

**PAPER – 1: PRINCIPLES AND PRACTICE OF ACCOUNTING**

Question No. 1 is compulsory.

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

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

Working Notes should form part of the answer.

**Question 1**

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

- (i) The financial statement must disclose all the relevant and reliable information in accordance with the full disclosure principle.
- (ii) The gain from sale of capital assets is added to revenue to ascertain the net profit of the business.
- (iii) Depreciation is non-cash and non-operating expense which is to be provided for if there are profits.
- (iv) Sum of the year's digit method is an example of accelerated method of charging depreciation.
- (v) Inauguration expenses of ₹ 10 lakhs incurred on the new unit in an existing business is a capital expenditure.
- (vi) Discount column of cash book records the trade discount. (6 x 2 = 12

**Marks)** (b) Briefly explain the following terms.

- (i) Conversion Cost
- (ii) Diminishing Balance Method
- (iii) Money Measurement Concept
- (iv) Realisation Concept (4 Marks)

(c) From the following information, ascertain the value of Closing Stock as on 31<sup>st</sup> March, 2023.

Particulars	(₹)
Opening Stock	1,47,500
Cash Sales	5,50,000
Credit Sales	4,00,000
Purchases	8,85,000



Manufacturing Expenses	1,35,000
Advertisement Expenses	43,000
Rate of Gross Profit on Cost	25%

At the time of valuing inventory as on 31<sup>st</sup> March, 2022, a sum of ₹ 12,500 was written off on a particular item, which was originally purchased for ₹ 50,000 and was sold during the year for ₹ 40,000. **(4 Marks)**

**Answer**

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



**(iii) Money measurement concept:** As per this concept, only those transactions, which can be measured in terms of money are recorded. Transactions, even if, they affect the results of the business materially, are not recorded if they are not convertible in monetary terms.

**(iv) Realisation concept:** It closely follows the cost concept. Any change in value of an asset is to be recorded only when the business realises it.

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

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

**Working Note:**

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

**Alternative:**

**Statement showing the valuation of inventory as on 31<sup>st</sup> March, 2023**

	₹
Inventory in the beginning	1,47,500
	37,500



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

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

### Question 2

- (a) From the following particulars, prepare a Bank Reconciliation Statement as on 31<sup>st</sup> December, 2022.
- Debit balance (overdraft) shown by the pass book 2,48,000.
  - Cheques of 2,10,000 were issued in the last week of December, but of these only ` 1,40,000 were presented for payment.
  - A Cheque for ` 19,200 drawn for the payment of telephone bill had been entered in the cash book as ` 29,200 but was shown correctly in the bank statement.
  - A cheque received for ` 37,520 entered twice in the Cash book.
  - A Cheque for ` 1,17,000 was issued for purchase of merchandise and was paid by the bank but not recorded in cash book.
  - Interest on overdraft and bank charges amounting to ` 3,500 were not entered in the Cash Book.
  - A Cheque for 45,000 was credited in the Pass Book but was not recorded in the Cash Book.
  - A bill of exchange for ` 26,200 which was discounted with bank returned dishonored but on entry was made in the cash book.



(ix) Payment side of the Cash Book has been undercast by ₹ 12,000.

(8 Marks)

(b) ABC sports club had the following income and expenditure account for the year ended 31<sup>st</sup> Dec 2022.

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

Particulars	Amount	Particulars	Amount
To Salaries	2,35,000	By Subscriptions	2,50,000
To Stationary Expenses	30,000	By Interest	90,000
To Rent and Taxes	5,000	By Donations	40,000
To Insurance	2,000	By Misc. Receipts	3,000
To Office Expenses	8,000		
To Depreciation			
Building	37,500		
Furniture	1,200		
Sports Equipment	1,000		
To Excess of Income over Expenses	63,300		
	3,83,000		3,83,000

Additional information:

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



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

You are required to prepare Receipts and Payments Account for the period ending

31.12.2022 and Balance Sheet as on 31.12.2022.

(12 Marks)

Answer

(a) **Bank Reconciliation Statement as on 31<sup>st</sup> December, 2022**

	Particulars	Amount (`)	Amount (`)
	Overdraft as per Pass Book (Dr. Balance)		2,48,000
<i>Add:</i>	Cheques issued but not yet presented ` (2,10,000 1,40,000)	70,000	
	Cheque wrongly entered in cash book (29,200-19,200)	10,000	
	Cheque credited in Pass Book was not recorded in the Cash book	<u>45,000</u>	1,25,000
<i>Less:</i>	Cheques received entered twice in Cash Book	37,520	
	Cheque issued not recorded in the Cash book	1,17,000	
	Interest on Overdraft and bank charges not entered in Cash Book	3,500	
	Bill of exchange dishonoured	26,200	
	Payment side of bank column of Cash Book was undercast	<u>12,000</u>	<u>1,96,220</u>
	Overdraft as per Cash Book		1,76,780

(b) **The ABC sports club Receipts and Payments Account for the year ended 31<sup>st</sup> December, 2022**

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

**Balance Sheet as on December 31, 2022**

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

**Working Notes:**

1. **Balance Sheet as on 31st December, 2021**

Liabilities		Assets	



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

2.

Dr. **Stationery Account**

Cr.

To Balance b/d	3,000	By Income & exp	30,000
To Receipt & payment	32,500	By Balance c/d	5,500
	35,500		35,500

3.

Dr. **Subscription Account**

Cr.

To Outstanding as on 31-12-21	70,000	By Advance as on 31-12-21	2,000
To Income & exp	2,50,000	By Receipt & payment (bal. fig)	2,24,000
To Advance as on 31-12-22	6,000	By Outstanding as on 31-12-22	1,00,000
	3,26,000		3,26,000

4.

Dr. **Land and Building Account** Cr.





To Balance b/d	20,00,000	By Depreciation	37,500
		By Balance c/d	19,62,500
	20,00,000		20,00,000

5.

**Dr. Furniture Account Cr.**

To Balance b/d	20,000	By Depreciation	1,200
To Bank (bal.fig.)	1,000	By Balance c/d	19,800
	21,000		21,000

6.

**Dr. Sports Equipment Account Cr.**

To Balance b/d	35,000	By Depreciation	1,000
To Bank (bal.fig.)	5,000	By Balance c/d	39,000
	40,000		40,000

7.

**Dr. Salary Account Cr.**

To Receipts & payment A/c	2,30,000 15,000	By Outstanding for 2021	10,000
To Outstanding for 2022	2,45,000	By Income and expenditure A/c	2,35,000
			2,45,000

**Question 3**

- (a) R draws a bill of exchange on P for ₹ 2,00,000 on 1<sup>st</sup> July, 2022 for 4 months P accepted the bill and sent it to R. R discounts the bill with his bankers for ₹



1,88,000 R. immediately remits ` 75,200 to P. On the due date, R, being unable to remit the amount due accepts a bill for ` 2,50,00 for 4 months which is discounted by P for ` 2,36,250. P sends ` 56,700 to R. Before the bill is due for payment R becomes insolvent and his estate is paying fifty paise in a rupee.

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

(10 Marks)

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

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

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

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

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



(5

Marks) OR

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

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

(a)

In the books of P

Journal Entries

Date	Particulars	L.F.	Dr. (in `)	Cr. (in `)
1.7.2022	R's A/c To Bills payable A/c (Being bill of exchange accepted and sent to Mr. R)	Dr.	2,00,000	2,00,000
1.7.2022	Bank A/c Discount charges A/c To R's A/c (Being the amount received from R on account of the bills receivable)	Dr. Dr.	75,200 4,800	80,000
4.11.2022	Bills Receivable A/c To R's A/c (New bill accepted by R)		2,50,000	2,50,000
4.11.2022	Bank A/c Discount charges A/c To Bills receivable A/c	Dr. Dr.	2,36,250 13,750	2,50,000



4.11.2022	(Being R acceptance discounted with bank)			
	Bills payable A/c	Dr.	2,00,000	
	To Bank A/c			2,00,000
4.11.2023	(Being the amount paid on the due date)			
	R A/c	Dr.	66,984	
	To Bank A/c			56,700
	To Discount A/c			10,284
7.3.2023	(Being the amount received and the discount debited to R)		2,50,000	
	R's A/c	Dr.		2,50,000
	To Bank A/c			
7.3.2023	(Being R's acceptance, which was discounted dishonoured due to R's bankruptcy)			
	Bank A/c	Dr.	93,492	
	Bad debts A/c	Dr.	93,492	
	To R A/c			1,86,984
	(The amount received from R and the balance being written off as debt)			

**R's account (in the books of P)**

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



(b)

Taking Aug 20 as the zero or base date  
(Aug 20 + One month Credit = 20 sept) For  
Mr. G's payments:

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

For Mr. B's payments

Taking Aug 20 as the zero or base date.

Date of Transactions (1)	Due Date (2)	Amount (3)	No. of days from the base date (4)	Products (5)
July 25	August 25	24,000	5	1,20,000
Aug 16	Sept 16	22,000	27	5,94,000
Sept 05	Oct 05	25,000	46	11,50,000
Amount due to B		71,000	Total products	18,64,000

Excess of Mr. G's products over Mr. B's = 25,68,000 - 18,64,000

= ₹ 7,04,000

Excess amount due to Mr. B ₹ 97,000 - 71,000 = ₹ 26,000.

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

$\frac{7,04,000}{26,000} = 27.07$  days (Hence it may be taken as 27 days or 28 days)

26,000

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



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

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

(Interest to 31<sup>st</sup> March 2023, @ 6% p.a.)

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

Calculation of interest:  $6,78,000 \times 6\% \times \frac{1}{365} = ` 111.45$

OR

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

Particulars			
Mr. X A/c	Dr.	3,500	
To Bank A/c			3,500
(being expenses incurred on goods received on consignment)			
Mr. X A/c	Dr.	50,000	
To Bank A/c			50,000
(being advance paid to Mr. X for consignment)			
Trade receivables/Bank A/c	Dr.	1,40,000	
To Mr. X A/c			1,40,000
(being 4/5th of the goods sold for ` 1,40,000)			
Mr. X A/c	Dr.	5,000	



To Trade receivables A/c (being one customer could not pay amount due to him)			5,000
Mr. X A/c	Dr.	11,200	
To Commission Earned A/c (being commission earned)			11,200
Mr. X A/c	Dr.	70,300	
To Bank A/c (being amount has been sent to Mr. X)			70,300

**Question 4**

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

Particulars	Dr. `	Cr. `
Bank charges	24,000	
Buildings	9,00,000	
Capital A/c		19,48,000
Carriage Outwards	30,000	
Cash at bank	39,000	
Cash at hand	21,000	
Discount allowed	36,000	
Discount received		24,000
Drawings	1,80,000	
Electricity Charges	33,000	
Freight on purchases	18,000	
Furniture & fixtures	3,21,000	
General office expenses	45,000	
Insurance Premium	82,500	
Interest on loan	35,000	
Loan		6,00,000



Printing and Stationery	27,000	
Purchase Returns		39,000
Purchases	21,30,000	
Rent for Godown	82,500	
Salaries	1,65,000	
Sales		35,50,000
Sales Returns	63,000	
Stock on 1.4.2022	9,30,000	
Sundry Creditors		6,45,000
Sundry Debtors	12,90,000	
Vehicles	3,00,000	
Vehicles running expenses	54,000	
<b>TOTAL</b>	<b>68,06,000</b>	<b>68,06,000</b>

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

- (i) Value of stock as on 31.03.2023 is ` 4,10,000. This includes goods returned by customers on 31<sup>st</sup> March, 2023 to the value of ` 22,000 for which no entry has been passed in the books.
- (ii) Purchases include furniture purchased on 01.10.2022 for ` 30,000.
- (iii) Depreciate:
  - (1) Building by 5%
  - (2) Furniture and Fixtures by 10%
  - (3) Vehicles by 20%
- (iv) Sundry debtors include ` 35,000 due from Goku and Sundry creditors include ` 25,000 due to him.
- (v) Provision for bad debts is to be maintained at 4% of Sundry Debtors.
- (vi) Insurance premium includes ` 42,000 paid towards proprietor's life insurance policy and the balance of the insurance charges cover the period from 1.05.2022 to





30.4.2023.

(15 Marks)

(b) P, Q and R are the 3 partners in partnership firm Partnership deed includes the following:

- (i) R is entitled to get salary of ` 10,000 p.a.
- (ii) P, Q and R are to get interest @ 6% on their respective capital of ` 2,50,000; ` 1,50,000 and ` 1,00,000.
- (iii) R is to get extra benefit of 10% of profit in excess of ` 50,000 after providing for para (i) and (ii) mentioned above.
- (iv) Q is entitled to 10% of profits after providing all the amounts in para (i), (ii) and (iii) mentioned above.
- (v) The balance of profits will be shared by P, Q and R in the ratio of 5:3:2.

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

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

Answer

(a)

M/s RM & Co.

**Trading Account for the year ended 31st March, 2023**

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



**M/s RM & Co.**

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

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

**Balance Sheet of M/s RM & Co. as at 31<sup>st</sup> March, 2023**

Liabilities	Details	Amount	Assets	Details	Amount
Capital	19,48,000		Building	9,00,000	8,55,000
Add: Net Profit	1,33,055		Less: Dep.	(45,000)	
Less: Drawings	(1,80,000)				
	(42,000)				



Less: Insurance Premium		18,59,055	Vehicle	3,00,000	
			Less: Dep.	(60,000)	2,40,000
Loan		6,00,000	Furniture & Fixture	3,21,000	
Sundry Creditors	6,45,000		Add: Addition	30,000	
Less: Due to Goku	(25,000)	6,20,000	Less: Dep.	(33,600)	3,17,400
			Stock in Trade		4,10,000
			Sundry Debtors (WN 3)	12,43,000	
			Less: Provision for doubtful debts	(49,720)	11,93,280
			Cash at hand		21,000
			Cash in bank		39,000
			Prepaid insurance		3,375
		30,79,055	(1)		30,79,055

**Working Notes**

**(1) Insurance premium**

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

**(2) Depreciation**

Building @ 5% on 9,00,000	45,000
Vehicle @ 20% on 3,00,000	60,000
	33,600



Furniture & Fixturs @ (10% on 3,21,000) + (10 %x1/2 on 30,000)	1,38,600
Total	

**(3) Calculation of provision for doubtful debts**

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

(b)

Dr.		Profit & Loss Appropriation Account		Cr.	
Particulars			Particular		
To Salary to Partner R		10,000	By Profit and Loss A/c	3,50,000	
To Interest on Capital					
P	15,000				
Q	9,000				
R	<u>6,000</u>	30,000			
To Profit transferred to Capital A/cs:					
P	1,27,800				
Q	1,05,080	3,10,000			
R	<u>77,120</u>	3,50,000		3,50,000	

**Working Notes:**

- Profit available for distribution (after interest on Capital & R's salary = ` 3,50,000 – ` 40,000 = ` 3,10,000.
- Excess Profits of R = (3,10,000- 50,000) X 10% = ` 26,000
- Excess profit of Q = 3,10,000- 26,000 = 2,84,000 X 10% = ` 28,400
- Profit available for distribution = 3,10,000 -26,000- 28,400 = ` 2,55,600



$$P = 2,55,600 * 5/10 = ₹ 1,27,800$$

$$Q = 2,55,600 * 3/10 = 76,680 + 28,400 = ₹ 1,05,080$$

$$R = 2,55,600 * 2/10 = 51,120 + 26,000 = ₹ 77,120$$

**Question 5**

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

Balance Sheet as on 31 March, 2023

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

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

- To appreciate building by 20% and to depreciate machinery by 5%.
- Provision for debts is to be created at 10%.
- Goodwill of the firm is valued at 1,60,000 and Goodwill is not to be raised in the books of accounts. New profit sharing ratio will be 5:3
- Entire sum payable to Y should be brought by X and Z in such a way to make their capital according to new profit ratio. Balance of Y to be paid immediately.

You are required to prepare Revaluation Account, Partners Capital Accounts and Balance

Sheet after retirement.

(10 Marks)

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

01.01.21	Purchased a second – hand Machinery for ₹ 2,00,000
01.01.21	Spent ₹ 50,000 on repairs for making it serviceable



30.06.21	Purchased additional new Machinery for ` 3,50,000
30.06.21	Installation charges of new Machine ` 15,000
01.04.22	Repairs and maintenance of Machinery ` 30,000
30.06.22	Sold second hand Machinery purchased on 01.01.21 for ` 1,55,000
31.12.22	Depreciate the Machinery at 10% per annum by WDV method

(5 Marks)

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

Date	Particulars	Amount `
01.01.2023	Cash in hand	14,500
	Cash in Bank	1,95,000
03.01.2023	Received from K	
	- Cash	7,300
	- Cheque	15,000
	Discount allowed to him	400
06.01.2023	Goods sold for cash	9,100
07.01.2023	Withdrew from bank by self cheque	3,000
12.01.2023	Issued a cheque to B	10,590
	Discount received	410
14.01.2023	Received a cheque form R (in full settlement of her account ` 6,500) by cheque	6,350
17.01.2023	Withdrew form bank for personal use	15,000
18.01.2023	Paid electricity bill by cheque	5,000
20.01.2023	Cash purchases of stationary	1,200
31.01.2023	Deposit the entire cash in bank in excess of ` 10,000	

(5 Marks)



**Answer**

(a)

**Revaluation Account**

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

**Partners' Capital Accounts**

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



**Balance Sheet  
(after Y's retirement)**

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

**Working Note 1.**

**Calculation of gaining ratio**

Partner	Old Share	New Share	Gain
X	$\frac{5}{10}$	$\frac{5}{8}$	$\frac{5}{40}$
Y	$\frac{3}{10}$		—
Z	$\frac{2}{10}$	$\frac{3}{8}$	$\frac{7}{40}$

**Adjusting entry:**

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

**2. Bank Account**

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





To Z's Capital A/c	2,00,400	
	3,36,400	3,36,400

(b) **Machinery Account**

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

**Working Note:**

**Book Value of Machines**

	Machine I	Machine II



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

(c) Triple Column Cash Book

Dr.					Cr.				
Date	Particulars	Discount	Cash	Bank	Date	Particulars	Discount	Cash	Bank
2023					2023				
Jan 1	T Balance b/d		14,500	1,95,000	Jan 7	B Cash (C)			3,000
Jan 3	T K	400	7,300	15,000	Jan 12	B B A/c	410		10,590
Jan 6	T Sales A/c		9,100		Jan 17	B Drawings A/c			15,000
Jan 7	T Bank (C)		3,000		Jan 18	B Electricity charges			5,000
Jan 14	T R	150		6,350	Jan 20	B Stationary		1,200	
Jan 31	T Bank (C)			22,700	Jan 31	B Bank (C)		22,700	
					Jan 31	B Balance c/d		10,000	2,05,460
		550	33,900	2,39,050			410	33,900	2,39,050
Feb 1	T Balance b/d		10,000	2,05,460					

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



**Question 6**

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

On Application ` 50

On Application ` 50 including premium and

On Final Call 25

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

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

Show the journal entries and cash book in the books of A Limited. **(15 Marks)**

(b) What are the sub-fields of Accounting? **(5 Marks) Answer**

(a) **In the Books of A Ltd.**

**Cash Book (Bank column only)**

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

**Journal Entries**

Date	Particulars		



1.	Bank A/c To Equity Share Application A/c (Being application money received on 29,000 share @ ` 50)	Dr.	14,50,000	14,50,000
2.	Equity Share Application A/c To Bank A/c (Being application money on 4000 share @ ` 50 returned)	Dr.	2,00,000	2,00,000
3.	Equity Share Application A/c To Equity Share Capital A/c (Being application money on 25,000 shares @ ` 50 each transferred to Equity Share Capital Account as per Board's Resolution No.....dated...)	Dr.	12,50,000	12,50,000
4.	Equity Share Allotment A/c To Equity Share Capital A/c To Securities Premium A/c (Being allotment money @ ` 50 per share including premium of ` 25 per share being made due as per Board's Resolution No.....dated....)	Dr.	12,50,000	6,25,000 6,25,000
5.	Bank A/c To Equity Share Allotment A/c (Being Allotment money received on 24,850 shares)	Dr.	12,42,500	12,42,500
6.	Equity Share Final Call A/c To Equity Share Capital A/c (Being final call money @ 25 per share being made as per board resolution No.... dated.....)	Dr.	6,25,000	6,25,000



7.	Bank A/c To Equity Share Final Call A/c (Being share final call money received on 24,850 share @ 25 per share)	Dr.	6,21,250 15,000	6,21,250
8.	Equity Share Capital A/c (150 x ` 100)  Securities Premium A/c (150 x ` 25) To Equity Share Allotment A/c To Equity Share Final Call A/c To Forfeited Shares A/c (Being forfeiture of 150 shares for non-payment of allotment money and final call money as per Board's Resolution No....dated...)	Dr.  Dr.	3,750	7,500 3,750 7,500

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

Particulars			
Calls in Arrears A/c To Equity Share Allotment A/c (Being allotment money on 150 shares @ ` 50 not received transferred to calls in arrears.)	Dr.	7,500	7,500
Calls in Arrears A/c To Equity Share Final Call A/c (Being final call on 150 shares @ ` 25 not received transferred to calls in arrears)	Dr.	3,750	3,750
Share Capital A/c (150 x ` 100) Securities Premium A/c (150 x ` 25) To Calls in Arrears A/c	Dr.	15,000 3,750	11,250



To Share Forfeiture A/c (Being forfeiture of 150 shares for non-payment of allotment money and final call money as per Board's Resolution No....dated...)		7,500
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(b) The various sub-fields of accounting are:

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

