Mock Test Paper - Series I: July, 2024

Date of Paper: 29th July, 2024

Time of Paper: 10.30 A.M. to 1.30 P.M.

FOUNDATION COURSE

PAPER – 1: ACCOUNTING

Question No. 1 is compulsory.

Answer any four questions from the remaining five questions.

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

Working Notes should form part of the answer.

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

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

1 The balance in petty cash book represents an asset.

2. Finished goods are normally valued at cost or market price whichever is higher.

3 Subscriptions received for the current year shall be shown in the balance sheet as a current asset.

4 When shares are forfeited, the share capital account is debited with called up capital of shares forfeited and the share forfeiture account is credited with Calls in arrear of shares forfeited.

5 Discount at the time of retirement of a bill is a gain for the drawee.

6. Bills receivable and bills payable books are type of subsidiary books. **(6 statements x 2 Marks = 12 Marks)**

(b) What services can a Chartered Accountant provide to the society?

(4 Marks)

(c) One of your clients Mr. X asked you to finalize his account for the year ended 31st March,2024. As a basis for audit, Mr. X furnished you with the following statement:

	Dr.	Cr.
X's Capital		4,668
X's Drawings	1,692	
Leasehold Premises	2,250	
Sales		8,250
Due from customers		1,590
Purchases	3,777	
Purchase Return	792	
Loan from Bank		768

Trade Expense	2,100	
Trade Payable	1,584	
Bills Payable	300	
Salaries and Wages	1,800	
Cash at Bank	678	
Opening Inventory		792
Rent and Rates	1,389	
Sales Return		294
	16,362	16,362

The closing inventory was ₹1,722. Mr. X claims that he has recorded every transaction correctly as the trial balance is tallied. Check the accuracy of the above trial balance and give reasons for the errors, if any. **(4 Marks)**

(12 + 4 + 4 = 20 Marks)

2. (a) Mr. Manas 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 ₹ 30,000. Mr. Manas charges 10% depreciation on scooter.

(ii) Purchase account was over cast by ₹ 1,00,000.

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

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

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

(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 ₹ 23,950 of purchase was wrongly posted as ₹ 25,930.

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

(b) M/s Dheeraj, Profit and loss account showed a net profit of ₹ 8,00,000, after considering the closing stock of ₹ 7,50,000 on 31st March, 2024. Subsequently the following information was obtained from scrutiny of the books:

(i) Purchases for the year included ₹ 30,000 paid for new electric fittings for the shop.

(ii) M/s Dheeraj gave away goods valued at ₹ 80,000 as free samples for which no entry was made in the books of accounts.

(iii) Invoices for goods amounting to ₹ 5,00,000 have been entered on 27th March, 2024, but the goods were not included in stock.

(iv) In March, 2024 goods of ₹ 4,00,000 sold and delivered were taken in the sales for April, 2024.

(v) Goods costing ₹ 1,50,000 were sent on sale or return in March, 2024 at a margin of profit of 33-1/3% on cost. Though approval was given in April, 2024 these were taken as sales for March, 2024.

You are required to determine the adjusted net profit for the year ended on 31.3.2024 and calculate the value of stock on 31st March, 2024.

(10 Marks)

(10 +10 = 20 Marks)

3. (a) The trial balance of Saurav as at 31st March, 2024 is as follows:

Particulars	Dr.	Cr.
	₹	₹
Saurav's capital account	-	1,91,725
Stock 1st April, 2023	1,17,000	-
Sales	-	9,74,000
Returns inward	21,500	-
Purchases	8,04,250	-
Returns outward	-	14,500
Carriage inwards	49,000	-
Rent & taxes	11,750	-
Salaries & wages	23,250	-
Sundry debtors	60,000	-
Sundry creditors	-	37,000
Bank loan @ 14% p.a.	-	50,000
Bank interest	2,750	-
Printing and stationary expenses	36,000	-
Bank balance	20,000	-
Discount earned	-	11,100
Furniture & fittings	12,500	-
Discount allowed	4,500	-
General expenses	28,625	-
Insurance	3,250	-
Postage & telegram expenses	5,825	-
Cash balance	950	-
Travelling expenses	2,175	-
Drawings	75,000	-
	12,78,325	12,78,325

The following adjustments are to be made:

(1) Provision for bad and doubtful debts be created at 5% and for discount @ 2% on sundry debtors.

(2) Personal purchases of Saurav amounting to ₹ 1,500 had been recorded in the purchases day book.

(3) Depreciation on furniture & fittings @ 10% shall be written off.

(4) Included amongst the debtors is ₹ 7,500 due from Sunder and included among the creditors ₹ 2,500 due to him.

(5) A quarter of the amount of printing and stationary expenses is to be carried forward to the next year.

(6) Credit purchase invoice amounting to ₹ 1,000 had been omitted from the books.

(7) Stock on 31.03.2024 was ₹ 1,96,500.

(8) Interest on bank loan shall be provided for the whole year.

You are required to prepare Trading & Profit and Loss Account for the year ended 31.03.2024. **(12 Marks)**

(b) The following is the Balance Sheet of M/s. Vivek Bros as at 31st March, 2024, they share profit and losses equally:

Balance Sheet as at 31st March, 2024

Liabilities		**₹**	**Assets**		**₹**
Capital	Amit	24,600	Machinery		30,000
	Puneet	24,600	Furniture		16,800
	Sumit	27,000	Fixture		12,600
General Reserve		9,000	Cash		9,000
Trade payables		14,100	Inventories		5,700
			Trade receivables	27,000	
			Less: Provision for Doubtful debts	1,800	25,200
		99,300			99,300

Sumit died on 1st April, 2024 and the following agreement was to be put into effect.

(a) Assets were to be revalued: Machinery to ₹ 35,100; Furniture to ₹ 13,800; Inventory to ₹ 4,500.

(b) Goodwill was valued at ₹ 18,000 and was to be credited with his share, without using a Goodwill Account.

(c) ₹ 6,000 is to be paid to the executors of the dead partner on 5th April, 2023.

(d) After death of Sumit, Amit and Puneet share profit equally.

You are required to prepare:

(i) Journal Entry for Goodwill adjustment.

(ii) Revaluation Account and Capital Accounts of the partners.

(8 Marks)

(12 + 8 = 20 Marks)

4. (a) A and B are partners in a firm, sharing Profits and Losses in the ratio of 3 : 2. The Balance Sheet of A and B as on 31.3.2024 was as follow:

Liabilities	Amount ₹	Assets		Amount ₹
Sundry Creditors	25,800	Building		52,000
Bill Payable	8,200	Furniture		11,600
Bank Overdraft	18,000	Stock-in-Trade		42,800
Capital Accounts:		Debtors	70,000	
A 88,000		Less: Provision	400	69,600
B 72,000	1,60,000	Investment		5,000
		Cash		31,000
	2,12,000			2,12,000

'C' was admitted to the firm on the above date on the following terms:

(i) He is admitted for 1/6th share in future profits and to introduce a Capital of ₹ 50,000.

(ii) The new profit sharing ratio of A, B and C will be 3 : 2 : 1 respectively.

(iii) 'C' is unable to bring in cash for his share of goodwill, they decide to calculate goodwill on the basis of C's share in the profits and the capital contribution made by him to the firm.

(iv) Furniture is to be written down by ₹ 1,740 and Stock to be depreciated by 5%. A provision is required for Debtors @ 5% for Bad Debts. A provision would also be made for outstanding wages for ₹ 3,120. The value of Buildings having appreciated be brought upto ₹ 58,400. The value of investment is increased by ₹ 900.

(v) It is found that the creditors included a sum of ₹ 2,800, which is not to be paid off.

Prepare the following:

(i) Revaluation Account.

(ii) Partners' Capital Accounts.

(iii) Balance Sheet of New Partnership firm after admission of 'C'.

(12 Marks)

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

(1)

Balances	As on 01-04-2023 (₹)	As on 31-3-2024 (₹)
Stock of Sports Material	4,50,000	6,75,000
Amount due for Sports Material	4,05,000	5,85,000
Subscription due	67,500	99,000
Subscription received in advance	54,000	31,500

(2) Subscription received during the year ₹ 22,50,000

(3) Payments for Sports Material during the year ₹ 13,50,000

You are required to:

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

(B) Also show how these items would appear in the Balance Sheet as on 31.03.2024. **(8 Marks)**

(12+8=20 Marks)

5. (a) On 31st March 2024, the Bank Pass Book of Swati showed a balance of ₹ 1,50,000 to her credit while balance as per cash book was ₹ 1,12,050. On scrutiny of the two books, she ascertained the following causes of difference:

(i) She has issued cheques amounting to ₹ 80,000 out of which only ₹ 32,000 were presented for payment.

(ii) She received a cheque of ₹ 5,000 which she recorded in her cash book but forgot to deposit in the bank.

(iii) A cheque of ₹ 22,000 deposited by her has not been cleared yet.

(iv) Mr. Gupta deposited an amount of ₹ 15,700 in her bank which has not been recorded by her in Cash Book yet.

(v) Bank has credited an interest of ₹ 1,500 while charging ₹ 250 as bank charges.

Prepare a bank reconciliation statement. **(5 Marks)**

(b) The Income Tax Officer, on assessing the income of Zavier for the financial years 2021-2022 and 2022-2023 feels that Zavier has not disclosed the full income. He gives you the following particulars of assets and liabilities of Zavier's on 1st April, 2021 and 1st April, 2023.

				₹
1-4-2021	Assets	:	Cash in hand	25,500
			Inventory	56,000

			Sundry debtors	41,500
			Land and Building	1,90,000
			Wife's Jewellery	75,000
	Liabilities	:	Owing to Zavier's Brother	40,000
			Sundry creditors	35,000
1-4-2023	Assets	:	Cash in hand	16,000
			Inventory	91,500
			Sundry debtors	52,500
			Land and Building	1,90,000
			Motor Car	1,25,000
			Wife's Jewellery	1,25,000
			Loan to Zavier's Brother	20,000
	Liabilities	:	Sundry creditors	55,000

During the two years the domestic expenditure was ₹ 4,000 p.m. The declared incomes of the financial years were ₹ 1,05,000 for 2021-2022 and ₹ 1,33,000 for 2022-2023 respectively.

State whether the Income-tax Officer's contention is correct. Explain by giving your workings. **(5 Marks)**

(c) Safari Ltd. (unlisted company other than AIFI, Banking company, NBFC and HFC) provides the following information as at 31st March, 2024:

Particulars	₹
Shareholder's Funds	
(a) Share Capital	
Authorized share capital:	
45,000 equity shares of ₹ 10 each fully paid	4,50,000
Issued and subscribed share capital:	
30,000 equity shares of ₹ 10 each fully paid	3,00,000
(b) Reserves and Surplus	
Profit & Loss Account	1,62,000
Debenture Redemption Reserve	18,000
Non-current liabilities	
(a) Long term borrowings	
12% Debentures	1,80,000
Current Liabilities	
(a) Trade payables	1,72,500
Non-current assets	
(a) Property, Plant and Equipment (Freehold property)	1,72,500
(b) Non-current Investment: DRR Investment	27,000

Current assets	
(a) Inventories	2,02,500
(b) Trade receivables	1,12,500
(c) Cash and bank balances:	
Cash at bank	2,73,000
Cash in hand	45,000

At the Annual General Meeting on 1.4.2024, 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%.

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

(5 + 5 + 10 = 20 Marks)

6. (a) X Limited invited applications for issuing 75,000 equity shares of ₹ 10 each at a premium of ₹ 5 per share. The total amount was payable as follows:

- ₹ 9 per share (including premium) on application and allotment
- Balance on the First and Final Call

Applications for 3,00,000 equity shares were received. Applications for 2,00,000 equity shares were rejected and money refunded. Shares were allotted on pro-rata basis to the remaining applicants. The first and final call was made. The amount was duly received except on 1,500 shares applied by Mr. Raj. His shares were forfeited. The forfeited shares were re-issued at a discount of ₹ 4/- per share.

Pass necessary journal entries for the above transactions in the books of X Limited. **(15 Marks)**

(c) State the causes of difference between the balance shown by the pass book and the cash book.

OR

Which subsidiary books are normally used in a business? **(5 Marks)**

(15 + 5 = 20 Marks)

Mock Test Paper - Series I: July, 2024

Date of Paper: 29th July, 2024

Time of Paper: 10.30 A.M. to 1.30 P.M.

FOUNDATION COURSE

PAPER – 1: ACCOUNTING

ANSWERS

1. (a) 1. **True -** The balance represents the cash physically in existence and is therefore an asset.

2. **False -** Finished goods are normally valued at cost or net realizable value whichever is lower.

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 -** When shares are forfeited, the share capital account is debited with called up capital of shares forfeited and the share forfeiture account is credited with amount received on shares forfeited.

5. **True -** Discount at the time of retirement of a bill is a gain for the drawee and loss for the drawer.

6. **True -** Yes they are types of subsidiary books which is alternate to the journals.

(b) The practice of accountancy has crossed its usual domain of preparation of financial statements, interpretation of such statements and audit thereof. Chartered Accountants are presently taking active role in company laws and other corporate legislation matters, in taxation laws matters (both direct and indirect) and in general management problems.

Some of the services rendered by chartered accountants to the society are briefly mentioned hereunder:

(i) Maintenance of books of accounts;

(ii) Statutory audit;

(iii) Internal Audit;

(iv) Taxation;

(v) Management accounting and consultancy services;

(vi) Financial advice and financial investigations etc.

Other services like secretarial work, share registration work, company formation receiverships, arbitrations etc.

(c) Corrected Trial Balance of Mr. X as on 31st March, 2024

Particulars	Dr. Amount ₹	Cr. Amount ₹
X's Capital		4,668
X's Drawings	1,692	
Leasehold premises	2,250	
Sales		8,250
Due from customers	1,590	
Purchases	3,777	
Purchase return		792
Loan from Bank		768
Trade expenses	2,100	
Trade Payable		1,584
Bills payable		300
Salaries and Wages	1,800	
Cash at Bank	678	
Inventory (1.4.2023)	792	
Rent and rates	1,389	
Sales return	294	
	16,362	16,362

Reasons:

1. Due from customers is an asset, so its balance will be a debit balance.
2. Purchases return account always shows a credit balance because assets goes out.
3. Trade Payable is a liability, so its balance will be a credit balance.
4. Bills payable is a liability, so its balance will be a credit balance.
5. Inventory (opening) represents assets, so it will have a debit balance.
6. Sales return account always shows a debit balance because assets come in.

2. (a)

Date	**Particulars**		**Dr. ₹**	**Cr. ₹**
(1)	Scooter A/c To Profit and Loss Adjustment A/c (Purchase of scooter wrongly debited to	Dr.	27,000	 27,000

	conveyance account now rectified- capitalization of ₹27,000, i.e., ₹30,000 less 10% depreciation)			
(2)	Suspense A/c	Dr.	1,00,000	
	To Profit & Loss Adjustment A/c			1,00,000
	(Purchase Account overcast in the previous year error now rectified).			
(3)	Profit & Loss Adjustment A/c	Dr.	40,000	
	To Sam's Account			40,000
	(Credit purchase from Sam's ₹20,000, entered as sales last year, now rectified)			
(4)	Bhaskar's A/c	Dr.	10,000	
	To Anand's A/c			10,000
	(Amount received from Mr. Anand wrongly posted to the account of Mr. Bhaskar; now rectified)			
(5)	Suspense A/c	Dr.	10,000	
	To Paras's A/c			10,000
	(₹ 5,000 received from Paras wrongly debited to his account; now rectified)			
(6)	Trade receivables (Ramesh) / Ramesh A/c	Dr.	5,000	
	To Suspense A/c			5,000
	(₹5,000 due by Mr. Ramesh not taken into trial balance now rectified)			
(7)	Ram's A/c	Dr.	20,000	
	To Profit & Loss Adjustment A/c			20,000
	(Sales to Ram omitted last year; now adjusted)			
(8)	Suspense A/c	Dr.	1,980	
	To Profit & Loss Adjustment A/c			1,980
	(Excess posting to purchase account last year, ₹25,930, instead of ₹23,950, now adjusted)			
(9)	Profit & Loss Adjustment A/c	Dr.	1,08,980	
	To Manas's Capital A/c			1,08,980

	(Balance of Profit & Loss Adjustment A/c transferred to Capital Account)			
(10)	Manas's Capital A/c	Dr.	1,06,980	
	To Suspense A/c			1,06,980
	(Balance of Suspense Account transferred to Capital Account)			

(b) Profit and Loss Adjustment A/c

	₹		₹
To Advertisement (samples)	80,000	By Net profit	8,00,000
To Sales	2,00,000	By Electric fittings	30,000
(goods approved in April to be taken as April sales)		By Samples	80,000
To Adjusted net profit	16,80,000	By Stock (Purchases of March not included in stock)	5,00,000
		By Sales (goods sold in March wrongly taken as April sales)	4,00,000
		By Stock (goods sent on approval basis not included in stock)	1,50,000
	19,60,000		19,60,000

Calculation of value of inventory on 31st March, 2024

	₹
Stock on 31st March, 2024 (given)	7,50,000
Add: Purchases of March, 2024 not included in the stock	5,00,000
Goods lying with customers on approval basis	1,50,000
	14,00,000

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

for the year ended 31st March, 2024

	₹	₹		₹	₹
To Opening stock		1,17,000	By Sales	9,74,000	
To Purchases	8,04,250		*Less:* Returns	21,500	9,52,500
Add: Omitted	1,000		By Closing stock		1,96,500
invoice	8,05,250				
Less: Returns	14,500				

	7,90,750				
Less: Drawings	1,500	7,89,250			
To Carriage Inwards		49,000			
To Gross profit c/d		1,93,750			
		11,49,000			11,49,000
To Rent and taxes		11,750	By Gross profit b/d		1,93,750
To Salaries and wages		23,250	By Discount received		11,100
To Bank interest	2,750				
Add: Due	4,250	7,000			
To Printing and stationary	36,000				
Less: Prepaid (1/4)	9,000	27,000			
To Discount allowed		4,500			
To General expenses		28,625			
To Insurance		3,250			
To Postage & telegram expenses		5,825			
To Travelling expenses		2,175			
To Provision for bad debts [W.N.]		2,875			
To Provision for discount on debtors [W.N.]		1,093			
To Depreciation on furniture & fittings		1,250			
To Net profit		86,257			
		2,04,850			2,04,850

Working Note:

Provision for bad & doubtful debts:	
@ 5% on ₹ 57,500 (60,000-2,500)	2,875
Provision for discount:	
2% on ₹ 54,625 (57,500 -2,875)	1,093

(b) (i) Journal Entry in the books of the M/s Vivek Bros

Date	Particulars		Dr. ₹	Cr. ₹
April, 1 2024	Amit's Capital A/c	Dr.	3,000	
	Puneet's Capital A/c	Dr.	3,000	
	To Sumit's Capital A/c			6,000
	(Being the required adjustment for goodwill through partner's capital accounts)			

(ii) Revaluation Account

Dr. Particulars	₹	Particulars	Cr. ₹
To Furniture A/c (₹ 16,800 – 13,800)	3,000	By Machinery A/c (₹ 35,100 - 30,000)	5,100
To Inventory A/c (₹ 5,700 – 4,500)	1,200		
To Partners' Capital A/c (Amit - ₹ 300, Puneet - ₹ 300, Sumit - ₹ 300)	900		
	5,100		5,100

Partners' Capital Accounts

Particulars	Amit	Puneet	Sumit	Particulars	Amit	Puneet	Sumit
To Sumit (Goodwill)	3,000	3,000	–	By Balance b/d	24,600	24,600	27,000
To Bank A/c	–	–	6,000	By General Reserve A/c	3,000	3,000	3,000
To Executors A/c	–	–	30,300	By Revaluation A/c (Profit)	300	300	300
To Balance C/d	24,900	24,900	–	By Amit (Goodwill)	–	–	3,000
				By Puneet (Goodwill)	–	–	3,000
	27,900	27,900	36,300		27,900	27,900	36,300

Working Note:

Statement showing the Required Adjustment for Goodwill

Particulars	Amit	Puneet	Sumit
Right of goodwill before death	1/3	1/3	1/3
Right of goodwill after death	1/2	1/2	–
Gain / (Sacrifice)	(+) 1/6	(+) 1/6	(-) 1/3

4. (a) (i) Revaluation Account

		₹			₹
To	Furniture	1,740	By	Building	6,400
To	Stock	2,140	By	Sundry creditors	2,800
To	Provision of doubtful debts (₹ 3,500 – ₹ 400)	3,100	By	Investment	900
To	Outstanding wages	3,120			
		10,100			10,100

(ii) Partners' Capital Accounts

		A	B	C			A	B	C
		₹	₹	₹			₹	₹	₹
To	A's Capital			9,000	By	Balance b/d	88,000	72,000	–
To	B's Capital			6,000	By	Cash A/c	–	–	50,000
To	Balance c/d	97,000	78,000	35,000	By	C's Capital A/c (Working Note)	9,000	6,000	
		97,000	78,000	50,000			97,000	78,000	50,000

(iii) Balance Sheet of New Partnership Firm

(after admission of C) as on 31.3.2024

Liabilities	₹	Assets	₹
Capital Accounts:		Building (52,000 + 6,400)	58,400
A 97,000		Furniture (11,600 – 1,740)	9,860
B 78,000		Stock-in-trade (42,800 – 2,140)	40,660
C 35,000	2,10,000	Debtors 70,000	
Bills Payable	8,200	Less: Provision for bad Debts (3,500)	66,500
Bank Overdraft	18,000	Investment (5,000 + 900)	5,900
Sundry creditors (25,800-2,800)	23,000	Cash (31,000 + 50,000)	81,000
Outstanding wages	3,120		
	2,62,320		2,62,320

Working Note:

1. Calculation of goodwill

C's contribution of ₹ 50,000 consists only 1/6th of capital.

Therefore, total capital of firm should be ₹ 50,000 × 6 = ₹ 3,00,000.

But combined capital of A, B and C amounts ₹ 88,000 + 72,000 + 50,000 = ₹ 2,10,000.

Thus Hidden goodwill is ₹ 90,000 (₹ 3,00,000 – ₹ 2,10,000).

C's share 1/6th = 15,000

Goodwill will be shared by A & B in their sacrificing ratio.

2. Calculation of sacrificing ratio

Partners	New share	Old share	Sacrifice	Gain
A	$\frac{3}{6}$	$\frac{3}{5}$	$\frac{-3}{30}$	-
B	$\frac{2}{6}$	$\frac{2}{5}$	$\frac{-2}{30}$	-
C	$\frac{1}{6}$	-	-	$\frac{1}{6}$

Therefore,

A will get = ₹ 90,000 $\times \frac{3}{30}$ = ₹ 9,000;

B will get = ₹ 90,000 $\times \frac{2}{30}$ = ₹ 6,000; and

C will be debited on account of goodwill = ₹ 90,000 $\times \frac{1}{6}$ = ₹ 15,000

(b) Subscription for the year ended 31.3.2024

		₹
Subscription received during the year		22,50,000
Less: Subscription receivable on 1.4.2023	67,500	
Less: Subscription received in advance on 31.3.2024	31,500	(99,000)
		21,51,000
Add: Subscription receivable on 31.3.2023	99,000	
Add: Subscription received in advance on 1.4.2024	54,000	1,53,000
Amount of Subscription to appear in Income & Expenditure Account		23,04,000

Sports material consumed during the year end 31.3.2024

	₹
Payment for Sports material	13,50,000
Less: Amounts due for sports material on 1.4.2023	(4,05,000)
	9,45,000

Add: Amounts due for sports material on 31.3.2024	5,85,000
Purchase of sports material	15,30,000
Sports material consumed:	
Stock of sports material on 1.4.2023	4,50,000
Add: Purchase of sports material during the year	15,30,000
	19,80,000
Less: Stock of sports material on 31.3.2024	(6,75,000)
Amount of Sports Material appearing in Income & Expenditure Account	13,05,000

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

Liabilities	₹	Assets	₹
Unearned Subscription	31,500	Subscription receivable	99,000
Amount due for sports material	5,85,000	Stock of sports material	6,75,000

5. (a) Bank Reconciliation Statement as on 31st March, 2024

Particulars	Details (₹)	Amount (₹)
Balance as per Pass Book (Cr.)		1,50,000
Add: Cheque deposited but not yet cleared	22,000	
Add: Cheque recorded in Cash Book but not yet deposited	5,000	
Add: Bank Charges debited by bank	250	27,250
Less: Cheque issued but not yet presented	48,000	
Less: Amount deposited but not recorded in Cash Book	15,700	
Less: Interest allowed by bank	1,500	65,200
Balance as per Cash Book		1,12,050

(b) Calculation of Capital of Zavier

	₹	1-4-2021 ₹	₹	1-4-2023 ₹
Assets				
Cash in hand		25,500		16,000
Inventory		56,000		91,500
Sundry debtors		41,500		52,500
Land & Building		1,90,000		1,90,000

Wife's Jewellery		75,000		1,25,000
Motor Car		—		1,25,000
Loan to Zavier's Brother		—		20,000
		3,88,000		6,20,000
Liabilities:				
Owing to Zavier's Brother	40,000		—	
Sundry creditors	35,000	75,000	55,000	55,000
Capital		3,13,000		5,65,000
Income during the two years:				
Capital as on 1-4-2023				5,65,000
Add: Drawings – Domestic Expenses for the two years (₹ 4,000 × 24 months)				96,000
				6,61,000
Less: Capital as on 1-4-2021				(3,13,000)
Income earned in 2021-2022 and 2022-2023				3,48,000
Income declared (₹ 1,05,000 + ₹ 1,33,000)				2,38,000
Suppressed Income				1,10,000

The Income-tax officer's contention that Zavier has not declared his true income is correct. Zavier's true income is in excess of the disclosed income by ₹ 1,10,000 based on the information available.

(c) Journal Entries in the Books of Safari Ltd.

		Dr. ₹	Cr. ₹
Bank A/c	Dr.	1,12,500	
To Equity Shareholders A/c			1,12,500
(Application money received on 7,500 shares @ ₹ 15 per share to be issued as rights shares in the ratio of 1:4)			
Equity Shareholders A/c	Dr.	1,12,500	
To Equity Share Capital A/c			75,000
To Securities Premium A/c			37,500
(Share application money on 7,500 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.	37,500	
Profit & Loss A/c	Dr.	37,500	
To Bonus to Shareholders A/c			75,000
(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.	75,000	
To Equity Share Capital A/c			75,000
(Issue of bonus shares in the ratio of 1 for 5 vide Board's resolution dated....)			
12% Debentures A/c	Dr.	1,80,000	
Premium Payable on Redemption A/c	Dr.	5,400	
To Debenture holders A/c			1,85,400
(Amount payable to debentures holders)			
Profit and loss A/c	Dr.	5,400	
To Premium Payable on Redemption A/c			5,400
(Premium payable on redemption of debentures charged to Profit & Loss A/c)			
Debenture Redemption Reserve A/c	Dr.	18,000	
To General Reserve			18,000
(For DRR transferred to general reserve)			
Bank A/c	Dr.	27,000	
To Debenture Redemption Reserve Investment			27,000
(for DRR Investment realised)			
Debenture holders A/c	Dr.	1,85,400	
To Bank A/c			1,85,400
(Amount paid to debenture holders on redemption)			

6. (a)

			Dr. ₹	***Cr.*** ₹
1	Bank A/c	Dr.	27,00,000	
	To Share Application & Allotment A/c			27,00,000

	(Being Application money on 3,00,000 shares at ₹ 9 per share received.)			
2	Share Application & Allotment A/c	Dr.	27,00,000	
	To Share Capital A/c (75,000 x ₹ 4)			3,00,000
	To Securities premium A/c (75,000 x ₹ 5)			3,75,000
	To Bank A/c (2,00,000 x ₹ 9)			18,00,000
	To Share First & Final Call A/c			2,25,000
	(Being application money transferred)			
3	Share First & Final Call A/c (75,000 x6)	Dr.	4,50,000	
	To Share Capital Account			4,50,000
	(Amount First & Final Call A/c due from members as per Directors, resolution no...... dated.....)			
4	Bank Account A/c	Dr.	2,21,625	
	Calls in arrear A/c	Dr.	3,375	
	To Share First & Final Call Account			2,25,000
	(Being Receipt of the amounts due on first call.)			
5	Equity share capital A/c	Dr.	11,250	
	To Share forfeiture A/c			7,875
	To Calls in arrear A/c			3,375
	(Being 1,125 shares forfeited for non payment of final call.)			
6	Bank Account A/c (1,125 x ₹ 6)	Dr.	6,750	
	Share forfeiture A/c (1,125 x ₹ 4)		4,500	
	To Share Capital A/c (1,125 x ₹ 10)			11,250
	(Being forfeited shares reissued at ₹ 4 discount)			
7	Share forfeiture A/c		3,375	
	To Capital reserve A/c			3,375
	(Being share forfeiture transferred to capital reserve)			

Working notes:

1.

Shares Applied	Shares Allotted	Money Received on Application @ ₹ 9/-	Money Transferred to Share Capital@ ₹ 4/-	Money Transferred to Security Premium @₹ 5/-	Excess Application Money	Share First and Final Call @ ₹ 6/-	Amount received from Share First and Final Call including excess appl. Money received	Money Refunded
2,00000	-	18,00,000	-	-	-	-	-	18,00,000
1,00,000	75,000	9,00,000	3,00,000	3,75,000	2,25,000	4,50,000	4,46,625	-
3,00,000	75,000	27,00,000	3,00,000	3,75,000	2,25,000	4,50,000	4,46,625*	18,00,000

* ₹2,25,000+ ₹ 2,25,000 - ₹ 3,375.

2. **Number of shares allotted to Mr. Raj** = 1,500 x 75,000 / 1,00,000 = 1,125 shares

3. **Calculation of calls in arrear**

Application money received from Raj	(1,500 x9)	13,500
Less: actual application money	1,125 x9	10,125
Excess Application & Allotment Money Adjusted with first and final call		3,375
Final call due from Raj		6,750
Less: Adjusted with final call		(3,375)
Calls in arrear		3,375

(c) The difference between the balance shown by the passbook and the cashbook may arise on account of the following:

(i) Cheques issued but not yet presented for payment.

(ii) Cheques deposited into the bank but not yet cleared.

(iii) Interest allowed by the bank.

(iv) Interest and expenses charged by the bank.

(v) Interest and dividends collected by the bank.

(vi) Direct payments by the bank.

(vii) Direct deposits into the bank by a customer.

(viii) Dishonour of a bill discounted with the bank.

(ix) Bills collected by the bank on behalf of the customer.

(x) An error committed by the bank etc.

OR

(c) Normally, the following subsidiary books are used in a business:

(i) Cash book to record receipts and payments of cash, including receipts into and payments out of the bank.

(ii) Purchases book to record credit purchases of goods dealt in or of the materials and stores required in the factory.

(iii) Purchase Returns Books to record the returns of goods and materials previously purchased.

(iv) Sales Book to record the sales of the goods dealt in by the firm.

(v) Sale Returns Book to record the returns made by the customers.

(vi) Bills receivable books to record the receipts of promissory notes or hundies from various parties.

(vii) Bills Payable Book to record the issue of the promissory notes or hundies to other parties.

(viii) Journal (proper) to record the transactions which cannot be recorded in any of the seven books mentioned above.