue of bonus shares & rights share. ***(10 Marks)***

Answer

(a) **Machinery Account**

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
1-7-22	To Bank A/c	1,20,000	31-3-23	By Depreciation A/c	18,225
1-7-22	To Bank A/c – reconditioning charges	18,000	31-3-23	By Balance c/d	1,91,775
1-1-23	To Bank A/c	72,000			
		2,10,000			2,10,000
1-4-23	To Balance b/d	1,91,775	31-3-24	By Depreciation (20,700+10,800)	31,500
			31-3-24	By Balance c/d	1,60,275
		1,91,775			1,91,775
1-4-24	To Bal. b/d	1,60,275	30-6-24	By Depreciation on machinery sold (WN 1)	2,700
30-6-24	To Bank	90,000	30-6-24	By Bank A/c (WN 1)	48,000
			30-6-24	By Profit and Loss A/c (WN 1)	7,800
			31-3-25	By Depreciation on remaining machinery (WN 1)	30,825
			31-3-25	By Bal c/d	1,60,950
		2,50,275			2,50,275

Working Note:

1. **Book Value of Machines**

	Machinery Purchased on 1st July,2022	Machine purchased on 1st Jan,2023 for ₹ 72,000)	Machinery Purchased on 30th June,2024	Total
Cost of machine purchased	1,38,000	72,000		2,10,000
Depreciation for 2022-23	(15,525)	(2,700)		(18,225)

Written down value as on 31-3-2023	1,22,475	69,300		1,91,775
Depreciation for 2023-24	(20,700)	(10,800)		(31,500)
Written down value as on 31-3-2024	1,01,775	58,500	90,000	2,50,275
Depreciation for 2024-25 (3 months only for Machine II)	(20,700)	(2,700)	(10,125)	(33,525)
Written down value as on 30-6-2024		55,800		
Less: Sale Proceeds		(48,000)		(48,000)
Loss on Sale		7,800		(7,800)
Written down value as on 31-3-2025	81,075		79,875	160,950

(b) **In the books of Aman**

Journal Entries

Date	Particulars		DR. (in ₹)	CR. (in ₹)
1-4-24	Bills receivables A/c	Dr.	7,500	
	To Gagan			7,500
	(Bill of exchange drawn on Mr. Gagan)			
1-4-24	Bank A/c	Dr.	7,350	
	Discount A/c	Dr.	150	
	To Bills receivable A/c			7,500
	(Bills receivable discounted with the bank at a charge of ₹ 8% per annum ₹ 7,500 x 8% x 3/12 = ₹ 150)			
1-4-24	Gagan A/ c	Dr.	2,500	
	To Bank A/c			2,450
	To Discount A/c			50
	(1/3rd share of bill paid to Gagan)			

4-7-24	Gagan A/c Dr. To Bank A/c (Aman remitted his share to Gagan on due date)	5,000	 5,000

In the books of Gagan
Journal Entries

Date	Particulars	DR. (in ₹)	CR. (in ₹)
1-4-24	Aman Dr. To Bills payable A/c (Bill of exchange accepted and sent to Mr. Aman)	7,500	 7,500
1-4-24	Bank A/c Dr. Discount A/c To Aman (The amount and discount due and received from Aman)	2,450 50	 2,500
1-7-24	Bank A/c Dr. To Aman (Gagan received the amount remitted from Aman)	5,000	 5,000
4-7-24	Bills Payable Dr. To Bank (Being Bill of exchange honoured by payment)	7,500	 7,500

Or

Sales Book of Digital Stores

Date	Particulars	Details ₹	Amount ₹
2024	M/s. Alpha Industries		
	10 Laptops @ ₹ 77,000	7,70,000	
	5 Laser jet Printers @ ₹ 21,000	1,05,000	
		8,75,000	
	Less: Trade discount 15%	(1,31,250)	
	Sales as per invoice no. dated		7,43,750
	M/s. Brown & Co. 20 desktop @ ₹ 34,000		
	Sale as per invoice no. dated		6,80,000
	M/s JAT Enterprises		
	15 mobile phone @ ₹ 25,000	3,75,000	
	10 hard desk @ ₹ 4,500	45,000	
		4,20,000	
	Less: 10% trade discount	(42,000)	
	Sales as per invoice no. dated......		3,78,000
		Total	18,01,750

Note: Cash sale and sale of furniture are not entered in Sales Book.

(c) **In the books of PQR Company**

Journal Entries

Date		Dr. (₹)	Cr. (₹)
2024	Equity Share Final Call A/c Dr.	45,00,000	
April 30	To Equity Share Capital A/c		45,00,000
	(Final call of ₹ 30 per share on 1,50,000 equity shares made due)		

May 31	Bank A/c	Dr.	45,00,000	
	To Equity Share Final Call A/c			45,00,000
	(Final call money on equity shares received)			
July 1	Capital Redemption Reserve A/c	Dr.	25,00,000	
	Securities Premium A/c	Dr.	30,00,000	
	General Reserve A/c	Dr.	25,00,000	
	Profit and Loss A/c (b.f.)	Dr.	10,00,000	
	To Bonus to Shareholders A/c			90,00,000
	(Bonus issue of 3 shares for every 5 shares held, by utilising various reserves as per Board's resolution dated.......)			
	Bonus to Shareholders A/c	Dr.	90,00,000	
	To Equity Share Capital A/c			90,00,000
	(Capitalisation of profit)			
Oct. 31	Bank A/c	Dr.	52,80,000	
	To Securities Premium A/c			4,80,000
	To Equity Share Capital A/c			48,00,000
	(Being Rights issue of 1 shares for every 5 shares held as per board resolution dated ....)			

Notes to Balance Sheet as at 31st October, 2024 (after bonus issue)

(₹ in Lakhs)

		₹
Authorised Capital		
5,00,000 shares of ₹ 100 each		500
		500

Issued and subscribed capital		
10,000 11% Preference shares of ₹ 100 each, fully paid	10	
2,88,000 Equity shares of ₹ 100 each, fully paid	288	298
(Out of the above, 90,000 equity shares @ ₹ 10 each were issued by way of bonus shares and 48,000 shares issued at 110 per share)		
Revaluation Reserve		5.20
Capital Redemption Reserve	25	
Less: Utilised for bonus issue	(25)	NIL
Securities premium	30	
Less: Utilised for bonus issue	(30)	
Add: Received from Bonus issued	4.8	4.8
General Reserve	25	
Less: Utilised for bonus issue	(25)	NIL
Profit and Loss Account	20	
Less: Utilised for bonus issue.	(10)	10
Closing Balance		20

Working Note:

1. Number of bonus shares to be issued- 15,00,000X 3/5= 90,000 shares
2. The Issued and subscribed and paid-up capital should be increased as per details given below:

	₹
Existing issued Equity share capital	1,50,00,000
Add: Issue of bonus shares to equity shareholders	90,00,000
Add: Issue of right share to Equity Shareholders	48,00,000
	2,88,00,000

Question 6

(a) R Ltd. invited applications for issuing 1,00,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share. The amounts were payable as follows:

On application & allotment - ₹ 6 per share (including premium)

Balance on the First & Final Call

Applications were received for 2,50,000 shares. Applications for 1,00,000 equity shares were rejected and pro-rata allotment was made to the remaining applicants. The first & final call was made. The amount was duly received except on 3,000 shares applied by Ms. Jane. Her shares were forfeited.

The forfeited shares were reissued as fully paid-up @ ₹ 8 per share.

Pass necessary Journal entries to record the above transactions in the books of R Ltd. ***(15 Marks)***

(b) *Define Measurement and Valuation Principles in brief.* ***(5 Marks)***

Answer

(a) Journal entries in the books of R

	Particulars		***Dr. (₹)***	***Cr. (₹)***
1	Bank A/c	Dr.	15,00,000	
	To Share Application & Allotment A/c (2,50,000 X ₹ 6)			15,00,000
	(Application money on 2,50,000 shares at ₹ 6 per share received.)			
2	Share Application & Allotment A/c	Dr.	15,00,000	
	To Share Capital A/c (WN 1) (1,00,000 X ₹ 4)			4,00,000
	To Securities premium A/c (WN 1) 1,00,000 X ₹ 2)			2,00,000
	To Bank A/c (WN 1) (1,00,000 X ₹ 6)			6,00,000
	To Share First & Final Call A/c (WN 1)			3,00,000
	(Application money transferred)			
3	Share First & Final Call A/c (1,00,000 X ₹ 6)	Dr.	6,00,000	
	To Share Capital A/c			6,00,000
	(Amount First & Final Call A/c due from members as per Directors, resolution no…… dated…..)			

4	Bank A/c (3,00,000 - ₹ 6,000)	Dr.	2,94,000	
	Calls in arrear A/c (WN 3)	Dr.	6,000	
	To Share First & Final Call A/c			3,00,000
	(Receipt of the amounts due on first call)			
5	Share capital A/c	Dr.	20,000	
	To Share forfeiture A/c			14,000
	To Calls in arrear A/c			6,000
	(2,000 shares forfeited for non-payment of final call)			
6	Bank A/c	Dr.	16,000	
	Share forfeiture A/c		4,000	
	To Share Capital Account			20,000
	(Forfeited shares reissued at ₹ 2 discount)			
7	Share forfeiture A/c	Dr.	10,000	
	To Capital reserve A/c			10,000
	(Share forfeiture transferred to capital reserve*)			

Working notes:

1.

Shares Applied	Shares Allotted	Money Received on Application @ ₹ 6/-	Application Money Transferred to Share Capital@ ₹ 4/-	Application Money Transferred to Security Premium @₹ 2/-	Excess Application Money	Share First and Final Call @ ₹ 6/-	Amount received from Share First and Final Call after adjusting excess appl. money	Money Refunded
1,00,000	-	6,00,000	-	-	-	-	-	6,00,000
1,50,000	1,00,000	9,00,000	4,00,000	2,000,00	3,00,000	6,00,000	3,00,000*	-
2,50,000	1,00,000	15,00,000	4,00,000	2,000,00	3,00,000	6,00,000	2,94,000**	6,00,000

*6,00,000 less 3,00,000

** ₹ 3,000,00 less ₹ 6,000.

2. Number of shares allotted to Ms. Jane = 3,000 x 1,00,000 / 1,50,000 = 2,000 shares

3. Calculation of calls in arrear

Final call due from Ms. Jane	12,000
Less: Adjusted with final call	(6,000)
Calls in arrear	6,000

Calculation of amount Transferred to Capital Reserve

Amount Forfeited on 2,000 shares	14,000
Less: Discount given on Re-issue	(4,000)
Amount Transferred to Capital Reserve	10,000

Alternatively, assuming the excess application money retained by the company can also be treated as "calls in advance'. In such case, journal entry no 2 will be

Share Application & Allotment A/c	Dr.	15,00,000	
To Share Capital A/c (WN 1) (1,00,000 X ₹ 4)			4,00,000
To Securities premium A/c (WN 1) 1,00,000 X ₹ 2)			2,00,000
To Bank A/c (WN 1) (1,00,000 X ₹ 6)			6,00,000
To Calls in advance A/c (WN 1)			3,00,000
(Application money transferred)			

Further, journal entry, no 4 shall be :

Bank Account (₹ 3,00,000 -₹ 6,000)	Dr	2,94,000	
Calls in Arrears (2000 shares X ₹ 3)	Dr	6,000	
Calls in Advance	Dr	3,00,000	
To Share first and final call			6,00,000

(b) Measurement is vital aspect of accounting. Primarily transactions and events are measured in terms of money. Any measurement discipline deals with three basic elements of measurement i.e.

(1) Identification of objects and events to be measured;

(2) Selection of standard or scale to be used;

(3) Evaluation of dimension of measurement standard or scale.

There are four generally accepted measurement bases or valuation principles. These are:

(i) **Historical Cost:** It means acquisition price. According to this base, assets are recorded at an amount of cash or cash equivalent paid at the time of acquisition. Liabilities are recorded at the time of proceeds received in exchange for the obligation.

(ii) **Current Cost:** Assets are carried out at the amount of cash or cash equivalent that would have to be paid if the same or an equivalent asset was acquired currently. Liabilities are carried at the undiscounted amount of cash or cash equivalents that would be required to settle the obligation currently.

(iii) **Realizable Value:** As per realisable value, assets are carried at the amount of cash or cash equivalents that could currently be obtained by selling the assets in an orderly disposal and Liabilities are carried at their settlement values. Liabilities are carried out at settlement values.

(iv) **Present Value:** As per present value, an asset is carried at the present discounted value of the future net cash inflows that the item is expected to generate in the normal course of business. Liabilities are carried at the present discounted value of future net cash outflows that are expected to be required to settle the liabilities in the normal course of business.