**Mock Test Paper - Series II: May 2025**

**Date of Paper: 5th May 2025**

**Time of Paper: 2 PM to 5 PM**

## FOUNDATION COURSE

## PAPER – 1: ACCOUNTING

Question No. 1 is compulsory.

Answer any four questions from the remaining five questions.

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

Working Notes should form part of the answer.

**(Time allowed: 3 Hours)** **(100 Marks)**

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

   1. Warehouse rent paid for storage of finished inventory should be included in the cost of finished inventory.
   2. Cash book is a subsidiary book as well as a principal book.
   3. Subscriptions received for the current year shall be shown in the balance sheet as a current asset.
   4. Company A is incurring huge losses, the Board of Directors are of the opinion that incase of losses, there is no need to pay interest on debenture holders.
   5. On death of a partner, the firm gets surrender value of the joint life policy.
   6. The concept of conservatism when applied to the Balance Sheet results in understatement of assets. **(6 statements x 2 Marks = 12 Marks)**

(b) Explain the objective of "Accounting Standards" in brief? **(4 Marks)**

(c) The balance of Machinery Account of a firm on 1st April, 2024 was ₹ 42,81,000. Out of this, a plant having book value of ₹ 3,24,000 as on 1st April, 2024 was sold on 1st July, 2024 for ₹ 1,23,000. On the same date a new plant was purchased for ₹ 6,87,000 and ₹ 33,000 was spent on its erection. On 1st November, 2024 a new machine was purchased for ₹ 8,40,000. Depreciation is written off @ 15%

per annum under the diminishing balance method. Calculate the depreciation for the year ended 31st March, 2025. **(4 Marks)**

**(12 + 4 + 4 = 20 Marks)**

2. (a) Mr. Kunal was unable to agree the Trial Balance last year and wrote off the difference to the Profit and Loss Account of that year. Next year, he appointed a Chartered Accountant who examined the old books and found the following mistakes:

(i) Purchase of a scooter was debited to conveyance account ₹ 1,00,000. Mr. Kunal charges 10% depreciation on scooter.

(ii) Purchase account was overcast by ₹ 2,00,000.

(iii) A credit purchase of goods from Mr. Sandeep for ₹ 20,000 was entered as sale.

(iv) Receipt of cash from Mr. Parag was posted to the account of Mr. Prem ₹ 10,000.

(v) Receipt of cash amounting to ₹ 5,000 from Mr. C was posted to the debit of his account.

(vi) ₹ 5,000 due by Mr. Ramesh was omitted to be taken to the Trial Balance.

(vii) Sale of goods to Mr. Ram for ₹ 20,000 was omitted to be recorded.

(viii) Amount of ₹ 53,950 of purchase was wrongly posted as ₹ 55,930 in purchase account.

Suggest the necessary rectification entries. **(10 Marks)**

(b) From the following information, ascertain the Cash Book balance of Mr. Patil as on 31st March ,2025:

(i) Debit balance as per Bank Pass Book ₹ 5,250.

(ii) A cheque amounting to ₹ 3,750 deposited on 15th March, but the same was returned by the Bank on 24th March for which no entry was passed in the Cash Book.

(iii) During March 2025, two bills amounting to ₹ 3,750 and ₹ 750 were collected by the Bank but no entry was made in the Cash Book.

(iv) A bill for ₹ 7,500 due from Mr. Sahil previously discounted for ₹ 7,200 was dishonored. The Bank debited the account, but no entry was passed in the Cash Book.

(v) A Cheque for ₹ 2,250 was debited twice in the cash book. **(5 Marks)**

(c) From the following information, calculate the historical cost of closing inventories using adjusted selling price method:

| | | |
|---|---|---|
| Purchase during the year | - | ₹ 7,50,000 |
| Sales during the year | - | ₹ 11,25,000 |
| Opening Inventory | - | Nil |
| Closing Inventory at selling price | - | ₹ 1,50,000 |

**(5 Marks)**

**(10+5+5 = 20 Marks)**

3. (a) The following are the balances as at 31st March, 2025 extracted from the books of Mr. Govind.

| | ₹ | | ₹ |
|---|---|---|---|
| Plant and Machinery | 1,17,300 | Bad debts recovered | 2,700 |
| Furniture and Fittings | 61,500 | Salaries | 1,35,300 |
| Bank Overdraft | 4,80,000 | Salaries payable | 14,700 |
| Capital Account | 3,90,000 | Prepaid rent | 1,800 |
| Drawings | 48,000 | Rent | 25,800 |
| Purchases | 9,60,000 | Carriage inward | 6,750 |
| Opening Stock | 1,93,500 | Carriage outward | 8,100 |
| Wages | 72,990 | Sales | 12,41,800 |
| Provision for doubtful debts | 19,200 | Advertisement Expenses | 20,100 |
| Provision for Discount on Debtors | 8,250 | Printing and Stationery | 7,500 |
| | | Cash in hand | 8,700 |
| Sundry Debtors | 7,20,000 | Cash at bank | 18,750 |
| Sundry Creditors | 2,85,000 | Office Expenses | 60,960 |
| Bad debts | 6,600 | Interest paid on loan | 18,000 |

Additional Information:

1. Purchases include sales return of ₹ 15,450 and sales include purchases return of ₹ 10,350.
2. Goods withdrawn by Mr. Govind for own consumption ₹ 21,000 included in purchases.

3. Create a provision for doubtful debts @ 5% and provision for discount on debtors @ 2.5%.

4. Free samples distributed for publicity costing ₹ 4,950.

5. Wages paid in the month of April for installation of plant and machinery amounting to ₹ 2,700 were included in wages account.

6. Bank overdraft is secured against hypothecation of stock. Bank overdraft outstanding as on 31.3.2025 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.

7. Depreciation is to be provided on plant and machinery @ 15% p.a. and on furniture and fittings @ 10% p.a.

Prepare a Trading and Profit and Loss Account for the year ended 31$^{st}$ March, 2025 and a Balance Sheet as on that date. **(12 Marks)**

(b) It was provided under the Partnership Agreement between Ram, Laxman and Bharat that in the event of death of a partner, the survivors would have to purchase his share in the firm on the following terms:

(i) Goodwill is to be valued at 3 year's purchase of simple average profits of last 4 completed years.

(ii) Outstanding amount due to the representative of a deceased partner shall be paid in 4 equal half yearly instalments commencing 6 months after the death plus interest @ 5% p.a. on the outstanding dues.

They shared profit and loss in the ratio 9:4:3.

Ram died on 30th September 2024 and Partner's Capital account balances on that date were: Ram - ₹ 43,200, Laxman - ₹ 25,600 and Bharat - ₹ 14,400. Ram's current account on 30th September, 2024 after crediting his share of profit to that date, however showed a debit balance of ₹ 3,840.

Firm profits were for the year ended

| | |
|---|---|
| - 31$^{st}$ March, 2021 | ₹ 1,40,800 |
| - 31$^{st}$ March, 2022 | ₹ 1,12,640 |
| - 31$^{st}$ March, 2023 | ₹ 96,320 |
| - 31$^{st}$ March, 2024· | ₹ 34,816 |

Show Ram’s Capital Account and Executor's Account (of Ram) till full payment is made to Ram's Executor. **(8 Marks)**

**(12 + 8 = 20 Marks)**

4. (a) Thomson & Associates. is a partnership firm with partners Tim, Sam and Ben, sharing profits and losses in the ratio of 10:6:4. The balance sheet of the firm as at 31st March, 2025 is as under:

| **Liabilities** | | **₹** | **Assets** | **₹** |
|---|---|---|---|---|
| Capitals: | | | Land | 90,000 |
| Tim | 7,20,000 | | Buildings | 18,00,000 |
| Sam | 1,80,000 | | Machinery | 11,70,000 |
| Ben | 2,70,000 | 11,70,000 | Furniture | 3,87,000 |
| Reserves | | | Investments | 1,08,000 |
| (un-appropriated profit) | | 1,80,000 | Inventories | 11,70,000 |
| Long Term Debt | | 27,00,000 | Trade receivables | 12,51,000 |
| Bank Overdraft | | 3,96,000 | | |
| Trade payables | | 15,30,000 | | |
| | | 59,76,000 | | 59,76,000 |

It was mutually agreed that Sam will retire from partnership and in his place Dan will be admitted as a partner with effect from 1st April, 2025. For this purpose, the following adjustments are to be made:

(a) Goodwill is to be valued at ₹9 lakh but the same will not appear as an asset in the books of the reconstituted firm.

(b) Buildings and Machinery are to be depreciated by 5% and 20% respectively. Investments are to be taken over by the retiring partner at ₹1,35,000. Provision of 20% is to be made on Trade receivables to cover doubtful debts.

(c) In the reconstituted firm, the total capital will be ₹ 18 lakhs which will be contributed by Tim, Ben and Dan in their new profit sharing ratio, which is 2:2:1.

(i) The surplus funds, if any, will be used for repaying bank overdraft.

(ii) The amount due to retiring partner shall be transferred to his loan account.

You are required to prepare

(a) Revaluation account;

(b) Partners' capital accounts; and

(c) Bank account; **(12 Marks)**

(b) Summary of Receipts and Payments of ABC Society for the year ended 31st March, 2025 are as follows:

| Receipts | Amount | Payments | Amount |
|---|---|---|---|
| Subscription Received | 12,50,000 | Payment for Medicine Supply | 7,50,000 |
| Donation Raised for meeting revenue expenditure | 3,75,000 | Honorarium to Doctors<br>Salaries<br>Sundry Expenses | 2,50,000<br>7,00,000<br>25,000 |
| Interest on Investments @ 9% p.a. | 225,000 | Equipment Purchase<br>Charity Show Expenses | 3,75,000<br>37,500 |
| Charity Show Collection | 3,12,500 | | |

Additional Information:

| Particulars | 01.04.2024 | 31.03.2025 |
|---|---|---|
| Subscription due | 37,500 | 55,000 |
| Subscription received in advance | 30,000 | 17,500 |
| Stock of medicine | 2,50,000 | 3,75,000 |
| Amount due for medicine supply | 2,25,000 | 3,25,000 |
| Value of equipment | 5,25,000 | 7,50,000 |
| Value of building | 12,50,000 | 12,00,000 |
| Cash Balance | 2,00,000 | 2,25,000 |
| Opening Balance of Capital Fund | 45,07,500 | |

You are required to prepare Income and Expenditure Account and Balance Sheet for the year ended 31st March, 2025. **(8 Marks)**

**(12 + 8 = 20 Marks)**

5. (a) From the following information prepare the Purchase Book of M/s Pawan & Company:

(i) Purchased from Red & Company on credit:

30 pairs of black shoes.@ ₹ 800 per pair.

15 pairs of brown shoes @ 900 per pair

*Less*: Trade Discount @ 10%

(ii) Purchased Computer from M/s. Rahul. Enterprises on credit for ₹ 1,20,000.

(iii) Purchased from Blue & Company on credit:

15 pairs of black shoes @ ₹ 700 per pair

45 pairs of brown shoes@ ₹ 100 per pair

*Less*: Trade Discount @ 15%. **(5 Marks)**

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

(i) Sam, Sarthak, Sara shared profits and losses in the ratio of 5:3:2. They took out a Joint Life Policy in 2021 for ₹ 2,00,000, a premium of ₹ 12,000 being paid annually on 10th June. The surrender value of the policy on 31st December of various years was as follows:

| | |
|---|---|
| 2021 | Nil |
| 2022 | ₹ 3,600 |
| 2023 | ₹ 8,000 |
| 2024 | ₹ 14,400 |

Sam retired on 15th April, 2025 and the policy was surrendered. You are required to prepare Joint Life Policy Account from 2021 to 2025 (assuming the Policy Account is maintained at surrendered value basis).

OR

(ii) PQR Limited's Profit and Loss account for the year ended 31st March, 2025 includes the following information:

| | | |
|---|---|---|
| (1) | Liability for Income Tax | ₹ 40,000 |
| (2) | Retained Profit | ₹ 2,00,000 |
| (3) | Proposed Dividend | ₹ 20,000 |
| (4) | Increase in Provision for Doubtful Debts | ₹ 25,000 |
| (5) | Bad Debts written off | ₹ 20,000 |

State which one of the items above is - (a) transfer to provisions; (b) transfer to reserves; and (c) neither related to provisions nor reserves. **(5 Marks)**

(c) Lol Ltd. (unlisted company other than AIFI, Banking company, NBFC and HFC) provides the following information as at 31st March, 2025:

| **Particulars** | **₹** |
|---|---|
| **Shareholder's Funds** | |
| (a) Share Capital | |
| Authorized Share Capital: | |
| 90,000 equity shares of ₹ 10 each fully paid | 9,00,000 |
| Issued and subscribed share capital: | |
| 60,000 equity shares of ₹ 10 each fully paid | 6,00,000 |
| (b) Reserves and Surplus | |
| Profit & Loss Account | 3,24,000 |
| Debenture Redemption Reserve | 36,000 |
| **Non-current liabilities** | |
| (a) Long term borrowings | |
| 12% Debentures | 3,60,000 |
| **Current Liabilities** | |
| (a) Trade payables | 3,45,000 |
| **Non-current assets** | |
| (a) Property, Plant and Equipment (Freehold property) | 3,45,000 |
| (b) Non-current Investment: DRR Investment | 54,000 |
| **Current assets** | |
| (a) Inventories | 4,05,000 |
| (b) Trade receivables | 2,25,000 |
| (c) Cash and bank balances: | |
| Cash at bank | 5,46,000 |
| Cash in hand | 90,000 |

At the Annual General Meeting on 1.4.2025, it was resolved:

(a) To give existing shareholders the option to purchase one ₹ 10 share at ₹ 15 for every four shares (held prior to the bonus distribution). This option was taken up by all the shareholders.

(b) To issue one bonus share for every five shares held.

(c) To repay the debentures at a premium of 3%. The DRR Investments realised at par as per existing Book value.

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

**(5 + 5 + 10 = 20 Marks)**

6. (a) Riya Closet Ltd invited applications for issuing 10,000 Equity Shares of ₹ 10 each. The amount was payable as follows:

| | |
|---|---|
| On Application | ₹ 1 per share |
| On Allotment | ₹ 2 per share |
| On First call | ₹ 3 per share |
| On Second and final Call | ₹ 4 per share |

The issue was fully subscribed. Meena to whom 100 shares were allotted, failed to pay the allotment money and her shares were forfeited immediately after the allotment. Seema to whom 150 shares were allotted, failed to pay the first call. Her shares were also forfeited after the first call. Afterwards the second and final call was made. Mohan to whom 50 shares were allotted failed to pay the second and final call. Her shares were also forfeited. All the forfeited shares were re-issued at ₹ 9 per share fully paid-up.

Pass necessary Journal entries in the books of Riya Closet Ltd. **(15 Marks)**

(b) Explain in brief objectives of preparing Trial Balance.

**Or**

What are the rules of posting of journal entries into the Ledger? Explain in brief.

**(5 Marks)**

**(15 + 5 = 20 Marks)**

**Mock Test Paper - Series II: May, 2025**

**Date of Paper: 5th May, 2025**

**Time of Paper: 2 PM to 5 PM**

**FOUNDATION COURSE**

**PAPER – 1: ACCOUNTING**

**ANSWERS**

**1. (a)** 1. **False**: Warehousing costs related to finished goods are expensed when incurred and are not included in inventory costs unless storage is incurred for getting the inventory ready for sale i.e. until and unless storage is required as a part of process of production of inventory like in case of wine.

2. **True:** Cash transactions are straightaway recorded in the Cash Book and on the basis of such a record, ledger accounts are prepared. Therefore, the Cash Book is a subsidiary book. But the Cash Book itself serves as the cash account and the bank account; the balances are entered in the trial balance directly. The Cash Book therefore, is part of the ledger also. Hence, it has also to be treated as a principal book. The Cash Book is thus both a subsidiary book and a principal book.

3. **False:** Current year subscription shall be shown in the credit side of the income and expenditure account and not in the Balance Sheet, as it is not a capital item.

4. **False:** Even if the company incurs losses, it has to pay interest on debentures. Debentures being debts on the company & debenture holders are not concerned with the profit or loss of the company, the interest is to be paid at the rate fixed on it at the time of issue of debenture.

5. **False:** On the death of a partner, the firm receives full value of the sum assured of the joint life policy.

6. **True:** Conservatism states that the accountant / entity should not anticipate any future income. However, they should provide for all possible / probable losses. Imprudent use of concept of conservatism may lead to understatement of Income and Assets.

**(b)** Accounting Standards are selected set of accounting policies or broad guidelines regarding the principles and methods to be chosen out of several alternatives. The Accounting Standards Board of the Institute of Chartered Accountants of India

(ICAI) formulates Accounting Standards to be established by the Council of the ICAI. The main objective of Accounting Standards is to establish standards which have to be complied with, to ensure that financial statements are prepared in accordance with generally accepted accounting principles. Accounting Standards seek to suggest rules and criteria of accounting measurements. These standards harmonize the diverse accounting policies and practices at present in use in India.

**(c) Calculation of depreciation for the year ended 31.3.25**

| | **Machine I (42,81,000 - 3,24,000) ₹** | **Machine II Purchased on 1st July ₹** | **Machine III Purchased on 1st Nov ₹** | **Depreciation on sold machine IV ₹** |
|---|---|---|---|---|
| Book value as on 1st April, 2024 | 39,57,000 | 7,20,000 | 8,40,000 | 3,24,000 |
| Depreciation @15% | 5,93,550 (for full year) | 81,000 (for 9 months) | 52,500 (for 5 months) | 12,150 (for 3 months) |

Total depreciation (I + II + III + IV) ₹ 7,39,200

**2. (a)**

| **Date** | **Particulars** | | **Dr. ₹** | **Cr. ₹** |
|---|---|---|---|---|
| (1) | Scooter A/c | Dr. | 90,000 | |
| | To Profit and Loss Adjustment A/c | | | 90,000 |
| | (Purchase of scooter wrongly debited to conveyance account now rectified-capitalization of ₹90,000, i.e., ₹1,00,000 less 10% depreciation) | | | |
| (2) | Suspense A/c | Dr. | 2,00,000 | |
| | To Profit & Loss Adjustment A/c | | | 2,00,000 |
| | (Purchase Account overcast in the previous year error now rectified). | | | |
| (3) | Profit & Loss Adjustment A/c | Dr. | 40,000 | |
| | To Sandeep's A/c | | | 40,000 |
| | (Credit purchase from Sandeep's ₹20,000, entered as sales last year, now rectified) | | | |

| | | | | |
|---|---|---|---|---|
| (4) | Prem's A/c<br>To Parag's A/c<br>(Amount received from Mr. Parag's wrongly posted to the account of Mr. Prem; now rectified) | Dr. | 10,000 | <br>10,000 |
| (5) | Suspense A/c<br>To C's A/c<br>(₹ 5,000 received from C wrongly debited to his account; now rectified) | Dr. | 10,000 | <br>10,000 |
| (6) | Trade receivables (Ramesh) / Ramesh A/c<br>To Suspense A/c<br>(₹5,000 due by Mr. Ramesh not taken into trial balance now rectified) | Dr. | 5,000 | <br>5,000 |
| (7) | Ram's A/c<br>To Profit & Loss Adjustment A/c<br>(Sales to Ram omitted last year; now adjusted) | Dr. | 20,000 | <br>20,000 |
| (8) | Suspense A/c<br>To Profit & Loss Adjustment A/c<br>(Excess posting to purchase account last year, ₹55,930, instead of ₹53,950, now adjusted) | Dr. | 1,980 | <br>1,980 |
| (9) | Profit & Loss Adjustment A/c<br>To Kunal's Capital A/c<br>(Balance of Profit & Loss Adjustment A/c transferred to Capital Account) | Dr. | 2,71,980 | <br>2,71,980 |
| (10) | Kunal's Capital A/c<br>To Suspense A/c<br>(Balance of Suspense Account transferred to Capital Account) | Dr. | 2,06,980 | <br>2,06,980 |

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

| Particulars | Amount ₹ |
|---|---|
| Balance as per Pass Book | 5,250 |
| Add: Bill discounted by bank (3,750+750) | 4,500 |

| | |
|---|---|
| Less: Cheques deposited but returned on 24th March,2025 | (3,750) |
| Discounted bill from Mr. Sahil dishonoured | (7,500) |
| Wrong debit in passbook | (2,250) |
| Balance as per Cash book (Dr. / Favourable) | (3,750) |

**(c)** Sales 11,25,000

Add: Closing inventory (at selling price) 1,50,000

Selling price of goods available for sale: 12,75,000

Less: Cost of goods available for sale (7,50,000)

Gross margin 5,25,000

Rate of gross margin = $\frac{5,25,000}{12,75,000} \times 100 = 41.18\%$

Cost of closing inventory = 1,50,000 less 41.18% of ₹1,50,000 = ₹ 88,230

*This rate may also be considered as 41.176% in that case, the closing inventory will be valued at ₹ 88,236

OR as 41.17% in that case, the closing inventory will be valued at ₹ 88,245

**3. (a) Trading and Profit and Loss Account of Mr. Govind**

**for the year ended 31st March, 2025**

Dr. Cr.

| | | | Amount | | | | Amount |
|---|---|---|---|---|---|---|---|
| | | ₹ | ₹ | | | ₹ | ₹ |
| To | Opening stock | | 1,93,500 | By | Sales | 12,81,450 | |
| To | Purchases | 9,18,600 | | | Less: Sales return | 15,450 | 12,66,000 |
| | Less: Purchases return | 10,350 | 9,08,250 | By | Closing stock | | |
| To | Carriage inward | | 6,750 | | $\left(₹\ 480,000 \times \frac{100}{80} \times \frac{100}{80}\right)$ | | 750,000 |
| To | Wages | | 70,290 | | | | |
| To | Gross profit c/d | | 8,37,210 | | | | |
| | | | 20,16,000 | | | | 20,16,000 |
| To | Salaries | | 1,35,300 | By | Gross profit b/d | | 8,37,210 |
| To | Rent | | 25,800 | By | Bad debts recovered | | 2,700 |
| To | Advertisement expenses | | 25,050 | | | | |
| To | Printing and stationery | | 7,500 | | | | |
| To | Bad debts | | 6,600 | | | | |
| To | Carriage outward | | 8,100 | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| To | Provision for doubtful debts | | | | | | |
| | 5% of ₹ 7,20,000 | 36,000 | | | | | |
| | Less: Existing provision | 19,200 | 16,800 | | | | |
| To | Provision for discount on debtors | 17,100 | | | | | |
| | 2.5% of ₹ 6,84,000 | | | | | | |
| | Less: Existing provision | 8,250 | 8,850 | | | | |
| To | Depreciation: | | | | | | |
| | Plant and machinery | 18,000 | | | | | |
| | Furniture and fittings | 6,150 | 24,150 | | | | |
| To | Office expenses | | 60,960 | | | | |
| To | Interest on loan | | 18,000 | | | | |
| To | Net profit (Transferred to capital account) | | 5,02,800 | | | | |
| | | | 8,39,910 | | | | 8,39,910 |

## Balance Sheet of Mr. Govind as on 31st March, 2025

| Liabilities | ₹ | Amount ₹ | Assets | ₹ | Amount ₹ |
|---|---|---|---|---|---|
| Capital account | 390,000 | | Plant and machinery | 1,20,000 | |
| Add: Net profit | 5,02,800 | | Less: Depreciation | 18,000 | 1,02,000 |
| | 8,92,800 | | Furniture and fittings | 61,500 | |
| Less: Drawings | 69,000 | 8,23,800 | Less: Depreciation | 6,150 | 55,350 |
| Bank overdraft | | 480,000 | Closing stock | | 7,50,000 |
| Sundry creditors | | 285,000 | Sundry debtors | 720,000 | |
| Payable salaries | | 14,700 | Less: Provision for doubtful debts | 36,000 | |
| | | | Provision for bad debts | 17,100 | 6,66,900 |
| | | | Prepaid rent | | 1,800 |
| | | | Cash in hand | | 8,700 |
| | | | Cash at bank | | 18,750 |
| | | 16,03,500 | | | 16,03,500 |

**(b)** **Ram's Capital Account**

| Date 2024 | Particulars | ₹ | Date 2024 | Particulars | ₹ |
|---|---|---|---|---|---|
| Sep. 30 | To Ram's current Account | 3,840 | Sep. 30 | By bal b/d | 43,200 |
| Sep. 30 | To Ram's Executor A/c | 2,01,604 | Sep. 30 | By Bharat Capital A/c and Laxman Capital A/c (Share of goodwill) | 1,62,244 |
| | | 2,05,444 | | | 2,05,444 |

### Ram's executor Account

| Date | Particulars | ₹ | Date | Particulars | ₹ |
|---|---|---|---|---|---|
| 31.3.2025 | To Bank A/c | 55,441 | 1.10.2024 | By Capital A/c | 2,01,604 |
| | (50,401+5,040) | | 31.3.2025 | By Interest | 5,040 |
| 31.3.2025 | To Balance c/d | 1,51,203 | | (2,01,604 x 2.5%) | |
| | | 2,06,644 | | | 2,06,644 |
| 30.9.2025 | To bank A/c | 54,181 | 1.4.2025 | By Balance b/d | 1,51,203 |
| | (50,401+3,780) | | 30.9.2025 | By Interest | 3,780 |
| 31.3.2026 | To bank A/c (50,401+2,520) | 52,921 | | (1,51,203 x 2.5%) | |
| | | | 30.3.2026 | By Interest | 2,520 |
| 31.3.2026 | To balance c/d | 50,401 | | (50,401 x 2) x 2.5% | |
| | | 1,57,503 | | | 1,57,503 |
| 30.9.2026 | To bank A/c | 51,661 | 1.4.2026 | By balance b/d | 50,401 |
| | (50,401+1,260) | | 30.9.26 | By Interest | 1,260 |
| | | | | (50,401 x 2.5%) | |
| | | 51,661 | | | 51,661 |

**Working notes**

| | | |
|---|---|---|
| 1. | **Ascertainment of Value of Goodwill** | |
| | 2021 | 1,40,800 |
| | 2022 | 1,12,640 |
| | 2023 | 96,320 |
| | 2024 | 34,816 |
| | Total Profit for 4 years | 3,84,576 |
| | Average Profit | 96,144 |
| | Goodwill | |
| | Purchase of Average Profit (3 years) | 2,88,432 |
| | Ram's Share of goodwill | |
| | (9/16 of ₹2,88,432) | 1,62,244 |
| | *Profit sharing ratio between Ram, Laxman and Bharat = 9:4:3, Therefore Ram's share of Profit = 9/16 | |

2. Calculation of amount of each instalment (without interest) = ₹ 2,01,604 / 4 = 50,401

4. (a) (i) **Revaluation Account**

| | ₹ | | ₹ |
|---|---|---|---|
| To Buildings A/c | 90,000 | By Investments A/c | 27,000 |
| To Machinery A/c | 2,34,000 | By Loss to Partners: | |
| To Provision for Doubtful Debts A/c | 2,50,200 | Tim 2,73,600 | |
| | | Sam 1,64,160 | |
| | | Ben 1,09,440 | 5,47,200 |
| | 5,74,200 | | 5,74,200 |

**Partners' Capital Account**

| Particulars | Tim | Sam | Ben | Dan | Particulars | Tim | Sam | Ben | Dan |
|---|---|---|---|---|---|---|---|---|---|
| | ₹ | ₹ | ₹ | ₹ | | ₹ | ₹ | ₹ | ₹ |
| To Revaluation A/c | 2,73,600 | 1,64,160 | 1,09,440 | - | By Balance b/d | 7,20,000 | 1,80,000 | 2,70,000 | |
| To Investments A/c | | 1,35,000 | | - | By Reserves A/c | 90,000 | 54,000 | 36,000 | |
| To Sam Loan A/c | | 2,04,840 | | | By Ben and Dan Capital A/c | 90,000 | 2,70,000 | | |
| To Tim and Sam's Capital A/c | | | 1,80,000 | 1,80,000 | By Bank A/c (balancing figure) | 93,600 | | 7,03,440 | 5,40,000 |
| To Balance c/d | 7,20,000 | | 7,20,000 | 3,60,000 | | | | | |
| | 9,93,600 | 504000 | 10,09,440 | 5,40,000 | | 9,93,600 | 5,04,000 | 10,09,440 | 5,40,000 |

**Bank Account**

| | ₹ | | ₹ |
|---|---|---|---|
| To Tim's capital A/c | 93,600 | By Bank Overdraft A/c | 3,96,000 |
| To Ben's capital A/c | 7,03,440 | By Balance c/d | 9,41,040 |
| To Dan's capital A/c | 5,40,000 | | |
| | 13,37,040 | | 13,37,040 |

**Calculation for adjustment of Amount of Goodwill**

| Partner | Old share | New share | Gain | Sacrifice |
|---|---|---|---|---|
| **Tim** | $\frac{5}{10}$ | $\frac{4}{10}$ | | $\frac{1}{10}$ |
| **Sam** | $\frac{3}{10}$ | | | $\frac{3}{10}$ |

| | | | | |
|---|---|---|---|---|
| **Ben** | $\frac{2}{10}$ | $\frac{4}{10}$ | $\frac{2}{10}$ | |
| **Dan** | | $\frac{2}{10}$ | $\frac{2}{10}$ | |

| | | | |
|---|---|---|---|
| Ben's capital | Dr. | 1,80,000 | |
| Dan's capital | Dr. | 1,80,000 | |
| To Tim's capital | | | 90,000 |
| To Sam's capital | | | 2,70,000 |

**(b) Income and Expenditure Account for the year ending 31st March, 2025**

| Expenditure | ₹ | ₹ | Income | ₹ | ₹ |
|---|---|---|---|---|---|
| To Medicine | | 7,25,000 | By Subscription | | 12,80,000 |
| To Honorarium | | 2,50,000 | By Donation | | 375,000 |
| To Salaries | | 7,00,000 | By Interest on investment | | 2,25,000 |
| To Sundry expenses | | 25,000 | By Charity show | 3,12,500 | |
| To Depreciation | | | Less: Charity show expenses | (37,500) | 2,75,000 |
| Equipment | | 1,50,000 | | | |
| Building | | 50,000 | | | |
| To Surplus | | 2,55,000 | | | |
| | | 21,55,000 | | | 21,55,000 |

**Balance Sheet of ABC society**
**as on 31st March, 2025**

| Liabilities | ₹ | ₹ | Assets | ₹ | ₹ |
|---|---|---|---|---|---|
| Capital Fund: | | | Equipments | 5,25,000 | |
| Opening balance | 45,07,500 | | Add: Purchases. | 3,75,000 | |
| Add: Surplus | 2,55,000 | 47,62,500 | | 9,00,000 | |
| Adv subscription | | 17,500 | Less: dep. (bal. fig) | (1,50,000) | 7,50,000 |
| Creditors (medicine) | | 3,25,000 | Building | 12,50,000 | |
| | | | Less: dep. (bal. fig) | (50,000) | 12,00,000 |
| | | | Investment (₹ 2,25,000/9%) | | 25,00,000 |
| | | | Closing outstanding subscription | | 55,000 |

| | | | | | |
|---|---|---|---|---|---|
| | | | Closing stock (medicine) | | 3,75,000 |
| | | | Cash | | 225,000 |
| | | 51,05,000 | | | 51,05,000 |

**Working Note:**

**(i) Subscription for the year ended 31st March, 2025**

| Particulars | Amount |
|---|---|
| Subscription Received during the year | 12,50,000 |
| Less: Subscription outstanding as on 1st April, 2024 | (37,500) |
| Add: Subscription outstanding as on 31st March, 2025 | 55,000 |
| Add: Subscription received in advance as on 1st April, 2024 | 30,000 |
| Less: Subscription received in advance as on 31st March, 2025 | (17,500) |
| Total | 12,80,000 |

**(ii) Medicines purchased during the year ended 31st March, 2025**

| Particulars | Amount |
|---|---|
| Opening due for medical supply | 2,25,000 |
| Less: Payment made during the year | (7,50,000) |
| Less: Closing due for medical supply | (3,25,000) |
| Medicines purchased during the year | 8,50,000 |

**(iii) Medicines consumed during the year ended 31st March, 2025**

| Particulars | Amount |
|---|---|
| Opening stock | 2,50,000 |
| Add: Purchase during the year | 8,50,000 |
| Less: Closing Stock | (3,75,000) |
| Medicines consumed during the year | 7,25,000 |

**(iv) Depreciation on Equipment**

| Particulars | Amount |
|---|---|
| Opening Balance | 5,25,000 |
| Add: Purchase during the year | 3,75,000 |
| Less: Closing Balance | (7,50,000) |
| Depreciation for the year | 1,50,000 |

5. (a) **Purchases book**

| Date | Particulars | | L.F. | Amount ₹ |
|---|---|---|---|---|
| (i) | Red & Co. | | | |
| | 30 pairs of black shoes @ ₹ 800 | 24,000 | | |
| | 15 pairs of Brown shoes @ ₹ 900 | 13,500 | | |
| | | 37,500 | | |
| | Less: 10% trade discount | (3,750) | | 33,750 |
| (ii) | Blue & Co. | | | |
| | 15 pairs of black shoes @ ₹ 700 | 10,500 | | |
| | 45 pairs of Brown shoes @ ₹ 100 | 4,500 | | |
| | | 15,000 | | |
| | Less: 15% trade discount | (2,250) | | 12,750 |
| | Total | | | 46,500 |

**Note:**

Purchase of computer cannot be entered in the Purchase Book but entered in journal proper.

(b) (i) **Joint Life Policy A/c**

| | | ₹ | | | ₹ |
|---|---|---|---|---|---|
| 10th June, 2021 | To Bank A/c | 12,000 | 31st Dec., 2021 | By Profit and Loss A/c | 12,000 |
| 10th June, 2022 | To Bank A/c | 12,000 | 31st Dec., 2022 | By Profit and Loss A/c | 8,400 |
| | | | | By Balance c/d | 3,600 |
| | | 12,000 | | | 12,000 |
| 1st January, 2023 | To Balance b/d | 3,600 | 31st Dec., 2023 | By Profit and Loss A/c | 7,600 |
| 10th June, 2023 | To Bank A/c | 12,000 | 31st Dec., 2023 | By Balance c/d | 8,000 |
| | | 15,600 | | | 15,600 |
| 1st January, 2024 | To Balance b/d | 8,000 | 31st Dec., 2024 | By Profit and Loss A/c | 5,600 |
| 10th June, 2024 | To Bank A/c | 12,000 | 31st Dec., 2023 | By Balance c/d | 14,400 |
| | | 20,000 | | | 20,000 |
| 1st January, 2025 | To Balance b/d | 14,400 | 15th April, 2025 | By Bank | 14,400 |
| | | 14,400 | | | 14,400 |

**(ii)** (a) Transfer to provisions - (i), (iv)

(b) Transfer to reserves - (ii)

(c) Neither related to provisions nor reserves - (iii), (v).

**(c) Journal Entries in the Books of Lol Ltd.**

| | | Dr. ₹ | Cr. ₹ |
|---|---|---|---|
| Bank A/c | Dr. | 2,25,000 | |
| To Equity Shareholders A/c | | | 2,25,000 |
| (Application money received on 15000 shares @ ₹ 15 per share to be issued as rights shares in the ratio of 1:4) | | | |
| Equity Shareholders A/c | Dr. | 2,25,000 | |
| To Equity Share Capital A/c | | | 1,50,000 |
| To Securities Premium A/c | | | 75,000 |
| (Share application money on 15,000 shares @ ₹ 10 per share transferred to Share Capital Account, and ₹ 5 per share to Securities Premium Account vide Board's Resolution dated…) | | | |
| Securities Premium A/c | Dr. | 75,000 | |
| Profit & Loss A/c | Dr. | 75,000 | |
| To Bonus to Shareholders A/c | | | 1,50,000 |
| (Amount transferred for issue of bonus shares to existing shareholders in the ratio of 1:5 vide General Body's resolution dated...) | | | |
| Bonus to Shareholders A/c | Dr. | 1,50,000 | |
| To Equity Share Capital A/c | | | 1,50,000 |
| (Issue of bonus shares in the ratio of 1 for 5 vide Board's resolution dated....) | | | |
| 12% Debentures A/c | Dr. | 3,60,000 | |
| Premium Payable on Redemption A/c | Dr. | 10,800 | |
| To Debenture holders A/c | | | 3,70,800 |
| (Amount payable to debentures holders) | | | |
| Profit and loss A/c | Dr. | 10,800* | |
| To Premium Payable on Redemption A/c | | | 10,800 |
| (Premium payable on redemption of debentures charged to Profit & Loss A/c) | | | |
| Debenture Redemption Reserve A/c | Dr. | 36,000 | |
| To General Reserve | | | 36,000 |
| (For DRR transferred to general reserve) | | | |

| | | | |
|---|---|---|---|
| Bank A/c<br>To Debenture Redemption Reserve Investment<br>(for DRR Investment realised) | Dr. | 54,000 | 54,000 |
| Debenture holders A/c<br>To Bank A/c<br>(Amount paid to debenture holders on redemption) | Dr. | 3,70,800 | 3,70,800 |

* In the absence of details of the term of debentures (redemption period), the entire redemption premium was charged to profit & loss A/c of the year

**6. (a) In the books of Riya Closet Ltd.**

**Journal Entries**

| Particulars | | L.F. | Debit Amount (₹) | Credit Amount (₹) |
|---|---|---|---|---|
| Bank A/c | Dr. | | 10,000 | |
| To Equity Share Application A/c | | | | 10,000 |
| (Money received on applications for 10,000 shares @ ₹ 1 per share) | | | | |
| Equity Share Application A/c | Dr. | | 10,000 | |
| To Equity Share Capital A/c | | | | 10,000 |
| (Transfer of application money on 10,000 shares to share capital) | | | | |
| Equity Share Allotment A/c | Dr. | | 20,000 | |
| To Equity Share Capital A/c | | | | 20,000 |
| (Amount due on the allotment of 10,000 shares @ ₹ 2 per share) | | | | |
| Bank A/c | Dr. | | 19,800 | |
| To Equity Share Allotment A/c | | | | 19,800 |
| (Allotment money received on 9,900 shares) | | | | |
| **OR** | | | | |
| Bank A/c | Dr. | | 19,800 | |
| Calls in arrears A/c | Dr. | | 200 | |
| To Equity Share Allotment A/c | | | | 20,000 |
| (Allotment Amount received except 100 shares) | | | | |
| Equity Share Capital A/c | Dr. | | 300 | |
| To Share Forfeiture A/c | | | | 100 |

| | | | | |
|---|---|---|---|---|
| To Equity Shares Allotment A/c<br>(100 Shares of Meena forfeited)<br>**OR** | | | | 200 |
| Equity Share Capital A/c<br>To Shares Forfeiture A/c<br>To Calls in arrears A/c<br>(100 shares forfeited due to non-payment of allotment money) | Dr. | | 300 | <br>100<br>200 |
| Equity Share First Call A/c<br>To Equity Share Capital A/c<br>(First call made due on 9,900 shares at ₹ 3 per share) | Dr. | | 29,700 | <br>29,700 |
| Bank A/c<br>To Equity Share First Call A/c<br>(First call money received on 9,750 shares at ₹ 3 per share)<br>**OR** | Dr. | | 29,250 | <br>29,250 |
| Bank A/c<br>Calls in arrears A/c<br>To Equity Share First Call A/c<br>(First Call money received except 150 shares) | Dr.<br>Dr. | | 29,250<br>450 | <br><br>29,700 |
| Equity Share Capital A/c<br>To Share Forfeiture A/c<br>To Equity Share First Call A/c<br>(150 Shares of Seema forfeited)<br>**OR** | Dr. | | 900 | <br>450<br>450 |
| Equity Share Capital A/c<br>To Share Forfeiture A/c<br>To Calls in arrears A/c<br>(150 shares forfeited due to non - payment of First call money) | Dr. | | 900 | <br>450<br>450 |
| Equity Share Second and Final Call A/c<br>To Equity Share Capital A/c<br>(Second and Final call made due on 9,750 shares at ₹ 4 per share) | Dr. | | 39,000 | <br>39,000 |

| | | | | |
|---|---|---|---|---|
| Bank A/c<br>To Equity Share Second and Final Call A/c<br>(Second and Final call money received on 9,700 shares at ₹ 4 per share) | Dr. | | 38,800 | <br>38,800 |
| **OR** | | | | |
| Bank A/c<br>Calls in arrears A/c<br>To Equity Shares Second and Final Call A/c<br>(Second and Final call money received except 50 shares) | Dr.<br>Dr. | | 38,800<br>200 | <br><br>39,000 |
| Equity Share Capital A/c<br>To Share Forfeiture A/c<br>To Equity Share Second and Final Call A/c<br>(50 Shares of Mohan forfeited) | Dr. | | 500 | <br>300<br>200 |
| **OR** | | | | |
| Equity Share Capital A/c<br>To Shares Forfeiture A/c<br>To Calls in arrears A/c<br>(50 shares forfeited due to non-payment of Second and final call money) | <br>Dr. | | <br>500 | <br><br>300<br>200 |
| Bank A/c<br>Share Forfeiture A/c<br>To Equity Share Capital A/c<br>(300 shares reissued at ₹ 9 per share) | Dr.<br>Dr. | | 2,700<br>300 | <br><br>3,000 |
| Share Forfeiture A/c<br>To Capital Reserve A/c (W.N.1)<br>(Profit on re-issue transferred to Capital Reserve) | Dr. | | 550 | <br>550 |

**Working Note-1:** Calculation of amount to be transferred to Capital Reserve:

| | |
|---|---|
| Surplus out of 100 shares of Meena forfeited | ₹ 100 |
| Surplus out of 150 shares of Seema forfeited | ₹ 450 |
| Surplus out of 50 shares of Mohan forfeited | ₹ 300 |
| | ₹ 850 |
| Less: Loss on re-issue of shares | ₹ 300 |
| Transferred to Capital Reserve | ₹ 550 |

**(c)** The preparation of trial balance has the following objectives:

1 **Checking of the arithmetical accuracy of the accounting entries:** Trial Balance enables one to establish whether the posting and other accounting processes have been carried out without committing arithmetical errors. In other words, the trial balance helps to establish the arithmetical accuracy of the books.

2. **Basis for preparation of financial statements:** Trial Balance forms the basis for preparing financial statements such as the Income Statement and the Balance Sheet. The Trial Balance represents all transactions relating to different accounts in a summarized form for a particular period. In case, the Trial Balance is not prepared, it will be almost impossible to prepare the financial statements to know the profit or loss made by the business during a particular period or its financial position on a particular date.

3. **Summarized ledger:** Trial Balance contains the ledger balances on a particular position of a particular account can be judged simply by looking at the Trial Balance. The ledger may be seen only when details regarding the accounts are required.

**Or**

**Rules regarding posting of entries in the ledger**

1. Separate account is opened in ledger book for each account and entries from journal are posted to respective account accordingly.

2. It is a practice to use words 'To' and 'By' while posting transactions in the ledger.

3. The concerned account debited in the journal should also be debited in the ledger but reference should be of the respective credit account.