

Mock Test Paper - Series I: April, 2024

Date of Paper: 29th April, 2024

Time of Paper: 2 P.M. to 5 P.M.

FOUNDATION COURSE
PAPER – 1: ACCOUNTING

Question No. 1 is compulsory.

Answer 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.

(Time allowed: 3 Hours)

(100 Marks)

1. (a) State with reasons whether the following statements are True or False:
- (i) Accounting Standards for non-corporate entities in India are issued by the Central Government.
 - (ii) Subsidy received from the government for working capital by a manufacturing concern is a revenue receipt.
 - (iii) Reducing balance method of depreciation is followed to have a uniform charge for depreciation and repairs and maintenance together.
 - (iv) Discount at the time of retirement of a bill is a gain for the drawee. (v) Business of partnership comes to an end on death of a partner.
 - (vi) Receipts and Payments Account highlights total income and expenditure. **(6 Statements x 2 Marks = 12 Marks)**
- (b) Discuss the limitations which must be kept in mind while evaluating the Financial Statements. **(4 Marks)**
- (c) The balance of Machinery Account of a firm on 1st April, 2023 was ` 28,54,000. Out of this, a plant having book value of ` 2,16,000 as on 1st April, 2023 was sold on 1st July, 2023 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, 2023 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, 2024. **(4 Marks)**



(12+4+4= 20 Marks)

2. (a) Mr. Bhatt's trial balance as on 31st March, 2024 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 ₹ 462 was entered in the Sales Book as ₹ 642 and posted to the credit of the customer.
- (iii) A return to creditor, ₹ 300 was entered in the Returns Inward Book; however, the creditor's account was correctly posted.
- (iv) Cash received from Geet, ₹ 895 was posted to debit of Meet.
- (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) ₹ 500 due from Mr. Manas was omitted to be taken to the trial balance.
- (viii) Sale of goods to Mr. Deep for ₹ 6,000 was omitted to be recorded.

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) The Bank Pass Book of Account No.7749 of Ms. Tina showed an overdraft of ₹ 1,34,300 on 31st March 2024. On going through the Pass Book, the accountant found the following:
- (i) A Cheque of ₹ 4,320 credited in the pass book on 28th March 2024 being dishonoured is debited again in the pass book on 1st April 2024. There was no entry in the cash book about the dishonour of the cheque until 15th April 2024.
 - (ii) Bankers had credited her account with ₹ 11,200 for interest collected by them on her behalf, but the same has not been entered in her cash book.



- (iii) Out of ₹ 82,000 paid in by Ms. Tina in cash and by cheques on 31st March 2024 cheques amounting to ₹ 30,000 were collected on 7th April, 2024.
- (iv) Out of Cheques amounting to ₹ 31,200 drawn by her on 27th March, 2024 a cheque for ₹ 10,000 was encashed on 3rd April, 2024.
- (v) Bankers seems to have given here wrong credit for ₹ 2,000 paid in by her in Account No. 8765 and a wrong debit in respect of a cheque for ₹ 1,200 against her account No.8765.
- (vi) A cheque for ₹ 4,000 entered in Cash Book but omitted to be banked on 31st March, 2024.
- (vii) A Bill Receivable for ₹ 20,800 previously dishonoured (Discount ₹ 800) with the Bank had been dishonoured but advice was received on 1st April, 2024.
- (viii) A Bill for ₹ 40,000 was retired /paid by the bank under a rebate of ₹ 700 but the full amount of the bill was credited in the bank column of the Cash Book.
- (ix) A Cheque for ₹ 9,600 deposited into bank but omitted to be recorded in Cash Book and was collected by the bank on 31st March, 2024.

Prepare Bank Reconciliation Statement as on 31st March, 2024.

(10 Marks)

(10 +10 = 20 Marks)

3. (a) Lucky does not maintain proper books of accounts. However, he maintains a record of his bank transactions and also is able to give the following information from which you are required to prepare his final accounts for the year 2023:

	1.1.2023	31.12.2023
	₹	₹
Debtors	1,02,500	–
Creditors	–	46,000
Stock	50,000	62,500
Bank Balance	–	50,000
Fixed Assets	7,500	9,000



Details of his bank transactions were as follows:

Received from debtors	3,40,000
Additional capital brought in	5,000
Sale of fixed assets (book value ` 2,500)	1,750
Paid to creditors	2,80,000
Expenses paid	49,250
Personal drawings	25,000
Purchase of fixed assets	5,000

No cash transactions took place during the year. Goods are sold at cost plus 25%. Cost of goods sold was ` 2,60,000. **(10 Marks)**

(b) Arun, Varun and Tarun are in partnership, sharing profits and losses equally.

Tarun died on 30th June 2023. The Balance Sheet of Firm as at 31st March 2023 stood as:

Liabilities	Amount	Assets	Amount
Creditors	20,000	Land and Building	1,50,000
General Reserve	12,000	Investments	65,000
Capital Accounts:		Stock in trade	15,000
Arun	1,00,000	Trade receivables	35,000
Varun	75,000	Less: Provision for doubtful debt	(2,000)
Tarun	75,000		33,000
		Cash in hand	7,000
		Cash at bank	12,000
	2,82,000		2,82,000

In order to arrive at the balance due to Tarun, it was mutually agreed that:



- (i) Land and Building be valued at ` 1,75,000
- (ii) Debtors were all good, no provision is required
- (iii) Stock is valued at ` 13,500
- (iv) Goodwill will be valued at one Year's purchase of the average profit of the past five years. Tarun's share of goodwill be adjusted in the account of Arun and Varun.
- (v) Tarun's share of profit from 1st April 2023, to the date of death be calculated on the basis of average profit of preceding three years.
- (vi) The profit of the preceding five years ended 1st March were:

2023 2022 2021 2020 2019 25,000 20,000 22,500 35,000 28,750

You are required to prepare:

- (1) Revaluation account
- (2) Capital accounts of the partners and
- (3) Balance sheet of the Firm as at 1st July, 2023. **(10 Marks)**

(10 + 10 = 20 Marks)

4 (a) Amar, Akbar and Antony are in partnership. The following is their Balance Sheet as at March 31, 2024 on which date they dissolved their partnership. They shared profit in the ratio of 5:3:2.

Liabilities	`	Assets	`
Creditors	80,000	Plant and machinery	60,000
Loan A/c – Amar	20,000	Premises	80,000
Capital A/cs - Amar	1,00,000	Stock	60,000
Akbar	30,000	Debtors	1,20,000
Antony	<u>90,000</u>		<u> </u>
	<u>3,20,000</u>		<u>3,20,000</u>

It was agreed to repay the amounts due to the partners as and when the assets were realised, viz.

April 15, 2024	` 60,000
May 1, 2024	` 1,46,000
May 31, 2024	` 94,000



Prepare a statement showing how the distribution should be made under maximum loss method.

(10 Marks)

(b) The following information of M/s. Zara Club are related for the year ended 31st March, 2024:

(1)

Balances	As on 01-04-2023 (₹)	As on 31-3-2024 (₹)
Stock of Sports Material	6,75,000	10,12,500
Amount due for Sports Material	6,07,500	8,77,500
Subscription due	1,01,250	1,48,500
Subscription received in advance	81,000	47,250

(2) Subscription received during the year ₹ 33,75,000

(3) Payments for Sports Material during the year ₹ 20,25,000 You are required to:

(A) Ascertain the amount of Subscription and Sports Material that will appear in Income & Expenditure Account for the year ended 31.03.2024 and

(B) Also show how these items would appear in the Balance Sheet as on 31.03.2024. (10 Marks)

(10 + 10 = 20 Marks)

5. (a) From the following information, draw up a Trial Balance in the books of Shri Hari Om as on 31st March, 2024:

Particulars	Amount (₹)	Particulars	Amount (₹)
Capital	4,20,000	Purchases	1,08,000
Discount Allowed	3,600	Carriage Inward	26,100
Carriage Outwards	6,900	Sales	1,80,000
Return Inward	900	Return Outwards	2100



Rent and Taxes	3,600	Plant and Machinery	2,42,100
Stock on 1 st April 2023	46,500	Sundry Debtors	60,600
Sundry Creditors	36,000	Investments	10,800
Commission Received	5,400	Cash in Hand	300
Cash at bank	30,300	Motor Cycle	1,03,800
Stock on 31 st March, 2024	61,500		

(5 Marks)

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

- (i) Following information is provided for M/s. VS Wires for the year ended 31st March, 2024:

Opening Inventory	6,00,000
Purchases	40,32,000
Carriage Inwards	1,80,000
Wages	3,00,000
Sales	66,00,000
Returns inward	6,00,000
Returns outward	4,32,000
Closing Inventory	12,00,000

You are required to pass necessary closing entries in the journal proper of M/s. VS Wires. **(5 Marks) OR**



- (ii) Mr. Mandeep runs a factory, which produces detergents. Following details were available in respect of his manufacturing activities for the year ended 31-03-2024.

Opening work-in-progress (27,000 units)	78,000
Closing work-in-progress (42,000 units)	1,44,000
Opening inventory of Raw Materials	7,80,000
Closing inventory of Raw Materials	9,60,000
Purchases	24,60,000
Hire charges of Machinery @ ` 0.70 per unit manufactured	
Hire charges of factory	7,80,000
Direct wages-contracted @ ` 0.80 per unit manufactured and @ ` 0.40 per unit of closing W.I.P.	
Repairs and maintenance	5,40,000
Units produced - 15,00,000 units	

You are required to prepare a Manufacturing Account of Mr. Mandeep for the year ended 31-03-2024. **(5 Marks)**

- (c) Face Ltd. (unlisted company other than AIFI, Banking company, NBFC and HFC) provides the following information as at 31 March, 2023:

Particulars		
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Shareholder's fund		
(a) Authorized Share Capital 90,000 equity shares of `10 each fully paid up		9,00,000
Issued, Subscribed & Paid up 60,000 equity shares of ` 10 each fully paid up		6,00,000
(b) Reserve and Surplus Profit & Loss Account	3,24,000	
Debenture redemption reserve	<u>36,000</u>	3,60,000
Non-current liabilities		
(a) Long term borrowings 12% Debentures		3,60,000
Current Liabilities		
(a) Trade Payable Total		3,45,000
Non-current Assets		
(a) Property, Plant and Equipment		16,65,000
(b) Non-current Investments (DRR Investment)	3,45,000	
	<u>54,000</u>	3,99,000
Current Assets		
(a) Inventories	4,05,000	
(b) Trade Receivables	2,25,000	
(c) Cash in Hand	90,000	
(d) Cash at Bank	<u>5,46,000</u>	12,66,000
Total		16,65,000

At the AGM on 01.04.2023, it was resolved:



- (a) To give existing equity shareholders the option to purchase one ` 10 share at ` 15 for every four shares (held prior to the bonus distribution). This option was taken up by all the shareholders.
- (b) To issue one bonus share for every five shares held.
- (c) To repay the debentures at a premium of 3%.

Give the necessary journal entries for these transactions. **(10 Marks)**

(5 + 5 + 10 = 20 Marks)

6. (a) Avent 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, 2023. 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, 2023;
- (ii) Allotment to be made on 10th June, 2023 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, 2023.

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 Avent Limited. **(15 Marks)**

- (b) Discuss the factors taken into consideration for calculation of depreciation. **(5 Marks)**

Or

Write short notes on Accommodation bill and Renewal of bill. **(5 Marks)**



Mock Test Paper - Series I: April, 2024

Date of Paper: 29th April, 2024

Time of Paper: 2 P.M. to 5 P.M.

FOUNDATION COURSE PAPER – 1: ACCOUNTING ANSWERS

1. (a) (i) **False** - Accounting Standards for non-corporate entities in India are issued by the Institute of Chartered Accountants of India (ICAI)..
- (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) **True** - In the early periods of useful life of a fixed assets, repairs and maintenance expenses are relatively low because the asset is new. Whereas in later periods, as the asset become old, repairs and maintenance expenses increase continuously. Under written down value method, depreciation charged is high in the initial period and reduces continuously in the later periods. Thus, depreciation and repair and maintenance expenses become more or less uniform throughout the useful life of the asset.
- (iv) **True** - Discount at the time of retirement of a bill is a gain for the drawee and loss for the drawer.
- (v) **False** - Surviving partners may continue to carry on the business in case of partnership.
- (vi) **False** - Receipts and payments account is a classified summary of cash receipts and payments over a certain period together with cash and bank balances at the beginning and close of the period.
- (b) Limitations which must be kept in mind while evaluating the Financial Statements are as follows:
- The factors which may be relevant in assessing the worth of the enterprise don't find place in the accounts as they cannot be measured in terms of money.
 - Balance Sheet shows the position of the business on the day of its preparation and not on the future date while the users of the accounts are interested in knowing the position of the business in the near future and also in long run and not for the past date.
 - Accounting ignores changes in some money factors like inflation etc.



- There are occasions when accounting principles conflict with each other.
- Certain accounting estimates depend on the sheer personal judgement of the accountant.
- Different accounting policies for the treatment of same item adds to the probability of manipulations.

(c) Calculation of depreciation for the year ended 31.3.24

	Machine I (28,54,000 - 2,16,000)	Machine II Purchased on 1 st July	Machine III Purchased on 1 st Nov	Depreciation on sold machine IV
Book value as on 1 st April, 2023	26,38,000	4,80,000	5,60,000	2,16,000
Depreciation @15%	3,95,700 (for full year)	54,000 (for 9 months)	35,000 (for 5 months)	8,100 (for 3 months)

Total depreciation (I + II + III + IV) = 4,92,800

2. (a)

	Particulars		L.F.	Dr.	Cr.
(i)	Suspense Account To Profit and Loss Adjustment A/c (Correction of error by which Purchase Account was over debited last year)	Dr.		936	936
(ii)	Profit & Loss Adjustment A/c Customer's Account To Suspense Account	Dr. Dr.		180 1,104	1,284



	(Correction of the entry by which (a) Sales A/c was over credited by ` 180 (b) customer was credited by `642 instead of being debited by ` 462)				
(iii)	Suspense Account To Profit & Loss Adjustment A/c (Correction of error by which Returns Inward Account was debited by ` 300 instead of Returns Outwards Account being credited by ` 300)	Dr.	600		600
(iv)	Suspense Account To Geet Account To Meet Account (Removal or wrong debit to Meet and giving credit to Geet from whom cash was received)	Dr.	1,790		895 895
(v)	Customer's Account To Profit & Loss Adjustment A/c (Rectification of the error arising from non-preparation of invoice for goods delivered)	Dr.	1,400		1,400
(vi)	Profit & Loss Adjustment A/c To Customer's Account (The Customer's A/c credited with goods not yet purchased by him)	Dr.	1600		1,600
(vii)	Inventory A/c To Profit & Loss Adjustment A/c (Cost of goods debited to inventory and credited to Profit & Loss Adjustment A/c)	Dr.	1280		1280
(viii)	Trade receivable/ Manas's Account To Suspense Account	Dr.	500		500



(ix)	(`500 due by Manas not taken into trial balance, now rectified)			
	Deep's account/Trade receivable	Dr.	6,000	
	To Profit & Loss Adjustment A/c (Sales to Deep omitted, now rectified)			6,000
(x)	Profit & Loss Adjustment A/c	Dr.	8,436	
	To Bhatt's Capital Account (Transfer of the Profit & Loss Adjustment A/c balance to the Capital Account)			8,436

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

Particulars	₹
Bank balance (Debit i.e. overdraft) as per Bank Pass book	1,34,300
(i) No adjustment required as there would be no difference on 31.3.24	
(ii) <i>Add:</i> No entry in Cash book for interest collection by Bank	11,200
(iii) <i>Less:</i> Amount debited in cash book for pending cheques in collection but not credited in Pass Book	(30,000)
(iv) <i>Add:</i> Cheque credited in cash book but not debited in pass book	10,000
(v) <i>Add:</i> Reversal of wrong Credit	2,000
<i>Less:</i> Reversal of wrong debit	(1,200)
(vi) <i>Less:</i> Cheque of ` 1,000 entered in cash book but omitted to be banked	(4,000)
(vii) <i>Less:</i> Discounted dishonored but no entry in Cash book	(20,800)
(viii) <i>Add:</i> Rebate on bill retired not entered in cash book	700
(viii) <i>Add:</i> Cheques deposited in bank not yet recorded in cash book	<u>9,600</u>
Balance (Cr. i.e. overdraft) as per Cash book	<u>1,11,800</u>

Note: A cheque of ` 4,320 credited in Pass Book on 28th March, 2024 and later debited in Pass Book on 1st April, 2024 has no effect on Bank Reconciliation statement as at 31st March, 2024.



**3. (a) Trading and Profit and Loss Account for the year ended
31st December, 2023**

	<i>Amount</i>		<i>Amount</i>
To Opening stock	50,000	By Sales (` 2,60,000 \square 125/ 100)	3,25,000
To Purchases (balancing figure)	2,72,500	By Closing stock	62,500
To Gross profit c/d (` 2,60,000 \square 25/ 100)	<u>65,000</u>		_____
	<u>3,87,500</u>		<u>3,87,500</u>
To Expenses	49,250	By Gross profit b/d	65,000
To Loss on sale of fixed assets	750		
To Depreciation on fixed assets (W.N.1)	1,000		
To Net profit	<u>14,000</u>		_____
	<u>65,000</u>		<u>65,000</u>

Balance Sheet as on 31st December, 2023

	<i>Amount</i>		<i>Amount</i>
Liabilities		Assets	
Capital (W.N. 5)	1,69,000	Fixed assets	9,000
Add: Additional capital	5,000	Debtors (W.N. 3)	87,500
Net profit	<u>14,000</u>	Stock	62,500
	1,88,000	Bank balance	50,000
Less: Drawings	<u>(25,000)</u>		
Creditors			
	1,63,000		
	<u>46,000</u>		
	<u>2,09,000</u>		<u>2,09,000</u>

Working Notes:

1. Fixed assets account



Liabilities		Assets	
Creditors (W.N. 4)	53,500	Fixed assets	7,500
Capital (balancing figure)	1,69,000	Debtors	1,02,500
		Stock	50,000
		Bank balance (W.N. 2)	<u>62,500</u>
	<u>2,22,500</u>		<u>2,22,500</u>

(b) **Revaluation Account**

Particulars		Particulars	
To Stock	1,500	By Land & Building	25,000
To revaluation profit		By Provision for doubtful debt	2,000
Arun	8,500		
Varun	8,500		
Tarun	8,500		
	<u>27,000</u>		<u>27,000</u>

Partners' Capital Accounts

Particulars	Arun	Varun	Tarun	Particulars	Arun	Varun	Tarun
To Tarun	4,375	4,375	-	By Bal b/d	1,00,000	75,000	75,000
To Tarun's Executor	-	-	98,125	By General reserve	4,000	4,000	4,000
To Bal. c/d	1,08,125	83,125		By Arun & Varun	-	-	8,750
				By Profit and Loss Adjustment* (suspense) A/c	-	-	1,875
				By Revaluation	8,500	8,500	8,500
	<u>1,12,500</u>	<u>87,500</u>	<u>98,125</u>		<u>1,12,500</u>	<u>87,500</u>	<u>98,125</u>

*Profit and Loss Adjustment = $[(25,000 + 20,000 + 22,500)/3] \times 3/12 \times 1/3 = 1,875$

Balance Sheet of Firm as on 1st July,2024

Particulars		Particulars	
Arun	1,08,125	Land & Building	1,75,000



Varun	83,125	Investment	65,000
Tarun Executor	98,125	Stock	13,500
Creditors	20,000	Trade receivable	35,000
		Profit & Loss Adjustment	1,875
		Cash in hand	7,000
		Cash at bank	12,000
	3,09,375		3,09,375

Calculation of goodwill and Tarun's share

Average of last five year's profits and losses for the year ended on 31st March

31.3.2019	28,750
31.3.2020	35,000
31.3.2021	22,500
31.3.2022	20,000
31.3.2023	<u>25,000</u>
Total	<u>1,31,250</u>
Average profit	26,250

Goodwill at 1 year purchase = ₹ 26,250 x 1 = ₹ 26,250

Tarun's Share of Goodwill = ₹ 26,250 X 1/3
= ₹ 8,750

Which is contributed by Arun and Varun in their gaining Ratio

Arun = ₹ 8,750 X 1/2 = ₹ 4375

Varun = ₹ 8,750 X 1/2 = ₹ 4375

4. (a) Statement of Distribution of Cash by 'Maximum Loss Method'

	Creditors	Amar's Loan	Amar	Akbar	Antony
Balance due	80,000	20,000	1,00,000	30,000	90,000
15 th April 2024 realised ₹ 60,000					
Paid to creditors	<u>(60,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance due	20,000	20,000	1,00,000	30,000	90,000
1 st May, 2024 realised ₹ 1,46,000					
Paid to creditors (₹ 20,000)	20,000	-	-	-	-



Paid to Amar's loan (` 20,000)	—	20,000	—	—	—
Balance due (1)	Nil	Nil	1,00,000	30,000	90,000
Balance ` 1,06,000					
Maximum Loss (1,00,000 + 30,000 + 90,000 - 1,06,000) = ` 1,14,000 shared in Profit & Loss ratio 5:3:2			(57,000)	(34,200)	(22,800)
			43,000	(4,200)	67,200
Akbar's deficiency shared by Amar & Antony in capital ratio 100:90			(2,210)	4,200	(1,990)
Cash paid [2]			40,790	—	65,210
Balance due (3) [1-2]			59,210	30,000	24,790
31 st May 2024 realised ` 94,000					
Maximum Loss [59,210 + 30,000 + 24,790 - 94,000] = ` 20,000 shared in 5:3:2			(10,000)	(6,000)	(4,000)
Cash paid (4)			49,210	24,000	20,790
Balance/Loss* on realisation (3-4)			10,000	6,000	4,000

(b) **Subscription for the year ended 31.3.2024**

Subscription received during the year		33,75,000
Less: Subscription receivable on 1.4.2023	1,01,250	
Less: Subscription received in advance on 31.3.2024	<u>47,250</u>	(1,48,500)
		32,26,500
Add: Subscription receivable on 31.3.2024	1,48,500	
Add: Subscription received in advance on 1.4.2023	<u>81,000</u>	<u>2,29,500</u>
Amount of Subscription appearing in Income & Expenditure Account		<u>34,56,000</u>

Sports material consumed during the year end 31.3.2024

Payment for Sports material	20,25,000
Less: Amounts due for sports material on 1.4.2023	<u>(6,07,500)</u>
	14,17,500
Add: Amounts due for sports material on 31.3.2024	<u>8,77,500</u>



Purchase of sports material	<u>22,95,000</u>
Sports material consumed:	
Stock of sports material on 1.4.2023	6,75,000
Add: Purchase of sports material during the year	<u>22,95,000</u>
	29,70,000
Less: Stock of sports material on 31.3.2024	<u>(10,12,500)</u>
Amount of Sports Material appearing in Income & Expenditure Account	<u>19,57,500</u>

**Balance Sheet of M/s Zara
Club For the year ended 31st March, 2024(An
extract)**

Liabilities		Assets	
Unearned Subscription	47,250	Subscription receivable	1,48,500
Amount due for sports material	8,77,500	Stock of sports material	10,12,500

5. (a) **Trial Balance of Shri. Hari Om as on 31st March, 2024**

Particulars	Dr. Amount `	Cr. Amount `
Capital		4,20,000
Purchases	1,08,000	
Discount Allowed	3,600	
Carriage Inward	26,100	
Carriage Outwards	6,900	
Sales		1,80,000
Return Inward	900	
Return Outwards		2,100
Rent and taxes	3,600	
Plant and Machinery	2,42,100	
Stock on 1 st April,2023	46,500	
Sundry Debtors	60,600	
Sundry Creditors		36,000
Investments	10,800	
Commission Received		5,400
Cash in Hand	300	
Cash at Bank	30,300	



Motor Cycle	1,03,800	
	6,43,500	6,43,500

Note: Stock as on 31st March, 2024 will not appear in trail balance.

(b) (i) (1) **Journal Proper in the Books of M/s. VS Wires**

Date 2024	Particulars		Amount	Amount
Mar. 31	Returns outward A/c To Purchases A/c (Being the transfer of returns to purchases account)	Dr.	4,32,000	4,32,000
	Sales A/c To Returns Inward A/c (Being the transfer of returns to sales account)	Dr.	6,00,000	6,00,000
	Sales A/c To Trading A/c (Being the transfer of balance of sales account to trading account)	Dr.	60,00,000	60,00,000
	Trading A/c To Opening Inventory A/c To Purchases A/c To Wages A/c To Carriage Inwards A/c (Being the transfer of balances of opening inventory, purchases and wages accounts)	Dr.	46,80,000	6,00,000 36,00,000 3,00,000 1,80,000
	Closing Inventory A/c To Trading A/c (Being the incorporation of value of closing Inventory)	Dr.	12,00,000	12,00,000
	Trading A/c To Gross Profit	Dr.	25,20,000	25,20,000



	(Being the amount of gross profit calculated)			
	Gross profit	Dr.	25,20,000	
	To Profit and Loss A/c			25,20,000
	(Being the transfer of gross profit to Profit and Loss Account)			

OR

(ii) In the Books of Mr. Mandeep

Manufacturing Account for the Year ended 31.03.2024

Particulars		Units	Amount	Particulars	Units	Amount
To Opening Workin-Process		27,000	78,000	By Closing Workin-Process	42,000	1,44,000
To Raw Materials Consumed:				By Trading A/c – Cost of finished goods transferred	15,00,000	58,00,800
Opening Inventory	7,80,000					
Add: Purchases	24,60,000					
	32,40,000					
Closing Inventory	(9,60,000)		22,80,000			
To Direct Wages – W.N. (1)			12,16,800			
To Direct expenses: Hire charges on Machinery – W.N. (2)			10,50,000			
To Indirect expenses: Hire charges of Factory			7,80,000			
Repairs & Maintenance			5,40,000			
			59,44,800			59,44,800



Working Notes:

$$\begin{aligned} (1) \quad \text{Direct Wages} &- 1,500,000 \text{ units @ `0.80} &= & \text{`12,00,000} \\ &42,000 \text{ units @ `0.40} &= & \text{`16,800} \\ &&& \underline{\text{`12,16,800}} \end{aligned}$$

$$(2) \quad \text{Hire charges on Machinery} - 15,00,000 \text{ units @ `0.70} = \text{`10,50,000}$$

(c)

Sr. No.	Particulars		Dr (`)	Cr (`)
(i)	Bank A/c To Equity Share Capital A/c To Securities Premium A/c (Being 15,000 Equity Shares Issued at a premium of ` 5)	Dr.	2,25,000	1,50,000 75,000
(ii)	Securities Premium A/c Profit & Loss A/c To Bonus to Equity Shareholders A/c (Being amount transferred for issue of Bonus Shares to ESH in the ratio of 1:5)	Dr Dr	75,000 75,000	1,50,000
(iii)	Bonus to Equity Shareholders A/c To Equity Share Capital A/c (Being bonus shares issued)	Dr.	1,50,000	1,50,000
(iv)	12% Debentures A/c Premium on Redemption A/c To Debenture Holders A/c (Being amount payable to debenture holders)	Dr Dr	3,60,000 10,800	3,70,800
(v)	Profit & Loss A/c To Premium on Redemption A/c	Dr	10,800	10,800
(vi)	(Being premium on redemption transferred to P&L)			



	Debenture Redemption Reserve A/c			
(vii)	To General Reserve (Being DRR transferred to General Reserve)	Dr	36,000	36,000
(viii)	Bank A/c To DRR Investment A/c (Being DRR Investment sold)	Dr	54,000	54,000
	Debenture Holders A/c To Bank A/c (Being Debenture Holders paid)		3,70,800	3,70,800

6. (a) **Journal of Avent Limited**

Date	Particulars		Dr.	Cr.
2023				
May 31	Bank A/c (Note 1 – Column 3) To Equity Share Application A/c (Being application money received on 5,60,000 shares @ ` 2 per share)	Dr.	11,20,000	11,20,000
June 10	Equity Share Application A/c To Equity Share Capital A/c To Equity Share Allotment A/c (Note 1 - Column 5) To Bank A/c (Note 1– Column 6) (Being application money on 1,35,000 shares transferred to Equity Share Capital Account; on 2,75,000 shares	Dr.	11,20,000	2,70,000 5,50,000 3,00,000



	adjusted with allotment and on 1,50,000 shares refunded as per Board's Resolution No.....dated...)			
	Equity Share Allotment A/c To Equity Share Capital A/c To Securities Premium A/c (Being allotment money due on 1,35,000 shares @ ` 5 each including premium at ` 4 each as per Board's Resolution No....dated....)	Dr.	6,75,000	1,35,000 5,40,000
	Bank A/c (Note 1 – Column 8) To Equity Share Allotment A/c (Being balance allotment money received)	Dr.	1,25,000	1,25,000
Dec. 31	Equity Share Final Call A/c To Equity Share Capital A/c (Being final call money due on 1,35,000 shares @ ` 7 per share as per Board's Resolution No.....dated....)	Dr.	9,45,000	9,45,000
	Bank A/c To Equity Share Final Call A/c (Being final call money on 1,35,000 shares @ ` 7 each received)	Dr.	9,45,000	9,45,000

Working Note:

Calculation for Adjustment and Refund

Category	No. of Shares Applied for	No. of Shares Allotted	Amount Received on Application	Amount Required on Application	Amount adjusted on Allotment	Refund [3 – (4 + 5)]	Amount due on Allotment	Amount received on Allotment
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	(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) Following factors are taken into consideration for calculation of depreciation.

1. **Cost of asset** including expenses for installation, commissioning, trial run etc.- Cost of a depreciable asset represents its money outlay or its equivalent in connection with its acquisition, installation and commissioning as well as for additions to or improvement thereof for the purpose of increase in efficiency.
2. **Estimated useful life of the asset** - Useful Life' is either (i) the period over which a depreciable asset is expected to be used by the enterprise or (ii) the number of production or similar units expected to be obtained from the use of the asset by the enterprise. Determination of the useful life is a matter of estimation and is normally based on various factors including experience with similar type of assets. Several other factors like estimated working hours, production capacity, repairs and renewals, etc. are also taken into consideration on demanding situation.
3. **Estimated scrap value** (if any) is calculated at the end of useful life of the asset. If such value is considered as insignificant, it is normally regarded as nil. On the other hand, if the residual value is likely to be significant, it is estimated at the time of acquisition/installation, or at the time of subsequent revaluation of asset.

Or

- (b)** Bills of Exchange are usually drawn to facilitate trade transmission, that is, bills are meant to finance actual purchase and sale of goods. But the mechanism of bill can be utilised to raise finance also. When bills are used for such a purpose, they are known as accommodation bills.

When the acceptor of a bill finds himself in financial straits to honour the bill on the due date, then he may request the drawer to cancel the original bill and



draw on him a fresh bill for another period. And if the drawer agrees, a new bill in place of the original bill may be accepted by the drawee for another period. This is called the renewal of bill.

