FOUNDATION EXAM
PAPER -1
ACCOUNTING

20 JUN 2024

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05:05 PM

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Roll No. .....

Total No. of Printed Pages : 16

Total No. of Questions : 6

Maximum Marks : 100

Time allowed : 3 Hours

INSTRUCTIONS TO CANDIDATES

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate who has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

Question **No. 1** is compulsory.

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

Working notes should form part of the answers.

SEAL

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

(i) If Closing Stock appears in the Trial Balance then it does not enter in Trading Account. It is shown only in the Balance Sheet.

(ii) If the amount is posted in the wrong account or it is written on the wrong side of the account, it is called error of principle.

(iii) Accounting Standards can override the statute.

(iv) Promissory Note is different from Bill of Exchange because the amount is paid by the maker in case of former and by the acceptor in the later.

(v) All errors are rectified by means of journal entries.

(vi) Revaluation Account is also known as Profit and Loss Adjustment account.

(6 × 2 = 12 Marks)

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(b) (i) Define accounting policy. What are the conditions under which a company can change its accounting policy?

(ii) Explain the following :

(1) Cash Basis of Accounting

(2) Going Concern concept

(2 × 2 = 4 Marks)

(c) Pass journal entries for the following transactions in the books of Mr. Kapil :

(i) Purchased goods from Sonu for ₹1,50,000 at a trade discount of 10% plus CGST and SGST @ 6% each.

(ii) Sold goods to Mohit for ₹50,000 and charged CGST and SGST @ 5% each. Out of the amount due 40% is received by cheque immediately.

(iii) Goods costing ₹25,000 withdrawn for personal use. Such Goods were purchased by paying CGST and SGST @ 6% each.

(iv) Machinery purchased from M/s Bright Industries for ₹2,00,000 plus CGST and SGST @ 9% each. Paid ₹1,00,000 immediately by cheque and balance to be paid after two months.

(4 × 1 = 4 Marks)

2. (a) The Trial Balance of Mr. Sarvesh Kumar as on 31st March, 2024 did not tally and the difference was posted to Suspense Account. On a scrutiny of the books; the following errors were detected :

(i) The total of Sales Returns Book for January 2024 has been casted short by ₹1,000.

(ii) Freight paid for installation of a Machine ₹6,500 was posted to the Freight Account as ₹5,600.

(iii) Goods of the value of ₹2,500 returned by a customer were entered in the Sales day Book and posted therefrom to the credit of his account.

(iv) ₹18,000 paid for purchase of old Motorcycle for personal use of Mr. Sarvesh Kumar was debited to conveyance account.

(v) A purchase of ₹6,700 had been posted to creditor's account as ₹6,000.

(vi) Receipt of cash ₹5,000 from Mr. Avinash was posted to the debit of his account.

(vii) A cheque for ₹2,500 received from Mr. Alok had been dishonoured and was posted to the debit of Mr. Ashok.

(viii) Sale of ₹8,500 to Mr. Deepak was recorded in the sales book correctly but while posting in ledger credited to his account.

(ix) The total of "Discount Allowed" column in the cash book for the month of December 2023 amounting to ₹3,800 was not posted.

(x) Sale of old office table for ₹2,200 treated as sale of goods.

You are required to pass necessary journal entries with narrations to rectify the above errors.

(12 Marks)

(b) On 1st April, 2022, LMP Co. which depreciates its machinery @ 10% p.a. on diminishing balance method, had ₹9,72,000 to the debit of Machinery Account. On 1st October, 2022, part of machinery purchased on 1st April, 2020 for ₹80,000 was sold for ₹45,000.

Also, a new machinery at a cost of ₹1,50,000 was purchased on 1st October, 2022 and installed on the same date and installation charges being ₹8,000.

The company changed the method of depreciation from diminishing balance method to straight line method with effect from 1st April, 2020 and adjusted the difference on 31st March, 2023. The rate of depreciation remains the same.

Show the Machinery Account and ascertain the amount chargeable to Profit and Loss Account as depreciation in 2022-23.

(8 Marks)

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

Receipts and Payments Account

Receipts		Amount (₹)	Payment		Amount (₹)
To Balance b/d			By Salaries		1,55,000
Cash in hand	5,200		By Rent & Electricity		69,750
Cash at Bank	35,500	40,700	By Library Books		10,500
To Subscriptions		2,95,000	By Newspaper & Magazines		16,600
To Entrance fees		50,000	By Sports Equipment		28,500
To Miscellaneous Income		19,850	By Sundry Expenses		71,050
To Interest on Investments		8,000	By Balance c/d		
			Cash in hand	8,750	
			Cash at Bank	53,400	62,150
		4,13,550			4,13,550

Details of other assets and liabilities are furnished as follows :

Particulars	31st March 2023 (₹)	31st March 2024 (₹)
Salaries Outstanding	10,200	12,400
Outstanding Rent & Electricity	6,500	7,600
Investment (8% Govt. Bonds)	1,00,000	1,00,000
Interest Accrued on Bonds	2,000	2,000
Subscription receivable	18,700	20,600
Subscription received in advance	7,000	8,400
Furniture	65,500	
Sports Equipment	41,500	
Library Books	22,000	

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The closing values of furniture and sports equipment are to be determined after charging depreciation at 10% and 15% respectively inclusive of additions, if any during the year. The Club's library books are revalued at the end of every year and the value at the end of 31st March, 2024 was ₹30,000. 60% of the Entrance fee is to be capitalized.

You are required to prepare :

(i) Income and Expenditure Account for the year ended 31st March, 2024

(ii) Balance Sheet as on 31st March, 2024

(12 Marks)

(b) P, Q, and R were partners sharing profit & losses in the ratio of 3:2:1. They decided to dissolve the business as on 31st March, 2024 when their Balance Sheet was as follows :

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

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The following information is given to you :

(i) There was an unrecorded investment which was sold for ₹30,000.

(ii) One of the creditors agreed to take over some items of furniture of Book value ₹25,000 at ₹24,000. The rest of the creditors were paid at a discount of 5%.

(iii) Out of the Debtors ₹9,000 proved bad, remaining were fully realized.

(iv) The other assets were realised as under :

Land & Building	₹5,25,000
Machinery	₹1,70,000
Furniture	Remaining taken over by P at ₹75,000
Stock	₹60,000

(v) Expenses of dissolution amounted to ₹18,700.

(vi) There was an outstanding bill for repairs which had to be paid for ₹3,500.

You are required to prepare

(1) Realisation A/c

(2) Cash & Bank A/c

(3) Partner's Capital A/c in the books of partnership firm.

(8 Marks)

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4. (a) Anu and Manu are carrying on business in partnership and sharing profits & losses in the ratio of 5 : 3. The firm's Balance Sheet as on 31st March, 2024 was as follows :

Balance Sheet as on 31st March, 2024

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Accounts :		Building	3,80,000
Anu	2,80,000	Machinery	1,43,000
Manu	2,50,000	Furniture	85,000
Long Term Loan	2,00,000	Trade Receivables	1,64,000
Trade Payables	1,19,500	Inventories	48,400
Outstanding liabilities	16,200	Investments	15,200
		Cash & Bank	30,100
	8,65,700		8,65,700

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

(i) Ranu will be paid 1/5 share in the future profits and new profit sharing ratio would be 5 : 3 : 2.

(ii) Ranu will bring ₹1,00,000 as his capital.

(iii) Goodwill of firm is to be valued at 2 years' purchase of average profit of past 3 years and Ranu will bring his share of goodwill in cash. The profits of past 3 years ending on 31st March were as under :

31st March, 2022 ₹87,000

31st March, 2023 ₹1,06,000

31st March, 2024 ₹1,22,000

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(iv) It was also agreed that the partners will not withdraw their share of goodwill nor will the goodwill appear in the books of account.

(v) It was also decided to value the assets :

Building is to be appreciated by ₹50,000 and Machinery is to be depreciated by 10%. Furniture is revalued at ₹80,000, Investments at ₹16,000 and Inventories at ₹47,500.

Provision for doubtful debts is to be created on debtors @ 5%.

You are required to prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the reconstituted firm as on 1st April, 2024.

(12 Marks)

(b) Harshit Traders are carrying on the retail business of electrical goods. They keep their books of account under single entry system. The Balance Sheet as on 31st March, 2023 was as follows :

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital A/c	6,05,000	Motor Vehicle	1,10,000
Trade Creditors	75,200	Furniture	73,500
Salary payable	9,000	Stock in trade	1,70,800
		Trade Debtors	1,45,400
		6% Investments	60,000
		Cash in hand & at Bank	1,29,500
	6,89,200		6,89,200

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The summary of Cash and Bank Book for the year ended 31st March, 2024 was given as below :

Receipts	Amount (₹)	Payments	Amount (₹)
Cash in hand & at Bank		Cash Purchases	9,48,400
on 1st April, 2023	1,29,500	Payment to Trade	
Cash Sales	10,22,400	Creditors	75,45,000
Receipts from Trade		Salaries	4,12,800
Debtors	85,52,000	Rent & taxes	2,51,600
Interest on investments	3,600	Sundry Expenses	1,38,400
		Drawings	2,40,000
		Cash in hand & at	
		Bank on 31st March,	
		2024	1,71,300
	97,07,500		97,07,500

Additional Information :

(i) Gross Profit ratio of 12.5% on Sales is maintained throughout the year.

(ii) During the year, discount allowed to Trade debtors was for ₹62,500 and discount received from Trade Creditors amounted to ₹35,000.

(iii) As on 31st March, 2024, the closing balances of Trade Debtors and Trade Creditors were ₹2,20,500 and ₹1,05,600 respectively.

(iv) On 31st March, 2024 an amount of ₹14,800 was outstanding towards Salary.

(v) Depreciation @ 10% p.a. to be charged on Motor Vehicle and Furniture.

You are required to prepare Trading and Profit & Loss account for the year ended 31st March 2024, and Balance Sheet as on that date.

(8 Marks)

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5. (a) Manish closed his books of account on 31st March, each year. Inventory taking for the year ended 31st March, 2024 was completed by 10th April, 2024 on which date value of the stock available in godown was of ₹4,50,000 at cost.

Following are the details of transactions that took place between 31st March, 2024 and 10th April, 2024 :

(i) Goods sold to customers ₹1,10,000.

(ii) Sales return ₹10,000.

(iii) Purchases ₹85,000 (Including Cash Purchases ₹10,000).

(iv) Purchases return amounted to ₹2,500.

(v) Goods costing ₹15,000 received in March, for sale on consignment basis, out of which 60% of goods had been sold by 10th April. These sales are not included in above sales.

(vi) After the stock was taken, it was found that there was certain very old slow-moving items costing ₹14,850, which should be taken at ₹9,500 to ensure disposal to an interested customer.

Goods are sold at a profit margin of 25% on cost. Ascertain the value of inventory for inclusion in the final accounts for the year ended 31st March, 2024.

(5 Marks)

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

(i) Mr. Prakash runs a factory which produces Pressure Cookers. The following details were obtained about his manufacturing expenses for the year ended 31st March 2024 :

	Amount (₹)
Opening Work-in-Progress	6,25,000
Closing Work-in-Progress	7,15,000
Opening Inventory of Raw material	5,85,000
Closing Inventory of Raw material	4,70,000
Purchases	18,74,000
Purchase Returns	95,000
Indirect Material	1,88,000
Direct Wages	3,97,000
Indirect Wages	82,000
Power & Electricity	1,76,000
Repairs and Maintenance	2,65,000
Depreciation on Factory Shed	1,44,000
Depreciation on Plant & Machinery	1,62,000
Sale of scrap	36,000

You are required to prepare Manufacturing Account for the year ended 31st March, 2024.

(5 Marks)

OR

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(ii) From the following particulars, prepare the Bank Reconciliation Statement of businessman as on 31st March, 2024 :

Sl. No.	Particulars	₹
1	Bank Overdraft as per cash book	24,000
2	Cheque deposited as per bank statement but not recorded in cash book	4,000
3	Cash received from Exe was entered in bank column of cash book.	3,150
4	Debit side of the bank column casted short	1,000
5	A cheque for ₹9,000 deposited but collection as per bank statement	8,950
6	Bills sent to the bank for collection, collected by the bank but not recorded in cash book	4,200
7	Bank charges recorded twice in cash book	40
8	Noting charges debited in Pass Book for Discounted bill dishonored	60
9	Cheques deposited on 25th March, 2024 but collected by Bank on 5th April, 2024	4,800
10	Cheques issued on 26th March, 2024 but presented for encashment on 6th April, 2024	3,000

(5 Marks)

(c) The following is the abstract of Balance Sheet of Happy Ltd. as on 31st March, 2024 :

		₹
Issued and paid-up capital		
90,000 Equity shares of ₹10 each fully paid – up	9,00,000	
Less : Calls-in-arrear (10,000 Equity shares of ₹ 2 each)	20,000	8,80,000
40,000 Equity shares of ₹10 each, ₹4 cash paid up		1,60,000
Reserves and Surplus :		
Capital Reserve (realized in cash)		60,000
Capital Redemption Reserve		1,60,000
Securities Premium		1,00,000
General Reserve		1,20,000
Profit and Loss Account		7,00,000

On 1st April, 2024, the company makes final call @ 6 each on 40000 equity shares. The call money is duly received by 30th April, 2024.

On 1st May, 2024, the Board of Directors of the company decided :

(i) To forfeit the share on which final call of ₹2 each is due ;

(ii) To re- issue the forfeited share @ ₹11 each as fully paid up ;

(iii) To issue fully paid bonus shares in the ratio of one fully paid bonus share for every two fully paid shares held ; and

(iv) To use minimum balance of Profit and Loss Account.

Pass necessary journal entries in the books of the company on the basis of the above decisions.

(10 Marks)

6. (a) The following balances appeared in the Books of Mac Ltd. as on 31st December, 2023 :

	Amount (₹)
80,000, 10% Preference shares of ₹100 each, ₹75 paid up	60,00,000
2,00,000 Equity share of ₹100 each fully paid up	2,00,00,000
Securities Premium	6,50,000
Capital Redemption Reserve	42,00,000
General Reserve	85,00,000

Under the terms of their issue, the preference shares are redeemable on 31st March, 2024 at a premium of 5%. In order to finance the redemption, the company makes a right issue of 60,000 equity shares of ₹100 each at a premium of 10%, ₹25 being payable on application, ₹45 (including premium) on allotment and the balance on 1st August, 2024. The issue was fully subscribed and the allotment made on 1st March, 2024. The amount due on allotment was duly received by 25th March, 2024.

The preference shares were redeemed after fulfilling the necessary conditions of section 55 of the Companies Act, 2013.

You are required to pass the necessary Journal Entries (including narrations) to give effect to the above arrangement. Also prepare the Notes to accounts on Share Capital, Reserves and Surplus relevant to the Balance Sheet immediately after the redemption of preference shares as on 31st March, 2024. Ignore date column in Journal.

(15 Marks)

(b) What are the advantages of Subsidiary Books?

(5 Marks)

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SEAL

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13 SEP 2024

Roll No. .....

Total No. of Questions – **6**

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FAM

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate who has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

Question No. **1** is compulsory

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

Working notes should form part of the answers.

Candidate found copying or receiving or giving any help or defying instructions of the invigilators or having/using mobile phone or smart watch will be expelled from the examination and will also be liable for further punitive action.

Marks

1. (a) State with reasons, whether the following statements are True or False : **6×2 =12**

   (i) Nominal Accounts are balanced at the end of the Accounting Year.

   (ii) Overhaul Expenses of a second-hand machinery purchased are Revenue Expenditure.

   (iii) Valuation of inventory at cost or net realizable value is based on Principle of Conservatism.

   (iv) A Promissory Note can be made payable to the Bearer.

   (v) The Receipts and payment account for a non – profit organization follows the accrual concept of accounting.

   (vi) Legal heirs of a deceased partner are entitled to his capital account balance only.

Marks

(b) Differentiate between Book-keeping and Accounting. 4

(c) Pass the necessary Journal entries to rectify the following errors, using a Suspense Account : 4

(i) Goods of the value of ₹ 500 returned by Mr. A were entered in the Sales Day Book and posted there from to the credit of his account;

(ii) ₹ 250 entered in the Sales Returns Book, has been posted to the debit of Mr. R, who returned the goods;

(iii) A sale of ₹ 700 made to Mr. Q was correctly entered in the Sales Day Book but wrongly posted to the debit of Mr. S as ₹ 70;

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

2. (a) The cash book of Hari showed a debit balance of ₹ 1,36,800 as on 31.12.2023 which was in disagreement with balance as per pass book. Following discrepancies were noticed : 10

(i) Dividend of ₹ 18,000 was deposited in the bank of which Hari had no information.

(ii) Cheque was issued to Suresh of ₹ 14,780 on 18.12.2023 which was recorded in cash book as ₹ 14,870.

(iii) Cheques totalling of ₹ 55,000 were deposited into bank on 30.12.2023 which were not cleared until 31.12.2023.

Marks

(iv) Mediclaim premium of ₹ 14,160 was paid as per the standing instruction of Hari which was not recorded in cash book.

(v) Goods amounting ₹ 1,60,000 were sold to Ajay in November 2023. He deposited cheque on 15.12.2023 after deducted 4% cash discount. This entry was missed while preparing cash book.

(vi) Bank charges for issue of cheque book ₹ 150 was skipped while preparing cash book.

(vii) Hari received a UPI of ₹ 1,000 on 29.12.2023 for sale of scrap which was not entered in cash book.

(viii) Cheques amounting to ₹ 1,80,000 were issued during the month but cheques of ₹ 1,44,000 were only presented during the month for payment.

Prepare Bank Reconciliation Statement on 31.12.2023 and ascertain balance as per pass book.

(b) Harry draws a bill on Sejal for ₹ 60,000 on 01.01.2023 for 3 months. Sejal accepts the bill and sends it back to Harry to get it discounted for ₹ 56,000. Harry remits $1/4^{th}$ amount to Sejal. On the due date, Harry was unable to remit his share to Sejal, rather accepts a bill of ₹ 80,000 for a period of 3 months. This bill was discounted by Sejal for ₹ 74,600. Sejal after making the payment of first bill sent $3/4^{th}$ of the amount remaining to Harry. On maturity of the bill, Harry became bankrupt and his estate paying 40 paise in the rupee. **10**

Give journal entries in the books of Sejal. Also prepare ledger account of Harry. All workings should form part of the answer.

Marks

3. (a) The following Trial Balance is the Trial Balance of a Proprietor as on March 31st 2024. Prepare Trading and Profit & Loss Account for the year ending March 31st 2024 and a Balance Sheet as at that date. **10**

Particulars	Amount (₹)	Particulars	Amount (₹)
Plant and Machinery	5,00,000	Capital	4,00,000
Office Furniture	26,000	Sundry Creditors	5,20,000
Opening Stock	4,80,000	Sales	48,00,000
Motor Van	1,20,000	Bills Payable	56,000
Sundry Debtors	4,57,000	Provision for Doubtful Debts	25,000
Cash in hand	4,000	Return Outwards	55,000
Cash at Bank	65,000	Discount Received	37,000
Wages	15,00,000		
Salaries	1,40,000		
Purchases	21,35,000		
Bills Receivable	72,000		
Return Inwards	93,000		
Drawings	70,000		
Advertisements	60,000		
Factory Rent	8,000		
Insurance	63,000		
General Expenses	10,000		
Bad debts	25,000		
Discount allowed	65,000		
	58,93,000		**58,93,000**

Marks

Additional Information to be considered :

(i) Closing Stock on March 31st 2024 is ₹ 5,20,000.

(ii) During the year, Plant and Machinery was purchased for ₹ 3,00,000 but it was debited to Purchase Account.

(iii) 3 months factory rent is due but not paid ₹ 3,000.

(iv) Provide depreciation at 5% per annum on furniture and 10% on plant and machinery and motor van.

(v) Further bad debts ₹ 7,000.

(vi) Provision for doubtful debts to be increased to ₹ 30,000 at year-end.

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

(b) The following is the Balance Sheet of Krish and Bala, sharing profit and loss in the ratio 3 : 2 **10**

Liabilities	**Amount (₹)**	**Assets**		**Amount (₹)**
Capital Accounts :		Land & Buildings		28,000
Krish 25,000				
Bala 15,000	40,000			
General Reserve	30,000	Plant & Machinery		15,000
Workmen's Compensation Reserve	10,000	Stock		10,000
Creditors	10,000	Debtors	25,000	
Employee's Provident Fund	8,000	Less : Provision for doubtful debts	4,000	21,000
		Bank		20,000
		Advertisement Expenditure		4,000
	98,000			**98,000**

Marks

On admission of Sobha for 1/6th share in the profits, it was decided that :

(1) Value of land and buildings to be increased by ₹ 5,000.

(2) Value of stock to be increased by ₹ 3,500.

(3) Provision of doubtful debts to be increased by ₹ 1,500.

(4) Liabilities of workmen's compensation reserve was determined to be ₹ 8,000.

(5) Sobha was to bring in further cash of ₹ 25,000 as her capital.

(6) Sobha brought in her share of goodwill ₹ 12,000 in cash.

Prepare the Revaluation Account, the Capital Account and the Balance Sheet of the new firm.

4. (a) X, Y and Z were in a firm sharing profit and loss as 3 : 2 : 1. Their Balance Sheet on 31st March, 2024 was as follows : **10**

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

 Marks

Z retired on the above date on the following terms :

(1) Goodwill of the firm was valued at ₹ 60,000.

(2) Value of patents was to be reduced by 20% and that of machinery to 90%.

(3) Provision for doubtful debts was to be raised to 10%.

(4) Liability on account of Provident fund was only ₹ 6,000.

(5) Liability for workmen compensation to the extent of ₹ 6,000 is to be created.

(6) Z took over the investment at market value.

(7) Amount due to Z is to be settled on the following basis-

50% on retirement, 50% of the balance within one year and the balance by a bill of exchange (without interest) at 3 months.

You are required the following :

(i) Show entries for the treatment of goodwill,

(ii) Prepare Revaluation Account,

(iii) Partner Capital Account, &

(iv) Balance Sheet.

Marks

(b) From the following Receipts and Payments Account of Delhi Club, prepare Income & Expenditure Account for the year ended 31.12.2023 and its Balance Sheet as on that date. **10**

Receipts	Amount (₹)	Payments	Amount (₹)
Cash in hand (Opening)	8,100	Salary	3,000
Cash at Bank (Opening)	15,000	Repair Expenses	500
Donations	7,000	Purchase of furniture	7,000
Subscriptions	10,000	Miscellaneous Expenses	500
Entrance fees	1,500	Purchase of Investments	6,000
Interest on Investments	100	Insurance Premium	300
Interest received from Bank	400	Billiards Table	10,000
Sale of Old Newspaper	250	Paper, Ink, etc.	250
Sale of Drama Tickets	1,250	Drama Expenses	500
		Cash in hand (Closing)	4,500
		Cash at Bank (Closing)	11,050
	43,600		**43,600**

Information :

(1) Subscriptions in Arrear for 2023 ₹ 1,200, subscription in advance for 2024 ₹ 550.

(2) Insurance Premium outstanding ₹ 80, Miscellaneous Expenses prepaid ₹ 90.

Marks

(3) 50% of Donation is to be capitalized.

(4) Entrance fee are to be treated as Revenue Income.

(5) 8% Interest has accrued on Investments for 5 months.

(6) Billiards Table costing ₹ 30,000 were purchased during the last year and ₹ 20,000 were paid for it.

5. (a) Physical verification of stock in a business was done on 23rd June, 2023. The value of the stock was ₹ 4,80,000. The following transactions took place between 23rd June, 2023 and 30th June, 2023 : **5**

(i) Out of the Goods sent on consignment, Goods at cost worth ₹ 24,000 were unsold.

(ii) Purchase of ₹ 40,000 were made out of which Goods worth ₹ 16,000 were delivered on 5th July, 2023

(iii) Sales were ₹ 1,36,000 which include Goods worth ₹ 32,000 sent on approval. Half of these Goods were returned before 30th June 2023, but no information is available regarding the remaining goods.

(iv) Goods are sold at cost plus 25%. However, Goods costing ₹ 24,000 had been sold for ₹ 12,000.

Determine the value of stock on 30th June, 2023.

Marks

(b) Attempt any **ONE** of the two sub-parts i.e. **either (i) or (ii)** : **5**

(i) PQR associates bought a computer set on 01.04.2020 for ₹ 2,00,000 and charged depreciation @ 20% p.a. on diminishing balance method. They made further additions as follows :

Date	Amount
01.04.2021	₹ 1,50,000
01.04.2023	₹ 1,00,000

On 01.04.2023 it was decided to change the method to straight line basis and charge depreciation assuming the expected life of all the computers to be 8 years from 01.04.2023. Prepare Computers A/c for year ending 31.03.2024.

OR

(ii) Following information relates to Mr. Prem who maintains his books under single entry system. He is not able to ascertain the amount of bad debts incurred by him and seeks your help. **5**

Debtors as on 01.04.2023 ₹ 6,50,000

Debtors as on 31.03.2024 ₹ 8,50,000

Sale for FY 2023-2024 is 16,00,000 out of which 80% is on credit.

Payment received during the year is ₹ 7,50,000 out of which cheques of ₹ 18,000 were dishonored. Bills of exchange accepted by customers ₹ 2,90,000

Discount allowed is 1% of the credit sale.

Marks

(c) XYZ Ltd. an unlisted company issued 6000, 12% debentures of ₹ 100 each at a discount of 5% on 01.04.2021. Interest is payable annually on 31st March every year. The debentures are redeemable at premium of 10% in 3 equal annual installments beginning from 31.03.2022. The company invested in specified securities for the redemption of debentures. Entire loss on issue to be booked in the 1st year. You are required to pass journal entries for all the 3 years. **10**

6. (a) P Limited issued 6,00,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share, payable as ₹ 3 on application, ₹ 5 on allotment (including premium) and the balance in two calls of equal amount. **15**

Applications were received for 8,00,000 shares and pro-rata allotment was made to all the applicants. The excess application money was adjusted towards allotment. Harish to whom 1600 shares were allotted failed to pay both calls and his shares were subsequently forfeited after second call. You are required to pass journal entries in the books of P Limited and prepare bank account.

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

Roll No. .....

12 JAN 2025

Total No. of Questions – **6**

FOUNDATION EXAM
PAPER - 1
ACCOUNTING

Total No. of Printed Pages – **12**

Time Allowed – **3** Hours

Maximum Marks – **100**

AJQ

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate who has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

Question No. **1** is compulsory.

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

Working notes should form part of the answers.

Candidate found copying or receiving or giving any help or defying instructions of the invigilators or having/using mobile phone or smart watch will be expelled from the examination and will also be liable for further punitive action.

Marks

1. (a) State with reasons, whether the following statements are True or False : **6×2 =12**

   (i) Matching concept is based on accrual concept.

   (ii) Customers of business should not be considered as users of accounts prepared by business. They are not interested in knowing the performance of the business.

   (iii) Under inflationary conditions, FIFO will not show lowest value of cost of goods sold.

   (iv) For redemption of preference shares, proceeds from fresh issue of equity shares and debentures can be utilized.

   (v) Book keeping and accounting are not synonymous terms; they are different from each other.

   (vi) A ledger is also known as the principal books of accounts.

Marks

(b) Explain four main functions of Accounting. **4**

(c) From the following transactions, prepare the Sales Return Book of Kay & Co., a readymade garments dealer : **4**

Date	Particulars
06/12/2024	Return received from Aar Store 30 shirts @ ₹ 300/- and 15 trousers @ ₹ 500/- each Less : Trade Discount @ 8%
12/12/2024	Modern tailors returned 10 frocks (which were sold for cash) @ ₹ 200/- each.
16/12/2024	Return received from Tulip Store - 12 T-shirts @ ₹ 100/- each. Less : Trade discount @ 10%.

2. (a) A firm purchased a second-hand machinery on April 1, 2021 for ₹ 15,00,000 subsequent to which ₹ 2,00,000 were spent on its repairs and installation. On October 1, 2021 another machinery was purchased for ₹ 9,00,000 and cost of installing the machine in a new plant is ₹ 20,000. The firm also shifted the machinery purchased on April 1, 2021 to the new plant and incurred freight of ₹ 10,000. They adopted a policy of charging depreciation @ 12% per annum on diminishing balance method. **10**

On April 1, 2023 it was decided to change the method and rate of depreciation to straight line basis. On this date, the remaining useful life was assessed as 5 years for both the machines purchased with no scrap value.

On October 1, 2023 the first machine become outdated and sold for ₹ 2,50,000. On the same date, another machinery was purchased for ₹ 8,50,000. The estimated useful life of the machine is 10 years and residual value is ₹ 30,000.

You are required to prepare the machinery account for the year ending March 31, 2024.

Marks

(b) From the following information, prepare a Bank Reconciliation Statement as on June 30, 2024 for M/s XYZ Limited : 10

(i) The Bank column of Cash Book was overdrawn to the extent of ₹ 24,768.

(ii) Bank charges amounting to ₹ 350 had not been entered in the Cash Book.

(iii) Cheque amounting to ₹ 88,678 issued before June 30, 2024 but not yet presented to Bank.

(iv) One payment of ₹ 4,590 was recorded in the Cash Book as if there is no bank column.

(v) The company paid ₹ 15,500 to a creditor and received a cash discount @ 2%. The cashier erroneously entered the gross amount in the bank column of the Cash Book.

(vi) A debit of ₹ 5,700 appeared in the Bank Statement for an unpaid cheque, which had been returned marked 'out of date'. The cheque had been re-dated by the customer and paid into the Bank again on July 8, 2024.

(vii) Cheques deposited in bank but not yet cleared amount to ₹ 45,789.

(viii) Dividends of ₹ 1,980 collected by the Bank was not recorded in the Cash Book.

(ix) Amount of ₹ 2,340 wrongly credited by bank to company account for which no details are available.

(x) On June 25, 2024 the credit side of bank column of the Cash Book was overcast by ₹ 6,789.

Marks

3. (a) From the following schedule of balances extracted from the books of Mr. Piyush, prepare Trading and Profit and Loss Account for the year ended 31st March, 2024 and the Balance Sheet as on that date after making the necessary adjustments : **15**

Particulars	Dr. (₹)	Cr. (₹)
Capital Account		8,85,000
Stock on 1.4.2023	3,86,000	
Cash in hand	18,500	
Cash at Bank	73,500	
Investments (at 9%) as on 1.4.2023	50,000	
Deposits (at 10%) as on 1.4.2023	3,00,000	
Drawings	78,000	
Purchases	24,95,000	
Sales		29,86,000
Return Inwards	1,10,000	
Return outwards		1,38,000
Carriage inwards	1,26,000	
Rent	66,000	
Salaries	1,15,000	
Sundry Debtors	2,35,000	
Sundry Creditors		1,37,500
Bank Loan (at 12%) as on 1.10.2023		2,00,000
Furniture as on 1.4.2023	25,000	
Interest paid	12,500	
Interest received		28,500
Advertisement	40,300	
Printing & Stationery	32,200	
Electricity Charges	57,700	
Discount allowed	55,200	
Discount received		24,600
Bad debts	18,500	
General expenses	36,800	
Motor Car Expenses	8,500	
Insurance Premium	30,000	
Travelling Expenses	21,800	
Postage & Courier	8,100	
	43,99,600	**43,99,600**

Marks

Adjustments :

(i) The value of stock as on 31st March, 2024 is ₹ 7,65,000. This includes goods returned by customers on 31st March, 2024 to the value of ₹ 25,000 for which no entry has been passed in the books.

(ii) Purchases include one furniture item purchased on 1st January, 2024 for ₹ 10,000. Depreciation @ 10% p.a. is to be provided on furniture.

(iii) One months' rent is outstanding and ₹ 12,000 is payable towards salary.

(iv) Interest paid includes ₹ 9,000 paid against Bank loan and Interest received pertains to Investments and Deposits.

(v) Provide for interest payable on Bank Loan and interest receivable on investments and deposits.

(vi) Make provision for doubtful debts at 5% on the balance under sundry debtors.

(vii) Insurance premium includes ₹ 18,000 paid towards proprietor's life insurance policy.

(b) X and Y are partners sharing profits and losses in the ratio of their effective capital. As on 1st April, 2023, they had ₹ 2,80,000 and ₹ 1,60,000 respectively in their Capital Accounts. **5**

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

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

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

Marks

X drew ₹ 5,000 at the beginning of each quarter and Y drew ₹ 1,500 per month at the end of each month beginning from April, 2023

As per partnership agreement, the profits were to be shared in capital ratio. The interest on Capital @ 12% p.a. is allowable and interest on drawings @ 10% p.a. is chargeable.

You are required to calculate - (i) Profit-sharing ratio; (ii) Interest on capital; and (iii) interest on drawings.

4. (a) A, B and C are partners sharing profits & losses in the ratio of 3:2:1. **15**

The following is the Balance Sheet of their firm M/s ABC Trading Corporation as on 31st March, 2024 :

Balance Sheet as on 31st March, 2024

Liabilities	Amount (₹)	Assets		Amount (₹)
Capital Accounts :		Land & Building		2,40,000
A	2,80,000	Machinery		1,50,000
B	1,90,000	Furniture & Fixtures		1,05,000
C	1,50,000	Trade Receivables	1,55,200	
General Reserve	1,35,000	Less : Provision for		
Trade Payables	97,400	Doubtful debts	5,700	1,49,500
		Stock		85,600
		Joint Life Policy		90,000
		Cash & Bank		32,300
	8,52,400			**8,52,400**

C died on 30th June, 2024. As per Partnership deed the following arrangement was to be put into effect :

Marks

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

31st March, 2021	₹ 1,14,000
31st March, 2022	₹ 1,22,000
31st March, 2023	₹ 1,19,000
31st March, 2024	₹ 1,25,000

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

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

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

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

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

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

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

Marks

(b) Following are the details of Assets and Liabilities of Mr. Sarthak for the year ended 31st March, 2023 and 31st March, 2024 : **5**

	31st March, 2023 (₹)	**31st March, 2024** (₹)
Assets :		
Building	2,00,000	?
Furniture	75,000	?
Inventory	1,05,000	1,95,000
Sundry Debtors	68,000	94,000
Cash at Bank	72,500	86,800
Cash in hand	2,400	3,800
Liabilities :		
Loans	1,50,000	1,25,000
Sundry Creditors	58,400	79,500

It was decided to depreciate Building by 5% p.a. and Furniture by 10% p.a. On 1st June, 2023 an additional capital of ₹ 40,000 was brought in the business. Proprietor has withdrawn @ ₹ 2,500 p.m. for meeting the family expenses.

Prepare Statement of Affairs as on 31st March, 2023 and 31st March, 2024. Find the profit or loss earned by Mr. Sarthak for the year ended 31st March, 2024.

Marks

5. (a) From the following income and expenditure account of a Club for the year ending 31st March, 2024, you are required to prepare receipt and payment account for the year ending 31st March, 2024 and Balance Sheet as on 1st April, 2023. **10**

INCOME AND EXPENDITURE ACCOUNT

For the year ending 31st March, 2024

Expenditure	Amount ₹	Income	Amount ₹
To Lawn Maintenance	42,000	By Subscription	1,05,000
To General Expenses	13,000	By Admission fees	12,000
To Stationery (depreciation)	1,500	By Sports material (Sale of second-hand material)	2,400
To Depreciation on Sports material	22,000	By Entertainment	14,000
To Honorarium	10,400		
To Excess of income over Expenditure	44,500		
	1,33,400		**1,33,400**

Additional Information :

(Amount in ₹)

Particulars	1st April, 2023	31st March, 2024
Cash at bank	60,000	–
Stock of sports material	30,000	–
Tournament fund (after deducting tournament expenses of ₹ 14,000)		6,000
Donations for club building		1,40,000
Subscription due	10,000	15,000
Stationery stock	4,000	–

Stationery was depreciated by 25% and Sports material by 50%.

Marks

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

(i) Mr. A accepts two bills of exchange on June 1, 2024 for ₹ 1,50,000 and ₹ 60,000 drawn on him by Mr. B. The bill of exchange for ₹ 1,50,000 is for two months while the bill of exchange for ₹ 60,000 is for three months. Mr. B got the first bill discounted with the bank for ₹ 1,49,000 on June 3, 2024. On August 2, 2024 Mr. A requested Mr. B to cancel both the bills and drew a new bill on him with the combined amount of both the bills along with interest @ 12% per annum for a period of two months. Before the due date of the renewed bill on September 3, 2024, Mr. A becomes insolvent and only 40 paise in a rupee could be recovered from his estate. **5**

You are required to give the journal entries in the books of Mr. B.

OR

(ii) The following details are available of raw material of a manufacturing unit : **5**

1-5-2024	Opening Inventory	100 units @ ₹ 15 per unit
2-5-2024	Purchases	300 units @ ₹ 18 per unit
5-5-2024	Issued for consumption	250 units
16-5-2024	Purchases	500 units @ ₹ 21 per unit
21-5-2024	Issued for consumption	100 units
25-5-2024	Issued for consumption	450 units

Marks

The manufacturer also incurred the following expenses :

- Freight of ₹ 300 and unloading charges of ₹ 150 at the time of every purchase respectively.
- Warehouse rent of ₹ 2,000 per month.
- Administrative Expenses of ₹ 1,500 per month.

You are required to find out the value of inventory as on May 31, 2024 if the company follows :

(a) Weighted Average method for inventory valuation.

(b) First in First Out method for inventory valuation.

(c) A company had issued 20,000, 8% partly convertible debentures of ₹ 100 each on April 1, 2023. The debentures are due for redemption on June 1, 2024. The terms of issue of debentures provided that 30% of the debentures will be converted into equity shares (Nominal Value ₹ 10) at a price of ₹ 20 per share and remaining will be redeemable at a premium of 5%. **5**

(i) Calculate the number of equity shares to be allotted to the debenture holders at the time of conversion.

(ii) Give the necessary journal entries related to the conversion and redemption of debentures assuming that the company has created the Debenture Redemption Reserve and also invested required amount for redemption of debentures at the time of issue. Debenture Redemption Reserve Investment are sold at par value.

Marks

6. (a) Arpit Ltd., with an authorized capital of ₹ 20,00,000 divided into Equity shares of ₹ 10 each, on 1st June, 2023, invited applications for issuing 3,00,000 Equity shares at a premium of ₹ 5 per share. The amount was payable as follows : **15**

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

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

Give journal entries with narrations to record all these transactions in the books of Arpit Ltd.

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

FOUNDATION EXAM
PAPER -1
ACCOUNTING

15 MAY 2023

Roll No. .....

Total No. of Questions – **6**

Total No. of Printed Pages – **16**

Time Allowed – **3** Hours

Maximum Marks – **100**

JAP

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Question No. **1** is compulsory.

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

Working notes should form part of the answers.

Candidate found copying or receiving or giving any help or defying instructions of the invigilators or having/using mobile phone or smart watch will be expelled from the examination and will also be liable for further punitive action.

Marks

1. (a) State with reasons, whether the following statements are True or False : **6×2 =12**

   (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.

Marks

(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.

(b) Explain the following : 2×2 =4

(i) What are the objectives of accounting standards ?

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

(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. 4

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

Marks

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.

2. (a) Following errors were found in the books of XYZ. Give necessary entries to correct them : **10**

(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 as wages account.

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

Marks

(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 amount 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.

(b) Prepare the Bank Reconciliation Statement of M/s. XYZ Brothers on 31st March, 2025 from the particulars given below : **10**

(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.

Marks

(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 it 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 charged by the bank ₹ 4,000 was not recorded in the Cash Book.

(viii) Bank charges worth ₹ 200 have been entered twice in the cash 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.

Marks

3. (a) The Receipts and Payments Account of ABC Club for the year ended March 31, 2025 was as follows : 12

(Figures are in '000)

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

Marks

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.

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 : 8

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 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%.

Marks

(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 that 1st of April, 2024.

(a) Amal, Bimal & Kamal were in partnership sharing profits in the proportions of 3 : 2 : 1. The balance sheet of the firm as on 31st March, 2024 was as under : **10**

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**

Marks

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 April, 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

Marks

(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.

(b) The balance sheet of ABC as on 1st April, 2024 was as follows : **10**

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 :

Marks

(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.

5. (a) On 1st July, 2022, Maritime Limited purchased second hand machine for ₹ 1,20,000 and reconditioned the same by spending ₹ 18,000. In 1st January, 2023 a new machine was purchased for ₹ 72,000. 5

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.

Marks

(b) Attempt any **ONE** of the two Sub-parts i.e. **either (i) or (ii)** 5

(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.

Marks

(c) Following notes pertain to the Balance Sheet of PQR Company Limited as at 31st March, 2024 : **10**

	₹ 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.

Marks

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 Rights 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.

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 : **15**

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.

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

FOUNDATION EXAM
PAPER - 1
ACCOUNTING

16 SEP 2025

Roll No. .....

Total No. of Questions – **6**

Total No. of Printed Pages – **16**

Time Allowed – **3** Hours

Maximum Marks – **100**

PSR

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate who has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

Question No. **1** is compulsory.

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

Working notes should form part of the answers.

Candidate found copying or receiving or giving any help or defying instructions of the invigilators or having/using mobile phone or smart watch or any other electronic gadget will be expelled from the examination and will also be liable for further punitive action.

Marks

1. (a) State with reasons, whether the following statements are **True** or **False** : **6×2 =12**

   (i) The materiality depends only upon the amount of the item and not upon the size of the business, nature and level of information, level of the person making the decision etc.

   (ii) While preparing the Income and Expenditure Account as per accrual concept, the income and expenditure is considered in the period in which actual receipts or actual payments are made.

Marks

(iii) Profit sharing ratio and capital contribution ratio need not be same.

(iv) Depreciation is not provided in the financial year when the entity incurs loss.

(v) The concept that helps in keeping business affairs free from the influence of the personal affairs of the owner is known as the matching concept.

(vi) A Company cannot issue equity shares at discount to general public.

(b) Explain the generally accepted valuation principles. 4

(c) Record the following transactions in the purchase book: 4

2nd December, 2024	Purchased from Gupta & Co. on credit 100 plates @ ₹ 150 per plate 500 small bowls @ ₹ 50 per bowl Less: Trade discount @ 10% Packing charges @ ₹ 2 per plate and ₹ 1 per bowl
6th December, 2024	Purchased a furniture for shop from M/s Plywood Co. on credit for ₹ 15,000/-
8th December, 2024	Purchased on Credit from M/s Ajanta & Co. 50 boxes of spoon @ ₹ 200 per box 40 boxes of Fork @ ₹ 250 per box Less: Trade Discount @ 8%
15th December, 2024	Purchased for cash from Steel House 40 big bowl @ ₹ 70/- per bowl
27th December, 2024	Purchased one dozen cookers @ ₹ 750 each from M/s Verma & Sons on credit

Marks

2. (a) The following are the details of machineries held by a firm : 8

Machine	Purchase Date	Purchase Value (₹)	Useful Life	Scrap Value (₹)
M1	01/04/2020	11,00,000	8 years	20,000
M2	01/04/2022	9,40,000	8 years	40,000
M3	01/04/2024	8,10,000	5 years	-

The firm uses 'sum of years digits' method for charging depreciation and maintains a separate account for it.

On 1st April, 2024, the M1 machine has become obsolete and has been sold for ₹ 1,34,000/-. On the same date the estimated useful remaining life of M2 machine is reassessed at 3 years with ₹ 10,000 as scrap value.

You are required to prepare the Machinery Account, Provision for Depreciation Account and Machinery Disposal Account for the year ending 31st March, 2024 and 31st March, 2025.

(b) Pass the Journal entries to record/rectify the following transactions in the books of Mr. Dutt. Suspense account may be used, if required : 12

(i) Sale of goods to Mahesh at the list price of ₹ 1,80,000/- less 10% trade discount. Out of the amount due 50% is received, out of which two-third is received by cheque and the balance amount is received in cash. CGST and SGST applicable is 6% each.

PSR **Marks**

(ii) One of the debtors, Mr. X has agreed to pay his dues of ₹ 3,000/- to Mr. C who is a creditor of Mr. Dutt with the same amount being due to him.

(iii) Employees have been given inventory having selling price of ₹ 1,00,000 (Cost price ₹ 75,000) on the eve of Deepawali as a gift. CGST and SGST applicable is 6% each.

(iv) Sale of ₹ 2,500/- made to Mr. Kamal Kumar has been debited to Mrs. Kamla Rani.

(v) A second hand machinery was purchased and its overhauling charges paid are ₹ 15,000/-. The accountant debited the overhaul charges to Repairs and Maintenance Account. Depreciation on machinery has been charged at 10%.

(vi) A purchase of ₹ 151 from Mr. X was entered in Purchase Day Book as ₹ 15 and posted to Mr. X account as ₹ 51.

(vii) R has been issued a credit note allowing rebate of ₹ 6,000/- as goods supplied to him was found defective. CGST and SGST charged @ 6% each.

(viii) S was also given a credit note of ₹ 2,000/- for making prompt payment for outstanding against goods sold to him. CGST and SGST charged on sale was @ 6%.

(ix) An accrual of telephone charges for ₹ 2,538 has been completely omitted.

(x) A cheque of ₹ 25,390 issued to Mr. C. Dass (shown under trade payables) towards his dues has been wrongly debited to the purchases.

PSR

Marks

3. (a) From the following particulars furnished by Mr. Wye, prepare his Trading and Profit & Loss Account for the year ended on 31st March, 2025. Also prepare his Balance Sheet as on 31st March, 2025 : **12**

	01.04.2024 (₹)	31.03.2025 (₹)
Creditors	6,30,800	4,96,000
Expenses Outstanding	24,000	13,200
Fixed Assets (including machinery)	4,64,400	4,81,600
Stock in hand	3,21,600	4,44,800
Cash in hand	1,18,400	48,000
Cash at bank	1,60,000	2,75,200
Sundry Debtors	6,61,200	?

Details of the year's transactions are as follows :	(₹)
Cash and discount credited to debtors	25,60,000
Returns from debtors	58,000
Bad debts	16,800
Gross Sales (Both cash and credit)	28,72,400
Discount allowed by creditors	28,000

Marks

Returns to creditors	16,000
Capital introduced by cheque	3,40,000
Collection from debtors deposited into bank after receiving cash	25,00,000
Cash purchases	41,200
Expenses paid by cash	3,82,800
Drawings by cheque	17,200
Machinery acquired by cheque	1,27,200
Cash deposited into bank	2,00,000
Cash withdrawn from bank	3,69,600
Cash sales	1,84,000
Payment to creditors by cheque	24,10,800

Note : No Fixed Asset has been sold during the year.

(b) Mr. P was carrying on a business. On 1st April, 2023, he admitted Q as a partner giving him one-fourth profit. It was agreed that the goodwill of the firm would be ₹ 24,000. On 1st July, 2023, R was admitted as a partner and it was agreed that the goodwill of the firm be determined at ₹ 40,000 and the new profit sharing ratio of P, Q and R will be 3:1:1. On 1st September, 2023, S was also admitted as a partner and at this time, goodwill was valued at ₹ 72,000/- and they agreed to share 8

Marks

profits in the ratio of 3:1:1:1. On 1st April, 2024, R decided to retire and T was admitted as a partner. Goodwill was agreed at ₹ 96,000 and the profit sharing ratio amongst P, Q, S and T now agreed to be 5:4:3:4.

All these agreements about goodwill have not been taken into account. On 1st April, 2024, when R retires and T is admitted, the partners decided to account for the goodwill by making necessary entries in respect of goodwill in the books without keeping the goodwill account in books.

You are required to show working of the goodwill and to pass the required journal entry.

4. (a) P and Q have been carrying on the business in the name of Bharat Springs in partnership sharing profit and losses in the ratio of 2:3. Their Balance Sheet as on 31st March, 2024 has been as follows : **12**

Liabilities	**(₹)**	**Assets**	**(₹)**
Capital Accounts :		Building	85,000
P	80,000	Plant	55,000
Q	1,60,000	Furniture	26,700
General Reserve	50,000	Debtors	48,000
Creditors	57,800	Bills Receivable	11,600
Bills Payable	16,500	Stock	54,800
		Bank	83,200
	3,64,300		**3,64,300**

PSR **Marks**

On 1st April, 2024, they have decided to admit R into the partnership giving him a 1/5th share in future profits on the following terms :

(i) R will bring ₹ 80,000 as his share of capital but is unable to bring in cash for his share of goodwill. It was decided to calculate goodwill based on R's share in the profits and the capital contribution made by him to the firm.

(ii) Partners will not withdraw their share of goodwill nor will the goodwill appear in the books of account.

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

(iv) Provision for doubtful debts is to be made on debtors @ 2%.

(v) A liability of creditors of ₹ 1,440 is to be written back as no longer payable.

(vi) Stock shall be written down by 10%.

(vii) Building is to be revalued at ₹ 1,00,000/-, Plant at ₹ 60,000/- and Furniture at ₹ 24,000/-.

(viii) Partners agreed that the values of the assets and liabilities remain the same and, as such, there should not be any change in their book value because of above-mentioned adjustments. They also agreed that for the purpose of goodwill computation, any effect of revaluation shall be ignored.

You are required to make :

(1) Revaluation Account

(2) Capital Accounts of the partners

(3) Balance Sheet of the New Firm

Marks

(b) Following is the Receipts and Payments Account of Smart Club for the year ended on 31st March, 2025 : 8

Receipts and Payments Account for the year ended on 31st March, 2025

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d	2,50,000	By Salaries and Wages	1,65,000
To Subscription	4,20,000	By Office Expenses	35,000
To Donation for Match Fund	55,000	By Telephone Charges	28,000
To Sale of Match tickets	20,000	By Match Expenses	1,10,000
To Entrance Fees	85,000	By Electricity Charges	32,000
		By Sports Equipment	2,50,000
		By Travelling and Conveyance	65,000
		By Balance c/d	1,45,000
	8,30,000		**8,30,000**

Additional Information :

(i) The subscriptions include ₹ 40,000/- received for the year ended on 31st March, 2024. On 31st March, 2025 subscriptions due but not received were ₹ 25,000/-. Advance subscription received for

Mark

the year ending on 31st March, 2025 but pertaining to year 2025-2026 amounted to ₹ 35,000/-. The subscriptions received in advance for the year ended 31st March, 2024 includes ₹ 14,000/- pertaining to the year 2024-25.

(ii) Opening Balance of Match Fund on 1st April, 2024 is ₹ 30,000/-.

(iii) Outstanding Salaries and Wages are ₹ 40,000/- for the year ended on 31st March, 2025.

(iv) Depreciate Sports Equipment by 25% for the year ended on 31st March, 2025.

(v) Capitalize 50% of the Entrance Fees.

Prepare Income and Expenditure Account of the Club from the above particulars for the year ended on 31st March, 2025 and Balance Sheet as on that date.

5. (a) Attempt any **ONE** of the two sub-parts i.e. either **(i) OR (ii)**

(i) From the following information supplied by Mr. D, prepare a Bank Reconciliation Statement as on 31st March, 2025 after amending the cash book on that date : **5**

		(₹)
(1)	Bank overdraft as per Bank statement	20,000
(2)	Cheques issued but not presented for payment	11,000
(3)	Cheques recorded in the bank column of the cash book but not sent to the Bank for collection	3,000

PSR

Marks

(4) Payment received from customers directly by the bank 6,000

(5) Bank charges debited in the statement 40

(6) Cheques deposited with the Bank but not collected 9,000

(7) A bill for ₹ 5,000 (discounted with the Bank in February at ₹ 4,960) dishonoured on 31st March and noting charges paid by the bank 20

(8) Premium of life policy of D paid by the Bank on his standing advice 350

(9) Overdraft balance (Cr.) on 15th March, 2025 of ₹ 14,000 was carried over as debit balance on the next day in cash book

OR

(ii) P owed ₹ 2,00,000 to Q. On 1st October, 2024, P accepted a bill drawn by Q for the due amount for 3 months. Q got the bill discounted with his bank for ₹ 1,98,000 on 3rd October, 2024. On 31st December, 2024, before the due date, P approached Q for renewal of the bill. Q agreed on the conditions that ₹ 1,00,000 alongwith interest at 12% per annum for 3 months on the amount of ₹ 1,00,000/- will be paid and P would accept a new bill for three months for the balance amount. These arrangements were carried out on 2nd January, 2025. However, on 2nd April, 5

Marks

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(ii)

(iii) 9,000

(iv)

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(v)

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2nd April,

SR

Marks

? became insolvent and only 40% of

be recovered from his estate.

entries (with narration) in the books

roduces sugar. Following details are 5

cturing activities for the year ended

	(₹)
nes)	4,50,000
nes)	3,60,000
	32,00,000
ls	7,60,000
per ton produced	
0 per ton of closing WIP	
	2,40,000
	1,50,000
	84,000

of Mr. Sahil for the year ended on

Marks

(c) Alpha Limited has an Authorized Equity Share Capital of ₹ 20 lakhs divided into equity shares of ₹ 100 each and 10% Redeemable Cumulative Preference Shares of ₹ 5.00 lakhs divided into ₹ 100/- per share. The paid-up equity capital is of ₹ 13,50,000/- and 10% Redeemable Cumulative Preference Shares of ₹ 100 each of ₹ 3,00,000/-. Balances in other accounts are : Securities Premium ₹ 35,000/-, Profit & Loss Account ₹ 80,000/- and General Reserve ₹ 4,00,000/-. The Company has investments of the face value of ₹ 40,000/- being carried in the books at a cost of ₹ 45,000/-. **10**

The Company has decided to redeem the Cumulative Preference Shares at 10% premium, partly by making an issue of equity shares of the face value of ₹ 1,50,000/- at a premium of 10%. Investments are sold at 110% of their face value. All preference shareholders have been paid off except 2 holders holding 500 shares.

You are required to pass the necessary Journal Entries for effecting the above transactions. Working should form part of your answer.

6. (a) ABC Limited has issued 1,20,000 Equity shares of ₹ 10 each at premium of ₹ 2 per share for public subscription payable as follows : On application ₹ 2 per share; on allotment ₹ 5 per share (including premium); on first call ₹ 2 per share; on second and final call ₹ 3 per share. **15**

Application has been received for 1,80,000 shares. Allotment has been made pro rata to the applicants for 1,44,000 shares, the remaining applications being refused. T, to whom 4,800 shares has been allotted, failed to pay the allotment and first call money and his shares have

Marks

been forfeited. After the second and final call has been made, N, to whom 6,000 shares have been allotted, has also failed to pay the two calls. His shares have also been forfeited. Subsequently, out of these forfeited shares, 7,800 shares (including all shares of T) were re-issued to P as fully paid-up at ₹ 8 per share.

Show the necessary Journal Entries and entries in Cash Book.

(b) From the following particulars, ascertain the value of inventories as on 31st March, 2025 : 5

	(₹)
Inventory as on 1st April, 2024	1,76,900
Purchases	9,64,000
Manufacturing Expenses	1,90,000
Selling Expenses	78,500
Administrative Expenses	25,000
Financial Expenses	24,900
Sales	15,37,000

(i) At the time of valuing inventory as on 31st March, 2024, a sum of ₹ 7,500 was written off on a particular item remaining in the balance, which was originally purchased for ₹ 70,000 and was sold during the year for ₹ 65,000. Barring the transaction relating to this item, the gross profit earned during the year was 20% on sales.

(ii) On 15th March, 2025, the goods of the sale value of ₹ 20,000 (included in above sales) were sent on sale or return basis to a customer, the period of approval being four weeks. He returned 40% of the goods on 10th April, 2025, approving the rest.

FOUNDATION EXAM
PAPER -1
ACCOUNTING

18 JAN 2026

KTH

Roll No. .....

Total No. of Questions : 6

Total No. of Printed Pages : 16

Time allowed : 3 Hours **Maximum Marks : 100**

Answer to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate who has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

Question No. **1** is compulsory.

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

Working notes should form part of the answers.

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SEAL

Marks

1. (a) State with reasons, whether the following statements are **True** or **False**: **6 × 2 =12**

(i) Money spent to reduce working expenses is Revenue Expenditure.

(ii) Transactions regarding the purchase of fixed assets on credit are recorded in the purchase book.

Marks

(iii) A present financial obligation of an uncertain amount, which can be measured reliably by using a substantial degree of estimation, is termed as liability.

(iv) Nominal Accounts are kept under Single Entry System.

(v) Winding up of a LLP may be initiated by Tribunal if the LLP has failed to submit the Statements of Accounts and Solvency or the LLP Annual Returns for more than three consecutive financial years with the Registrar.

(vi) As per Section 52 of the Companies Act, 2013, a company may utilise the Securities Premium Account to write off its preliminary expenses.

(b) What are Accounting Standards? Briefly explain the main advantage of setting Accounting Standards and their limitations. 4

(c) Mr. Vijay has entered into the following transactions during the month of December, 2025. You are required to journalise the same in his books of account.

(i) Purchased goods from Ramsons for ₹ 20,000/- at a trade discount of 10% plus CGST and SGST @ 9 % each. ₹ 10,000/- was paid immediately and the balance is payable after 2 months.

(ii) Goods costing ₹ 10,000/- were withdrawn for personal use. Such goods were purchased by paying CGST and SGST @ 9 % each.

(iii) Purchased Machinery for ₹ 52,500/- including IGST @ 5% by issuing a cheque to the supplier.

(iv) Goods costing ₹ 3,000/- (before trade discount of 10%) were returned to Vinod. Such goods were purchased by paying CGST and SGST @ 9 % each. 4

Marks

2. (a) Mr. A's Trial Balance as on 31st March, 2025 did not agree and he wrote off the difference to the Profit and Loss Account for that year. Next year, he engaged the services of an accountant, who after a close scrutiny of the books of account for the previous year, observed the following errors:

(i) Goods worth ₹ 5,000/- were dispatched to a customer before the close of the year but no invoice was made out.

(ii) ₹ 3,000/- due to Mr. X was omitted to be taken to the Trial Balance.

(iii) Wages of ₹ 5,000/- paid for erection of Machinery were debited to Wages Account.

(iv) Purchase of goods from Mr. R for ₹ 20,000/- was omitted to be recorded.

(v) Cash Payment of ₹ 5,000/- to Mr. C was posted to the credit of his account.

(vi) Purchase of ₹ 15,390/- was wrongly posted as ₹ 15,930/-.

(vii) Goods worth ₹ 16,000/- 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. Gross Profit Margin was 25% on sales.

(viii) A return to a creditor, ₹ 550/- was entered in Returns Inward Book. However, the creditor's account was correctly posted.

Mr. A charges depreciation @ 10 % on Machinery.

You are required to pass the necessary rectification entries in the books of Mr A. **12**

KTH

Marks

(b) Mehta and Company had the following balance appearing in its books of account as on 1st April, 2024 :

Particulars	Amount (₹)
Plant and Machinery A/c	1,42,50,000

Its accounts are made up to 31st March every year and depreciation is charged @ 10 % per annum under the Written Down Value Method.

On 1st September, 2024 a new machine was acquired at a cost of ₹ 21,20,000/- and a sum of ₹ 46,900/- was incurred on the same day towards installation charges for erecting the said machine. On the same date a machine which had cost ₹ 32,80,500/- on 1st April, 2022 was auctioned for ₹ 5,62,500/-. Another machine which had cost ₹ 32,77,500/- on 1st April, 2023 having become obsolete, was scrapped on 1st September, 2024 and it realized nothing.

You are required to prepare the Plant and Machinery Account in the books of Mehta and Company for the year ended 31st March, 2025. Also show the working for profit/loss on sale and scrapping of the machines. Round off the figures to the nearest multiple of a rupee. **8**

KTH **Marks**

3. (a) The Income and Expenditure Account of Global Sports Club for the year ended on 31st March, 2025 is given as under :

Expenditure		₹	Income		₹
To Upkeep of grounds		24,000	By Subscription		1,80,000
To Salary		1,14,000	By Entrance Fees		6,000
To Books and Magazines		12,000	By Income from Annual Meet :		
To Annual Dinner Expenses :			Receipts	35,450	
			Less: Expenses	18,000	17,450
Expenses	36,000				
Less:- Contribution	24,000	12,000	By Interest on investment @ 11%. (Cost of Investment ₹ 2,05,000 Purchased on 31st March, 2024)		22,550
To Audit Fees		6,000			
To Electricity Expenses		10,800			
To Interest & Bank Charges		3,600			
To Depreciation on Sports Equipment		7,200			
To Surplus		36,400			
		2,26,000			2,26,000

Marks

This account has been prepared after the following adjustments:

		31st March, 2024	31st March, 2025
(1)	Subscription Outstanding	14,400	18,000
(2)	Subscription received in advance	10,800	6,480
(3)	Outstanding Salary	9,600	10,800
(4)	Prepaid Electricity Expenses	Nil	1,440

The club owned a sports ground valued at ₹ 2,40,000/-. The club had sports equipment on 1st April, 2024 valued at ₹ 62,400/-. At the end of the year, after depreciation, the value of this equipment amounted to ₹ 64,800/-. Audit fees of ₹ 4,800/- for the year 2023-24 was paid during the current year. Audit fees for 2024-25 is as yet outstanding. During 2023-24, the club had raised a bank loan of ₹ 48,000/-. This loan was outstanding throughout the current year. On 1st April, 2024 Cash in hand amounted to ₹ 33,360/-.

You are required to prepare:-

(i) Receipts and Payments Account for the year ended on 31st March, 2025

(ii) Balance Sheet as at 31st March, 2025. **10**

(b) Ram and Shyam are partners sharing profits and losses in the ratio of 3:2. The Balance Sheet of the firm as at 31st March, 2025 stood as under :

Liabilities	Amount ₹	Assets	Amount ₹
Capital Accounts:		Fixed Assets	6,00,000
Ram	2,40,000	Investments	1,00,000
Shyam	1,60,000	Inventories	3,25,000

KTH

Marks

Liabilities	Amount ₹	Assets	Amount ₹
Long Term Loan	4,50,000	Trade Receivables	1,25,000
Current Liabilities	5,00,000	Loans and Advances	2,00,000
Total	13,50,000	Total	13,50,000

Due to financial difficulties, it was decided to admit Mohan as a Partner in the firm from 1st April 2025 on the following terms:

(i) Mohan would be paid 40 % share in the profits. The new profit sharing ratio after the admission of Mohan would be 7:5:8.

(ii) Mohan will bring ₹ 2,00,000 towards capital in cash.

(iii) On the admission of Mohan, the goodwill of the firm will be valued at 2 years' purchase of 3 years' normal average profits of the firm. Mohan will bring his share of goodwill in cash. The partners will neither withdraw their share of goodwill nor will the goodwill appear in the books of account.

The profits of the previous three years were as follows:

2022–23	₹ 40,000/- (Profit)	(includes insurance claim of ₹ 80,000/-)
2023–24	₹ 20,000/- (Loss)	(includes Voluntary retirement compensation of ₹ 2,20,000/-)
2024–25	₹ 1,00,000/- (Profit)	(includes profit of ₹ 50,000/- on sale of fixed assets)

Marks

It was decided to revalue the assets on 31st March 2025 as under:

Fixed Assets ₹ 8,00,000/-

Investments Nil

Inventory ₹ 2,96,000/-

Of the Trade Receivables, ₹ 5,000/- are considered as irrecoverable and a further 5% is to be provided for bad and doubtful debts.

You are required to prepare the Revaluation Account, Partners' Capital Accounts and Balance Sheet as on 1st April 2025 after the admission of Mohan. **10**

4. (a) A, B and C are partners of M/s ABC LLP sharing profits and losses in the ratio of 3 : 2 : 1. The Balance Sheet of the firm as at 31st March, 2025 stood as under:

Liabilities		**Amount** ₹	**Assets**	**Amount** ₹
Capital Accounts			Building	3,20,000
A	4,80,000		Plant and Machinery	3,20,000
B	3,20,000		Inventories	1,60,000
C	1,60,000	9,60,000	Trade Receivables	3,20,000
Trade Payables		3,20,000	Cash at Bank	1,60,000
		12,80,000		12,80,000

On 1st April, 2025, A desired to retire from the firm and the remaining partners decided to carry on the business. It was agreed to revalue the assets and liabilities on that date on the following basis: -

Marks

(i) Goodwill of the entire firm is valued at ₹ 2,88,000/- and A's share of the goodwill is adjusted in the accounts of B and C who would share the profits equally in future.

(ii) Building is to be appreciated by 30%. Plant and machinery is to be depreciated by 20%. Inventories are to be written down to 80% of their carrying value as on 31st March, 2025.

(iii) Trade receivables are considered good only up to 95% of the Balance Sheet figure and the balance is to be provided for as doubtful.

(iv) Old credit balances of Trade payables ₹ 16,000/- are to be written back.

(v) The Joint life policy of the partners is surrendered and a sum of ₹ 96,000/- is realized therefrom.

(vi) The total capital of the reconstituted firm shall be the same as before the retirement of A. Individual capital of B and C shall be in their profit-sharing ratio and the same shall be brought in by them.

(vii) 75% of the amount due to A on his retirement shall be settled in cash and the balance shall be settled after one year.

You are required to draw up the following accounts after giving effect to the above transactions :

(1) Revaluation Account

(2) Partners' Capital Account

(3) Bank Account. **10**

Marks

(b) The following is the schedule of balances as on 31st March, 2025 extracted from the books of Mr. Radhey:

Particulars	Dr. (₹)	Cr. (₹)
Advertisement Expenses	13,400	—
Bad Debts	4,400	—
Bad Debts Recovered	—	1,800
Cash at Bank	12,500	—
Bank Overdraft	—	3,20,000
Capital Account	—	2,60,000
Carriage Inwards	4,500	—
Carriage Outwards	5,400	—
Cash in Hand	5,800	—
Drawings	46,000	—
Furniture and Fittings	41,000	—
Interest paid on loan	12,000	—
Administrative Expenses	40,640	—
Opening Stock	1,29,000	—
Plant & Machinery	80,000	—
Prepaid Rent	1,200	—
Printing & Stationery	5,000	—
Provision for discount on Trade Receivables	—	5,500
Provision for Doubtful debts	—	12,800
Purchases	6,08,800	—
Rent, Rates and Taxes	17,200	—
Salaries and Allowances	90,200	—

Marks

Particulars	Dr. (₹)	Cr. (₹)
Salaries Payable	—	9,800
Sales	—	8,44,000
Trade Payables	—	1,90,000
Trade Receivables	4,80,000	—
Wages and Salary	46,860	-
Total	**16,43,900**	**16,43,900**

Additional information:

(i) During the year Mr Radhey has distributed free samples costing ₹ 3,300/- for publicity.

(ii) A fire took place in the warehouse on 20th March, 2025 and destroyed goods worth Rs 6,000/-. The Insurance company has admitted a claim of ₹ 4,500/- on 31st March, 2025.

(iii) Create a provision for doubtful debts @ 5% and provision for discount on trade receivables @ 2.5%.

(iv) Depreciation is to be provided on Plant and Machinery @ 15% per annum and on Furniture and fittings @ 10% per annum.

(v) Bank overdraft is secured against hypothecation of stock. Bank overdraft outstanding on 31.03.2025 has been considered as 80% of real value of stock (deducting 20% as margin) and after adjusting the marginal value 80% of the same has been allowed to draw as an overdraft.

Prepare a Trading and Profit and Loss Account for the year ended 31st March, 2025 and a Balance Sheet as at that date. **10**

Marks

5. (a) **Attempt any ONE of the two sub-parts ie either (i) OR (ii)**

(i) On 30th November 2025, the Bank Statement of M/s Rama & Sons showed a Debit balance of ₹ 39,700/- at bank. On comparing it with the Cash Book, the following discrepancies were observed:

(1) A cheque of ₹ 10,000/- was issued to a supplier on 25th November but was not presented for payment till 3rd December.

(2) A cheque of ₹ 3,000/- was received from a customer and deposited on 28th November but was credited by the bank on 2nd December.

(3) The bank had directly collected interest of ₹ 2,400/- on behalf of the firm, which has not yet been recorded in the cash book.

(4) Credit side of the Bank column of Cash book was overcast by ₹ 900/-.

(5) A customer had directly deposited ₹ 8,000/- into the firm's bank account, but no entry was made in the cash book.

(6) A cheque of ₹ 2,000/- deposited earlier was returned dishonoured and debited in the Bank Statement only.

(7) As per standing instructions to bank, EMI of ₹ 20,000/- was paid by the bank. The same was omitted to be accounted for in the cash book.

(8) An amount of ₹ 5,000/- was wrongly credited by bank to the firm's account for which details are not available.

Marks

(9) The Cashier had wrongly recorded a bank payment of ₹ 12,500/- as ₹ 21,500/- in the Cash Book.

You are required to ascertain the balance appearing in the Cash Book of M/s Rama and Sons as on 30th November, 2025. 5

OR

(ii) T draws on J a bill of exchange for ₹ 1,80,000/- on 1st April, 2025 for 3 months. J accepts the bill and sends it to T, who gets it discounted from his banker for ₹ 1,72,800/-. T immediately remits ₹ 57,600/- to J. On the due date, T, being unable to remit the amount due, accepts a bill for ₹ 2,52,000/- for three months, which is discounted by J from his banker for ₹ 2,40,660/-. J sends ₹ 40,440/- to T. Before the maturity of the bill, T becomes bankrupt and his estate paying fifty paise in a rupee.

Pass the necessary journal entries in the books of T. 5

(b) Sumitra is engaged in the business of trading in detergents. She does not maintain proper records of her business. From the following details furnished by her, you are required to compute the amount of Total Purchases and Sales for the year ended 31st March, 2025:

Particulars	Amount (₹)
Opening Balance (1st April, 2024)	
Inventory	2,00,000
Sundry Creditors	1,23,000
Sundry Debtors	1,50,000
Closing Balance (31st March, 2025)	

Marks

Particulars	Amount (₹)
Inventory	1,50,000
Sundry Creditors	1,38,000
Sundry Debtors	2,56,000
Cash paid to Creditors	2,63,700
Cash received from Debtors	4,56,000
Cash Sales	83,400
Cash Purchases	30,000
Discount received during the year	11,300
Discount allowed during the year	18,700

5

(c) Ajanta Limited issued 50,000 equity shares of ₹ 10/- each payable as ₹ 3/- per share on application, ₹ 5/- per share (including ₹ 2/- as premium) on allotment and ₹ 4/- per share on call. All these shares were subscribed. Money due on all shares was fully received except from X, holding 1,000 shares who failed to pay the Allotment and Call money and Y, holding 2,000 shares, failed to pay the Call money. All those 3,000 shares were forfeited. Out of forfeited shares, 2,500 shares (including whole of X's shares) were subsequently re-issued to Z as fully paid up at a discount of ₹ 2 per share.

Pass the necessary journal entries in the books of Ajanta Limited to record the forfeiture and re-issue of the shares. Also prepare the extracts of the Balance Sheet and Notes to accounts of the company.

10

Marks

6. (a) The Balance Sheet of Dynamic Limited as at 31st March, 2024, inter-alia, includes the following information :

Particulars	Amount (₹)
10,00,000 Equity Shares of ₹ 10/- each fully paid up	100,00,000
1,00,000 9 % Preference Shares of ₹ 100/- each, ₹ 70/- paid up	70,00,000
Capital Redemption Reserve	40,00,000
Securities Premium Reserve	10,00,000
General Reserve	100,00,000
Balance with Banks	30,00,000

Under the terms of their issue, the Preference Shares are redeemable on 31st March, 2025 at a premium of 5%. Preference Shareholders having 4,000 shares fail to make the payment for the Final Call made under Section 55 of the Companies Act, 2013. Their shares are forfeited after giving proper notices.

In order to finance the redemption, the company makes a rights issue of 10,00,000 Equity Shares of ₹ 10/- each at ₹ 11/- per share, ₹ 2/- being payable on application, ₹ 4/- (including premium) on allotment and the balance on 1st June, 2025. The issue was fully subscribed and allotment made on 31st March, 2025.The money due on allotment was received on 31st March, 2025. The preference shares were redeemed after fulfilling the necessary conditions of section 55 of the Companies Act, 2013.

You are required to pass the necessary Journal Entries (with narrations) in the books of Dynamic Limited for the above. **15**

(b) What do you mean by principal books of account? What are the rules of posting of Journal Entries into the Ledger? **5**

KTH

SPACE FOR ROUGH WORK

SEAL

FOUNDATION EXAM
PAPER -1
ACCOUNTING

YLK

14 MAY 2026

14/05/2026 5:20 PM

Roll No. .....

Total No. of Questions : 6

Total No. of Printed Pages : 20

Time allowed : 3 Hours **Maximum Marks : 100**

Answer to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate who has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

Question No. **1** is compulsory.

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

Working notes should form part of the answers.

SEAL

Candidate found copying or receiving or giving any help or defying instructions of the invigilators or having/using mobile phone or smart watch or any other electronic gadget will be expelled from the examination and will also be liable for further punitive action.

Marks

1. (a) State with reasons, whether the following statements are **True** or **False :** **6 × 2 =12**

(i) Cost of inventories should comprise all cost of purchase.

(ii) According to the decision in the case of Garner vs Murray, the loss due to insolvency of a partner has to be borne by the solvent partners in their profit sharing ratio.

Marks

(iii) Amount spent on demolition of an old building which was necessary for the construction a new factory building on the same site is Revenue Expenditure.

(iv) As per Section 39 of the Companies Act, 2013, in case of issue of shares, the Application money must be atleast 25% of the issue price of shares.

(v) Adjustments in the form of additional information shall be adjusted in the final accounts of a Non- profit organization only in one place.

(vi) Cash book is a subsidiary book as well as a principal book.

(b) Define Accounting Policies in brief. Name the major characteristics which should be considered for the purpose of selection and application of accounting policies. Also state the conditions in which a change in accounting policies should be made. **4**

(c) The following are some of the transactions of M/s Modern Stores during the month of March, 2026 as per their Waste Book. You are required to make out their Returns Outward Book. **4**

Sl.No.	Date	Particulars
1	8 March, 2026	Returned items to Manoj Stationery Mart 12 Dozen Pencils @ ₹ 50 per Dozen 12 Dozen Pens @ ₹ 150 per Dozen Less: Trade Discount @ 4%
2	15 March, 2026	Returned items, which were bought on cash, to Raj Stationery : 8 Dozen Erasers @ ₹ 6 per Dozen
3	18 March, 2026	Returned Computer to Vidhi Computers, which was purchased for ₹ 28,000 for office use on credit.
4	21 March, 2026	Returned items to Rajat Copiers 8 Packets A 4 Paper @ ₹ 100 per Packet 6 Packets A 3 Paper @ ₹ 125 per Packet Less: Trade Discount @ 6%

Marks

2. (a) On 1st April, 2023 Suman Limited purchased certain machinery for ₹ 60,00,000. On 1st October, 2025, a part of the said machinery purchased on 1st April, 2023 for ₹ 4,00,000 having become obsolete was auctioned for ₹ 2,25,000. On the same day a fresh machinery was acquired at a cost of ₹ 7,50,000 and installation charges of ₹ 40,000 were incurred in erecting it on the same date. **10**

The company has adopted the method of providing depreciation @ 10 % per annum on the Written Down Value of the machinery.

You are required to prepare (i) Machinery Account, (ii) Provision for Depreciation Account and (iii) Machinery Disposal Account in the books of Suman Limited for the period 1st April, 2023 to 31st March, 2026 calculating depreciation to the nearest multiple of a rupee.

(b) The accountant of Angad Traders was unable to agree the Trial Balance as on 31st March, 2026 and transferred the difference to Suspense Account. On examination of the books of account, you observe that the accountant had committed the following errors : **10**

(i) Goods of the value of ₹ 15,000 returned by Mr Arora were entered in the Sales Day Book and posted therefrom to the credit of his account.

(ii) An amount of ₹ 3,000 entered in the Sales Return Book has been posted to the debit of Mr Radhey, who returned the goods.

(iii) Wages of ₹ 4,600 paid to workmen for making furniture on 31st March, 2026 had been charged to Wages Account.

YLK **Marks**

(iv) A cheque of ₹ 12,000 received from Janak Enterprises has been dishonored and was passed to the debit of Allowances Account.

(v) Goods amounting to ₹ 1,600 had been returned by a customer, J V Corporation and were taken into inventory, but no entry in respect thereof was made into the books.

(vi) A second-hand motor car purchased for ₹ 30,000 on 1st October, 2025 was debited to Car Maintenance Account. Angad Traders charges depreciation @ 15% p.a. on Written Down Value of vehicles.

(vii) On 31st March, 2026, old furniture sold for ₹ 16,000 has been entered in the Sales book, the total of which had been posted to Sales account.

(viii) An amount of ₹ 8,880 due from Hemal,which had been written off as a Bad Debt in a previous year, was unexpectedly recovered, and had been posted to the personal account of Hetal.

(ix) The total of "Discount Allowed" column in the cash book for the month of March, 2026 amounting to ₹ 2,500 was not posted.

(x) A sum of ₹ 3,500 paid towards Mediclaim Insurance of the proprietor had been charged off to Employees Benefits Expenses Account.

You are required to pass the necessary accounting entries in the books of Angad Traders to rectify the aforesaid errors.

Marks

3. (a) X and Y are partners in a LLP namely Alpha LLP sharing profits and losses in the ratio of 2:1. The Balance Sheet of the LLP firm as at 31st March, 2026 was as follows: **10**

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Accounts:		Land and Building	1,40,000
- X	1,00,000	Plant and Machinery	60,000
- Y	80,000	Inventories	28,000
Profit and Loss Account	24,000	Trade Receivables	44,000
Bank Overdraft	60,000	Cash at Bank	18,000
Trade Payables	24,200		
Outstanding Liability	1,800		
Total	2,90,000	Total	2,90,000

Additional Information:

(i) On 1st April, 2026, they agreed to admit Z as a partner for 1/5th share in future profits and losses. Z would introduce ₹ 60,000 as his capital and would also bring in his share of goodwill of ₹ 18,000 in cash. It was agreed that the Goodwill Account would not appear in the books of the firm.

(ii) The New profit-sharing ratio among the partners X, Y and Z would be 8 : 4 : 3.

(iii) It was decided to revalue the assets and liabilities as under:

– Land and Building ₹ 1,75,000

– Plant and Machinery ₹ 50,000

– Inventories ₹ 25,000

(iv) Trade payables amounting to ₹ 1,200 were considered as no longer payable.

Marks

(v) Provision for doubtful debts is to be created @ 5% on Trade Receivables.

(vi) Y had settled the Outstanding Liability in full by paying ₹ 1,500 from his own bank account. The necessary entry for the same was not made in the books.

(vii) The Capital accounts of the partners would be re-adjusted on the basis of the new profit-sharing arrangement and any excess or deficiency would be transferred to their Current accounts.

You are required to prepare:

(1) Revaluation Account;

(2) Partners' Capital Accounts;

(3) Balance sheet of the firm after admission of Z.

(b) Kanchan runs a business of hosiery goods. She does not maintain proper books of accounts. She only maintains a record of her bank transactions. She is able to provide you with the following data of her assets and liabilities: **10**

Particulars	**As at 31st March, 2025 (₹)**	**As at 31st March, 2026 (₹)**
Furniture and Fittings	58,000	47,500
Trade Debtors	34,850	?
Trade Creditors	36,500	34,775
Inventories	58,000	68,000
Bank Account	28,850	?
Kanchan's Capital Account	1,43,200	?

Marks

Details of her bank transactions during the year ended 31st March, 2026 were as under:

Sl.No	Particulars	Amount (₹)
1	Collection from Trade Debtors	4,34,500
2	One Life Insurance policy of Kanchan had matured during the year and the amount was retained in the business	15,000
3	Sale of Furniture and Fittings (Book value ₹ 20,000)	16,000
4	Paid to Trade Creditors for purchases	3,70,000
5	Expenses paid	69,250
6	Purchase of new Furniture and Fittings	18,000
7	Kanchan's personal drawings per month	2,000

Additional Information:

(i) No cash transactions took place during the year.

(ii) Goods are sold at 20% profit on sales. Cost of goods sold was ₹ 3,60,000.

(iii) Expenses paid include annual fire insurance premium (for business stocks) of ₹ 7,500 which was paid on 1st January, 2026. The insurance policy is effective from the date of payment.

(iv) Discount allowed to Trade Debtors and Discount received from Trade Creditors amounted to ₹ 2,350 and ₹ 1,725 respectively for the year ended 31st March, 2026.

You are required to prepare:

(1) Trading and Profit and Loss Account of Kanchan for the year ended on 31st March, 2026;

(2) Balance Sheet as at 31st March, 2026.

YLK **Marks**

4. (a) Donna, Jenny and Tony are partners of DJT Corporation sharing profit and losses in the ratio of 3:2:1. On 31st March, 2025, their Balance Sheet was as under: **10**

Liabilities	Amt (₹)	Assets	Amt (₹)
Capital Accounts:		Land and Building	2,60,000
- Donna	1,60,000	Plant and Machinery	1,15,000
- Jenny	1,88,000	Furniture and Fixture	80,000
- Tony	1,20,000	Joint Life Policy	60,000
General Reserve	1,44,000	Inventory	35,000
Trade Payables	38,000	Trade Receivables 48,000 Less: Provision for Doubtful Debts 4,500	43,500
		Cash at Bank	56,500
Total	6,50,000	Total	6,50,000

Tony died on 31st May, 2025.

As per Partnership Deed the following arrangements were to be put into effect:

(i) The remaining partners share profits and losses in the ratio of 3 : 2.

(ii) The partners are allowed interest @ 10% p.a. on their capitals, but no interest be charged on drawings.

Marks

(iii) Upon the death of a partner, the Goodwill of the firm be valued at three years' purchase of the average net profits (after charging interest on capital) for the 4 years to 31st March preceding the death of a partner.

(iv) Goodwill to be credited to deceased partner's capital account with her share of goodwill, without using a goodwill account.

(v) Profits till the date of death to be ascertained on the basis of average profit of previous four years.

Additional Information:

(1) The profits/(loss) of the firm before charging interest on capital were as follows:

Year	Amount (₹)
2021-22	Profit 1,46,600
2022-23	Profit 1,88,000
2023-24	Loss 69,200
2024-25	Profit 1,52,200

(2) Average capital during the preceding 4 years to 31st March preceding the death of the partner may be assumed at ₹ 3,50,000.

(3) Upon the death of Tony, her capital account is to be credited with her share of profits, interest on capital etc. calculated till the date of death.

(4) After the death of Tony, ₹ 2,00,000 was received from insurance company against Joint Life Policy.

Marks

(5) The Firm's assets were revalued as under –

- Land and Building valued at ₹ 3,00,000;
- Plant and Machinery to be depreciated by 15% and Furniture & Fixtures to be depreciated by 10% ;
- Inventory was valued at ₹ 45,000;
- Trade receivables are all considered good and no provision is required.

(6) Amount payable to executor of Tony was paid immediately.

You are required to prepare:

(i) Revaluation Account;

(ii) Partners' Capital Accounts after giving effect to the above transactions.

(b) The following is the Trial Balance as on 31st March, 2026 of Mr. Suresh, a retail trader of books. **10**

Particulars	₹	Particulars	₹
Carriage Inward	18,000	Interest received	9,000
Stock on 1.4.2025	1,25,000	Sales	13,50,000
Carriage Outward	22,000	Returns Outward	48,000
Returns Inwards	55,000	Discount received	30,000
Purchases	8,60,000	Capital account as on 01.04.2025	6,29,000
Salaries	1,00,000	Term Loan from Bank	6,00,000
Rent	30,000	Sundry Creditors	1,80,000
Interest on Term Loan	51,000		
Printing and stationery	10,000		

Marks

Particulars	₹	Particulars	₹
Sales Promotion	12,000		
General Expenses	20,000		
Discount allowed	22,000		
Audit fees (upto 30.9.2025)	15,000		
Electricity charges	14,000		
Delivery Van	4,50,000		
Furniture & Fixtures	1,50,000		
Computers	1,20,000		
Cash at bank	1,40,000		
Cash in hand	65,000		
Drawings	1,20,000		
Insurance Premium	7,000		
Sundry Debtors	3,50,000		
Investments	90,000		
	28,46,000		28,46,000

Additional information:

(i) Value of Stock in trade at the close of the year was ₹ 1,55,000.

(ii) A provision for doubtful debts is to be maintained @ 2.5% of Sundry Debtors.

(iii) Depreciation to be provided on Furniture & Fixtures and Delivery Van @ 15% and Computers @ 40%.

Marks

(iv) Audit fees for the half year ended 31st March, 2026 amounting to ₹ 15,000 is outstanding.

(v) Term Loan from Bank was obtained on 1st May, 2025. Interest on the same is payable @ 10 % per annum.

(vi) A fire took place in the godown on 27th March, 2026 and destroyed stock worth ₹ 40,000. The Insurance company has admitted a claim of 50% for the said loss on 31st March, 2026.

You are required to prepare the Trading and Profit and Loss Account of Mr Suresh for the year ended 31st March, 2026 and Balance Sheet as at that date.

5. (a) **Attempt any ONE of the two parts i.e. either (i) or (ii)** **5**

(i) The Profit and Loss Account of Prabhat showed a net profit of ₹ 15,00,000, after considering the closing inventory of ₹ 9,37,500 on 31st March, 2026. On scrutiny of the books it was observed as under :

(1) Purchases for the year included ₹ 37,500 paid for new electrical fittings for the godown.

(2) Goods valued at ₹ 1,00,000 were given away as free samples for which no entry had been passed in the books of account.

(3) Invoices for goods amounting to ₹ 6,25,000 had been entered on 27th March, 2026 , but the goods were not included in stock.

Marks

(4) In March, 2026 goods of ₹ 5,00,000 sold and delivered, were taken in the sales for April, 2026.

(5) Goods costing ₹ 1,87,500 were sent on sale or return basis in March, 2026 at a margin of profit of 33.33 % on cost. Though approval was given in April, 2026, these were recorded in the sales for March, 2026.

You are required to ascertain the value of Inventory on 31st March, 2026 and the adjusted net profit for the year ended on that date.

OR

(ii) On 31st March, 2026, the bank account of Sagar, according to the bank column of the Cash Book revealed a debit balance of ₹ 37,25,000. On examination of the cash book and bank statement you find that: **5**

(1) Cheques amounting to ₹ 3,00,000 which were issued to trade payables and entered in the cash book before 31st March, 2026 were not presented for payment until that date.

(2) Cheques amounting to ₹ 12,20,000 had been recorded in the cash book as having been paid into the bank on 31st March, 2026 out of which cheques amounting to ₹ 9,75,000 had only collected by the bank upto 31st March, 2026.

(3) A Term Deposit matured on 13th March, 2026 and proceeds amounting to ₹ 2,82,500 were credited to bank and entered in the Bank Statement but not recorded in the cash book.

Marks

(4) Inspection fee of ₹ 15,000 debited by the bank had not been accounted for in the books of account.

(5) A payment of ₹ 33,000 made to a creditor had been wrongly entered as ₹ 30,000 in the cash book.

(6) Trade Association subscription amounting to ₹ 5,000 was paid directly from the bank as per mandate is yet to be accounted for by Sagar.

(7) A Bill payable of ₹ 2,50,000 had been paid by the bank but was not entered in the cash book. A Bill of Exchange for ₹ 1,40,000 had been discounted with the bank at a cost of ₹ 2,000 but no entry had been made in the books of Sagar.

You are required:

(A) to make appropriate adjustments in the cash book to arrive at the correct balance on 31st March, 2026, and

(B) to prepare a statement reconciling the adjusted balance in the cash book with the balance shown in the bank statement.

(b) Summary of Receipts and Payments of Urban Health Care Society for the year ended 31st March, 2026 is as follows : **5**

Receipts : Opening Cash at Bank ₹ 24,000, Subscription ₹ 1,50,000, Donation ₹ 45,000 (raised for meeting revenue expenditure), Interest on Investments @ 9 % p.a. ₹ 27,000/-, Health check - up Camp collections ₹ 37,500.

Marks

Payments : Payment for Medicine Supply ₹ 90,000, Honorarium to Doctors ₹ 30,000, Salaries ₹ 84,000, Miscellaneous Expenses ₹ 3,000, Equipment Purchased ₹ 45,000, Health check -up Camp Expenses ₹ 4,500.

Additional Information :

	1st April, 2025 (₹)	31st March, 2026 (₹)
Subscription due	4,500	6,600
Subscription received in advance	3,600	2,100
Stock of medicines	30,000	45,000
Amount due for medicine supply	27,000	39,000
Value of Equipment	63,000	90,000
Value of Building	1,50,000	1,44,000

You are required to prepare the Income and Expenditure Account for the year ended 31st March, 2026. All workings should form part of the answer.

(c) The Balance Sheet of Star Limited (unlisted company other than AIFI, Banking company, NBFC and HFC) as at 31st March, 2026 is as under: **10**

	Particulars	Note No.	₹
I.	**Equity and liabilities**		
(1)	**Shareholders' Funds**		
(a)	Share Capital	1	3,00,000
(b)	Reserves and Surplus	2	1,00,000
(2)	**Non-current liabilities**		
(a)	Long term borrowings	3	70,000

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Particulars		Note No.	₹
(3)	**Current Liabilities**		
(a)	Trade payables		50,000
	Total		5,20,000
II.	**Assets**		
(1)	**Non-current assets**		
(a)	Property, Plant and Equipment	4	2,50,000
(b)	Non-current Investment: DRR Investment		10,500
(2)	**Current assets**		
(a)	Inventories		1,50,000
(b)	Trade receivables		75,000
(c)	Cash and cash equivalents	5	34,500
	Total		5,20,000

	Notes to Accounts	₹	₹
1	**Share Capital**		
	Authorized share capital		
	60,000 Equity shares of ₹ 10 each fully paid		6,00,000
	Issued and subscribed share capital		
	30,000 Equity shares of ₹10 each fully paid		3,00,000
2	**Reserve and Surplus**		
	Statement of Profit & Loss	93,000	
	Debenture Redemption Reserve	7,000	1,00,000
3	**Long term borrowings**		
	10% Debentures		70,000

Marks

	Notes to Accounts	₹	₹
4	**Property, Plant and Equipment**		
	Freehold property		2,50,000
5	**Cash and cash equivalents**		
	Cash at bank	24,000	
	Cash in hand	10,500	34,500

At the Annual General Meeting on 1st April, 2026, it was resolved:

1. To give existing shareholders the option to purchase two ₹ 10 shares @ ₹ 15 per share for every five shares (held prior to the bonus distribution). This option was exercised by all the shareholders.
2. To issue one bonus share for every six shares held.
3. To repay the debentures at a premium of 10%. The DRR Investments realized at par as per existing book value.

Give the necessary journal entries to record the above transactions in the books of Star Limited.

6. (a) Orange Limited issued a prospectus inviting applications for 2,50,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share payable as under : **15**

– On application ₹ 2 per share

– On allotment ₹ 4 per share (including premium of ₹ 2)

– On first and final call ₹ 6 per share

(i) Applications were received for 7,00,000 equity shares.

(ii) Letters of regret were issued to the applicants for 30,000 equity shares and shares were allotted to the remaining applicants as under:

Marks

Category of Applicants	No of shares applied	No of shares allotted
A	70,000	70,000
B	2,00,000	1,00,000
C	4,00,000	80,000

(iii) Excess money received with applications was adjusted towards sum due on allotment and the balance amount returned to the applicants.

(iv) The First and Final call was made. The amount was duly received except from Mr. Mohan (belonging to Category-C) who had applied for 5,000 equity shares. His shares were forfeited.

(v) The forfeited shares were re-issued at a discount of ₹ 1 per share as fully paid up.

You are required to -

(i) Pass necessary journal entries (with narration) for the above transactions (including bank transactions) in the books of Orange Limited.

(ii) Show detailed working of amount received on application, amount adjusted / allocated to share allotment and amount refunded.

(b) What is the Trial Balance? Even if the trial balance agrees, some errors may remain. Do you agree? Explain. **5**

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SEAL

FOUNDATION EXAM
PAPER - 1
ACCOUNTING

0 2 SEP 2026

KHJ

Roll No. .....

Total No. of Questions : 6

Total No. of Printed Pages : 16

Time allowed : 3 Hours **Maximum Marks : 100**

Answer to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate who has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

Question No. **1** is compulsory.

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

Working notes should form part of the answers.

Candidate found copying or receiving or giving any help or defying instructions of the invigilators or having/using mobile phone or smart watch or any other electronic gadget will be expelled from the examination and will also be liable for further punitive action.

Marks

1. (a) State with reasons, whether the following statements are **True** or **False :** **6 × 2 =12**

(i) An enterprise selecting FIFO or Weighted average method etc. for valuation of inventory is not a selection of accounting policy.

(ii) If an amount is posted in the wrong account or it is written on the wrong side or the totals are wrong or a wrong balance is struck, it will be a case of "Error of principle".

(iii) Discount column of cash book does not record the trade discount.

Marks

(iv) For debentures issued by unlisted companies (other than AIFIs, Banking companies, NBFCs and HFCs), Debenture Redemption Reserve will be considered adequate if it is 15% of the value of Debentures issued through public issue.

(v) Fees received for life membership from some members by a non-profit organisation (NPO), to be capitalised in the books of NPO.

(vi) A company may issue fully paid bonus shares to its shareholders utilizing both Revenue reserves as well as capital reserves including revaluation reserves.

(b) Briefly discuss the fundamental accounting assumptions in the financial statements, about which, if nothing has been written, then it is assumed that they have already been followed in the preparation of financial statements. 4

(c) Journalise the following transactions in the books of Arun Enterprises.

(i) Sold goods for ₹ 60,000, charged CGST and SGST @ 9% each.

(ii) Sold goods to Mahesh for ₹ 53,100 including IGST @ 18%.

(iii) Sold goods to Rani for ₹ 60,000 charged IGST @ 18%. Received ₹ 24,000 immediately by cheque and balance to be received after three months.

(iv) Rani was allowed a rebate of ₹ 10,000 as goods supplied to turned out to be defective. These goods were sold by charging IGST @ 18%. 4

Marks

2. (a) Roshan & Sons (the firm) acquired a machinery on 01.01.2020 for ₹ 80,000 and spent ₹ 20,000 on its installation. The machine was put to use on 01.07.2020. The expected useful life of the machine was 10 years and estimated scrap value was ₹ 20,000. The firm followed straight line method of depreciation.

The books are closed on 31st December every year.

On 01.01.2023, the firm received the government grant of ₹ 10,000 for the said machine and on the same date, the firm revalued the machinery upward by ₹ 40,000, also re-assessed the remaining useful life to 9 years with scrap value ₹ 20,000. On 15.8.2025, the machine was destroyed by fire. The insurance company paid 60% of book value as on the date of destruction as per Insurance policy.

Show Machinery Account in the books of Roshan & Sons.

Show workings of (i) depreciation to be charged each year (ii) Insurance claim received and loss on destruction of machine. **10**

(b) The Trial Balance of Mr. Abhay Kumar as on 31st March, 2026 did not agree and the difference was posted to Suspense Account. On a close scrutiny of the books, the following errors were located :

(i) A sale of ₹ 5,500 made to Mr. Ashok was correctly entered in Sales Day Book but wrongly posted to debit of Mr. Abhishek as ₹ 5,000.

(ii) The total of Purchase Returns Book for February 2026 has been casted short by ₹ 2,000.

(iii) The total of sales book have been casted short by ₹ 15,000 for January 2026 and casted in excess by ₹ 16,000 for March 2026.

Marks

(iv) An accrual of ₹ 2,400 for telephone charges had been completely omitted.

(v) Withdrawal of Goods worth ₹ 4,000 for being personal use of Abhay Kumar not recorded in the books.

(vi) Receipt of cash ₹ 5,000 from Mr. Arpit was posted to the debit of his account.

(vii) A cheque for ₹ 7,500 received from Mr. Deep Kumar had been dishonoured and was posted to the debit of Mr. Deepak Kumar.

(viii) Goods of the value of ₹ 2,500 returned by a customer were entered in the Sales day Book and posted therefrom to the credit of his account.

You are required to pass necessary journal entries with narrations to rectify the above errors and prepare Suspense Account. **10**

3. (a) Monu Singh is a cloth merchant. He follows the practice of paying creditors for goods purchased through his Bank account and making payment in cash on all nominal accounts.

Monu Singh had not kept his books on the double entry principles nor had he balanced his two-column cash book.

However, the following information has been extracted from his accounting records :

Particulars	On 1st April, 2025 (in ₹)	On 31st March, 2026 (in ₹)
Cash in Hand	300	500
Cash at Bank	12000	17000
Sundry Debtors	17500	25000
Sundry Creditors	34100	37500
Inventories	25000	18700
Furniture	20000	??

Marks

Transactions during the year ended 31st March, 2026 were as follows :

Particulars	Amount in ₹
Salaries Paid	35,000
General Expenses Paid	15,000
Payment for Stationery	8,700
Payment for Advertisement	7,000
Lighting Charges paid	2,500
Cash Receipt from Debtors	3,12,500
Payment to creditors through bank and trade expenses in cash	2,00,000
Cash deposit into bank- business	1,87,500
Payment into bank-Additional Capital	2,500
Payment from bank account-Personal use	32,500
Cash Payment – Personal use	9,100
Stock taken for personal use	1,400
New Furniture purchased on Oct 01, 2025, payment made through personal saving account	8,000
Depreciation on Furniture @ 10% p.a. on WDV basis	-

You are required to prepare Trading and Profit and Loss Account for the year ending on 31st March, 2026 and Balance Sheet of Monu Singh as on 31st March, 2026. **10**

Marks

(b) Amit, Bharat, and Charan are partners in a firm, sharing profits and losses in the ratio of 5:3:2. Their Balance Sheet as on 31st March, 2025.

Balance Sheet as on 31st March 2025

Liabilities	Amount (₹)	Assets		Amount (₹)
Sundry Creditors	35,000	Cash at Bank		25,000
General Reserve	27,000	Sundry Debtors	30,000	
		Less: Provision for Doubtful Debts	(2,500)	27,500
Amit's Loan a/c	20,000			
Capital Accounts:				
Amit	40,000	Furniture		12,500
Bharat	15,000	Plant and Machinery		45,000
Charan	8,000	Stock		35,000
Total	**1,45,000**	**Total**		**1,45,000**

With effect from 1st April, 2025, the partners decided to change their profit and loss sharing ratio as 2:2:1, instead of their former ratio of 5:3:2. For that purpose, the following adjustments were agreed upon:

(i) The Provision for Doubtful Debts to be raised to 12% on Debtors.

(ii) The furniture to be appreciated by ₹ 6,400.

However, they did not want to alter the book value of the assets and liabilities but record the changes by passing a single journal entry.

Marks

The Profit and Loss Account of the firm for the year ended 31st March, 2026, showed a net profit of ₹ 36,000 before taking into consideration the following adjustments :

(i) Interest on Capital at 10% p.a.

(ii) Transfer 20% of the divisible profit to General Reserve, after charging such Reserve.

(iii) Interest on partners loan to be provided as per the partnership laws.

You are required to :

(A) show the single journal entry adjusting the partners' capital as on 1st April, 2025.

(B) prepare Memorandum Revaluation Account as on 01.04.2025 and Profit and Loss Appropriation Account for the year ended 31st March 2026.

10

4. (a) Aman and Bhavesh were partners sharing profits and losses in the ratio of 1:3. On 31st March 2026, their Balance Sheet was as follows :

Balance Sheet as on 31st March 2026

Liabilities	Amount in (₹)	Assets	Amount in (₹)
Creditors	1,20,000	Investments	1,00,000
Bank's Loan	60,000	Stock	80,000
Employees' Provident Fund	40,000	Machinery	1,50,000
Investment Fluctuation Fund	15,000	Land and Buildings	50,000
Capital A/cs:		Sundry Debtors (90,000)	
Aman: 1,30,000		Less: Provision (3,000)	87,000
Bhavesh: 1,12,000	2,42,000	Bank Balance	10,000
Total	**4,77,000**	**Total**	**4,77,000**

Marks

The firm was dissolved on the above date and the assets and liabilities were settled as follows:

(i) Stock was sold at 20% less than book value and machinery realised 10% more than the book value.

(ii) Debtors amounting ₹12,000 turned out to be bad and the remaining paid the amount due.

(iii) A Laptop, which was fully depreciated, is now valued at ₹ 5,000 and is taken over by Aman at this value.

(iv) Bhavesh took over 50% of investments at a 10% discount. The remaining investments were handed over to a creditor of ₹ 70,000. The balance payment of creditors was made in cash.

(v) Aman was appointed to realise the assets and pay off the liabilities, for which he was to be paid a commission of ₹ 3,000.

(vi) Land and Buildings were valued at ₹ 85,000. The Bank took it to settle off the loan of ₹ 60,000 and paid the balance amount of ₹ 25,000 to the firm.

You are required to prepare the Realisation Account, Partners' Capital Accounts, and Bank Account to close the books of the firm. **10**

Marks

(b) From the following trial balance and additional information, prepare Trading and Profit and Loss Account of Mr. Karan Kumar for the year ending on 31st March 2026 and balance sheet as at that date.

Particulars	Dr. Balance (₹)	Cr. Balance (₹)
Capital / Drawings	20,000	3,40,000
Plant & Machinery	2,20,000	
Sales / Purchases	1,68,000	3,30,000
Returns	10,000	8,000
Bad Debts / Bad Debts Recovered	10,000	74,900
Freight Inward	10,000	
Freight Outward	14,000	
Office & Administration Expenses	55,000	
Creditors / Debtors	4,50,000	4,15,200
Loan	40,000	1,00,000
Investments	1,00,000	
Opening stock	1,08,000	
Cash in hand and bank	1,01,100	
Bank Overdraft		40,000
Wages	2,000	
Total	**13,08,100**	**13,08,100**

Marks

Additional Information:

(i) Market price of the closing stock in hand as at 31st March, 2026 was ₹ 1,23,000. However, its cost was ₹ 1,60,000.

(ii) Provide for depreciation on Plant & Machinery @ 10% p.a.

(iii) Provide interest on capital @ 6% p.a. and an additional capital of ₹ 20,000 was introduced on 1st Oct, 2025.

(iv) Charge interest on drawings @ 9% p.a., drawings were made evenly throughout the year.

(v) Goods costing ₹ 20,000 were destroyed due to fire on 30th March, 2026. Insurance Company accepted claim to 60% and paid on 10th April, 2026

(vi) Goods worth ₹ 20,000 were sent out on approval basis and recorded as sale. They remained unsold. Cost of such goods was ₹ 16,000.

(vii) Received on credit a purchase invoice of ₹ 21,000 on 27th March, 2026 and recorded, but goods not received till year end (Goods-in-Transit).

(viii) Manager is entitled to a commission of 5% of final profit after charging his commission. **10**

5. (a) **Attempt any ONE of the two parts i.e. either (i) or (ii)**

(i) Smt. Rajlaxmi is running a small grocery store, on 31st March, 2026, the bank pass book of Smt. Rajlaxmi showed a balance of ₹ 1,60,000 to her credit while balance as per cash book was ₹ 1,31,500. On scrutiny of the two books, she ascertained the following causes of difference:

(1) She has issued cheques amounting to ₹ 90,000 out of which only ₹ 32,000 were presented for payment.

(2) She received a cheque of ₹ 10,000 which she recorded in her cash book but forgot to deposit in the bank.

Marks

(3) A Cheque of ₹ 24,000 deposited by her has not been cleared yet.

(4) Mr. Ekka deposited an amount of ₹ 14,700 in her bank account which has not been recorded by her in cash book yet.

(5) Smt. Rajlaxmi provided the facility of receiving payments through debit cards, credit cards and through UPI (through QR Scanner). It is given that

- During the month of March, 2026, total amount of transactions through cards was ₹ 4,30,000. The bank charged a commission at the end of month amounting to ₹ 8,600.

- During the month of March, 2026, few customers showed the screen shot of fake payments through UPI and those fake payments amounted to ₹ 2,800.

(6) Bank has credited an interest of ₹ 1,200.

Prepare a bank Reconciliation Statement for Smt. Rajlaxmi as on 31st March, 2026. **5**

OR

(ii) A trader prepared his accounts on 31st March, every year. Due to some reasons, no stock taking could be possible till 10th of April, 2026, on which date total cost of goods in his godown came to ₹ 60,000. The following facts were established between 31st March and 10th April, 2026.

(1) Sales ₹ 51,000 (including cash sales of ₹ 10,000)

(2) Purchases ₹ 8,034 (including cash purchases ₹ 1,990)

(3) Sales return ₹ 1,000

Marks

(4) On 10th March, goods of the sale value of ₹ 20,000 were sent on sale of return basis to a customer, the period of approval being four weeks. He returned 30% of the goods on 5th April, approving the rest; the customer was billed on 11th April.

(5) The trader had also received goods costing ₹ 18,000 in March, for sale on consignment basis. 20% of the goods had been sold by 31st March, and another 50% by the 10th April. These sales are not included in above sales.

Goods are sold by the trader at a profit of 10% on sales.

You are required to ascertain the value of inventories as on 31st March, 2026. **5**

(b) During the year ended 31st March, 2026, The Youth Club received subscriptions as follows:

	(in ₹)
For the year ended 31st March, 2025	24,000
For the year ended 31st March, 2026	6,60,000
For the year ended 31st March, 2027	36,000
Total	**7,20,000**

There are 400 members and annual subscription is ₹ 2,000 per annum per member. On 31st March, 2026, a sum of ₹ 22,000 was still in arrears for subscriptions for the year ended 31st March, 2025.

Ascertain the amount of subscriptions that will appear on the credit side of Income and Expenditure Account for the year ended 31st March, 2026. Also show how the items would appear in the Balance Sheet as on 31st March, 2025 and the Balance Sheet as on 31st March, 2026. **5**

Marks

(c) Sapna Ltd., with an authorized capital of ₹ 50,00,000 divided into Equity shares of ₹ 10 each, on 1st June 2025, invited applications for issuing 3,00,000 Equity shares at a premium of ₹ 5 per share. The amount was payable as follows:

On Application	₹ 2 per share
On Allotment (1st July, 2025)	₹ 8 (including premium) per share
On Final call (1st November, 2025)	₹ 5 per share

Applications were received for 3,60,000 shares. Letter of regret were issued to applicants for 60,000 shares and shares were allotted to all the other applicants. Mr. Vishal, holder of 8,000 shares paid the whole of the amount due along with allotment. When the final call was made, one shareholder, Mr. Rohan failed to pay the money due on 2,000 shares held by him and another shareholder, Mr. Shanu having 5,000 shares agreed to pay his due amount after 2 months along with interest @ 10% p.a. on calls in arrears. Shares issued to Mr. Rohan were forfeited. The company also paid interest on calls in advance @ 12% p.a. to Mr. Vishal on 1st November 2025.

Show the necessary entries in Cash Book and entries in Journal (with narrations) to record the above transactions in the books of Sapna Ltd. **10**

6. (a) The Balance Sheet of Prashant Ltd. as at 31st March, 2025 inter alia includes the following information :

Particulars	Amount in (₹)
Share Capital	
Issued and Subscribed capital	
6,000, 9% Preference shares of ₹ 100 each, ₹ 80 paid up	4,80,000
15,000 Equity Shares of ₹ 100 each, fully paid up	15,00,000
	19,80,000

Marks

Particulars	Amount in (₹)
Reserves and Surplus:	
Securities Premium	50,000
Capital Redemption Reserve	2,60,000
General Reserve	5,50,000
Profit & Loss Account	1,85,000
	10,45,000
Non-current Investments	
(Face value ₹ 1,00,000)	1,15,000

Under the terms of their issue, the preference shares are redeemable on 31st March, 2026 at 10% premium. In order to finance the redemption, the company makes a right issue of 4,000 equity shares of ₹ 100 each at a premium of 10%, ₹ 25 being payable on application, ₹ 45 (including premium) on allotment and the balance on 1 June, 2026. The issue was fully subscribed and allotment made on 1st March, 2026. The money due on allotment were duly received by 20th March, 2026. Investments are sold at 120% of their face value on 25th March, 2026.

The preference shares were redeemed after fulfilling the necessary conditions of the Companies Act, 2013.

You are required to pass the necessary journal entries with narrations to give effect to the above arrangements. Also prepare the Notes to Accounts of Share Capital, Reserves and Surplus relevant to the Balance Sheet immediately after the redemption of preference shares as on 31st March, 2026. (Ignore date column in Journal.) **15**

(b) Briefly explain the advantages of Double entry System. **5**

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