

Mock Test Paper - Series II: August, 2024

Date of Paper: 16th August, 2024

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

**FOUNDATION COURSE
PAPER – 1: ACCOUNTING**

Question No. 1 is compulsory.

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

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

Working Notes should form part of the answer.

Time Allowed: 3 Hours

Maximum Marks: 100

1. (a) State with reasons, whether the following statements are true or false:
- (i) Wages paid for erection of machinery are debited to Profit and Loss Account.
 - (ii) Amount spent for the construction of temporary huts, which were necessary for construction of the Cinema House and were demolished when the Cinema House was ready, is capital expenditure.
 - (iii) If the effect of errors committed cancel out, the errors will be called compensating errors and the trial balance will disagree.
 - (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) The business of partnership must be carried on by all the partners.
 - (vi) Debenture interest is payable after the payment of preference dividend but before the payment of equity dividend.

(6 Statements x 2 Marks = 12 Marks)

- (b) Explain Cash and Mercantile system of accounting? **(4 Marks)**
- (c) Calculate the missing amount for the following.

	Assets	Liabilities	Capital
(a)	45,00,000	7,50,000	?
(b)	?	4,50,000	2,25,000
(c)	43,50,000	?	41,25,000
(d)	1,71,00,000	(8,40,000)	?

(4 Marks)

(12 + 4 + 4 = 20 Marks)

2. (a) Savin & Co. purchased a machine for ₹ 1,00,000 on 1.4.2021 Another machine costing ₹1,50,000 was purchased on 1.10.2022. On 31.3.2024 the machine purchased on 1.4.2021 was sold for ₹50,000. The company provides depreciation at 15% on Written Down Value Method. Prepare – (i) Machinery Account, (ii) Machinery Disposal Account and (iii) Provision for Depreciation Account. **(10 Marks)**
- (b) On 30th June. 2024, Cash Book of Ms. Suman (Bank Column of Account No. 1) shows a Bank Overdraft of ₹ 1,97,400. On going through the Bank Pass book for reconciling the Balance, she found the following:
- Out of cheques drawn on 26th June, those for ₹ 14,800 were cashed by the bankers on 2nd July.
 - A crossed cheque for ₹ 3000 given to Abdul was returned by him and a bearer cheque was issued to him in lieu on 1st July.
 - Cash and cheques amounting to ₹ 13,600 were deposited in the Bank on 29th June, but cheques worth ₹ 5,200 were cleared by the Bank on 1st July., and one cheque for ₹ 1,000 was returned by them as dishonoured on the latter date.
 - According to Suman's standing instructions, the bankers have on 30th June, paid ₹ 1,280 as interest to her creditors, paid quarterly premium on her policy amounting to ₹ 640 and have paid a second call of ₹ 2,400 on shares held by her and lodged with the bankers for safe custody. They have also received ₹ 600 as dividend on her shares and recovered an Insurance Claim of ₹ 3,200, as their charges and commission charged on the above being ₹ 400. On receipt of information of the above transaction, she has passed necessary entries in her Cash Book on 1st July.
 - Bankers seem to have given a wrong credit for ₹ 2,000 paid in by her in No. 2 account and wrong debit in respect of a cheque for ₹ 1,200 drawn against her No. 2 account.

Prepare a Bank Reconciliation Statement as on 30th June, 2024.

(10 Marks)

(10 + 10 = 20 Marks)

3. (a) The Receipts and Payments account of Gold Smith Club prepared on 31st March, 2024 is as follows:

Receipts and Payments Account

Receipts	₹	Amount ₹	Payments	Amount ₹
To Balance b/d		9,000	By Expenses (including Payment for sports material ₹ 54,000)	1,26,000
To Annual Income from Subscription	91,800			

Add: Outstanding of last year received this year	3,600 95,400		By Loss on Sale of Furniture (cost price ₹ 9,000)	3,600
Less: Prepaid of last year	1,800	93,600	By Balance c/d	18,09,000
To Other fees		36,000		
To Donation for Building		18,00,000		
		19,38,600		19,38,600

Additional information:

Gold Smith Club had balances as on 1.4.2023:

Furniture ₹ 36,000; Investment at 5% ₹ 5,40,000;

Sports material ₹ 1,33,200;

Balance as on 31.3.2024: Subscription Receivable ₹ 5,400;

Subscription received in advance ₹ 1,800;

Stock of sports material ₹ 36,000.

Do you agree with above Receipts and Payments account? If not, prepare correct Receipts and Payments account and Income and Expenditure account for the year ended 31st March, 2024 and Balance Sheet on that date. **(15 Marks)**

- (b) P and Q were partners in a firm, sharing profit and losses in the ratio of 3: 2. They admit R for 1/6th share in profits and guaranteed that his share of profits will not be less than 50,00,000. Total profits of the firm for the year ended 31st March, 2024 were 1,80,00,000.

Calculate share of profit for each partner when:

(i) Guarantee is given by firm

(ii) Guarantee is given by P and Q equally.

(5 Marks)

(15 + 5 = 20 Marks)

4. (a) The Balance Sheet of a Partnership Firm M/s Thomas & Associates consisted of two partners Albert and Andrew who were sharing Profits and Losses in the ratio of 5 : 3 respectively. The position as on 31-03-2024 was as follows:

Liabilities	₹	Assets	₹
Albert's Capital	8,20,000	Land & Building	7,60,000
Andrew's Capital	6,60,000	Plant & Machinery	3,40,000
Profit & Loss A/c	2,24,000	Furniture	2,18,960
Trade Creditors	1,09,600	Stock	2,90,520

		Sundry debtors	1,20,000
		Cash at Bank	84,120
	18,13,600		18,13,600

On the above date, David was admitted as a partner on the following terms:

- David should get $\frac{1}{5}$ th of share of profits.
- David brought ₹ 4,80,000 as his capital and ₹ 64,000 for his share of Goodwill.
- Plant and Machinery would be depreciated by 15% and Land & Buildings would be appreciated by 40%.
- A provision for doubtful debts to be created at 5% on sundry debtors.
- An unrecorded liability of ₹ 12,000 for repairs to Buildings would be recorded in the books of accounts.
- Immediately after David's admission, Goodwill brought by him would be adjusted among old partners. Thereafter, the capital accounts of old partners would be adjusted through the current accounts of partners in such a manner that the capital accounts of all the partners would be in their profit sharing ratio.

Prepare Revaluation A/c, Capital Accounts of the partners, new profit sharing ratio and Balance Sheet of the Firm after the admission of David.

(15 Marks)

- Hari Om & Co. employs a team of 9 workers who were paid ₹ 1,20,000 per month each in the year ending 31st December, 2022. At the start of 2023, the company raised salaries by 10% to ₹ 1,32,000 per month each.

On 1 July, 2023 the company hired 2 trainees at salary of ₹ 63,000 per month each. The work force are paid salary on the first working day of every month, one month in arrears, so that the employees receive their salary for January on the first working day of February, etc.

You are required to calculate:

- Amount of salaries which would be charged to the profit and loss account for the year ended 31st December, 2023.
- Amount actually paid as salaries during 2023.
- Outstanding salaries as on 31st December, 2023

(5 Marks)

(15+5 =20 Marks)

5. (a) Mr. Prakash furnishes following information for his readymade garments business:

- (i) Receipts and Payments during 2023-24:

Receipts	Amount ₹	Payments	Amount ₹
Bank Balance as on 1-4-2023	16,250	Payment to Sundry creditors	3,43,000
Received from Sundry debtors	4,81,000	Salaries	75,000
Cash sales	1,70,800	General expenses	22,500
Capital brought in the business during the year	50,000	Rent and taxes	11,800
Interest on Investment received	9,750	Drawings	96,000
		Cash purchases	1,22,750
		Balance at bank on 31-03-2024	36,600
		Cash in hand on 31-03-2024	20,150
	7,27,800		7,27,800

- (ii) Particulars of other Assets and Liabilities are as follows:

	1 st April, 2023	31 st March, 2024
	(₹)	(₹)
Machinery	85,000	85,000
Furniture	24,500	24,500
Trade Debtors	1,55,000	?
Trade Creditors	60,200	?
Inventory	38,600	55,700
12% Investment	85,000	85,000
Outstanding Salaries	12,000	14,000

- (iii) Additional information:

- (1) 20% of total sales and 20% of total purchases are in cash.
- (2) Of the debtors, a sum of ₹ 7,200 should be written off as Bad debt and further a provision for doubtful debts is to be provided @2%.
- (3) Provide depreciation @10% p.a. on machinery 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.

(10 Marks)

- (b) The following notes pertain to Snowberry Ltd.'s Balance Sheet as on 31st March, 2024:

Notes	₹ in Lakhs
(1) Share Capital	
Authorised :	
20 crore shares of ₹ 10 each	<u>20,000</u>
Issued and Subscribed:	
10 crore Equity Shares of ₹ 10 each	10,000
2 crore 11% Cumulative Preference Shares of ₹ 10 each	2,000
Total	12,000
Called and paid up:	
10 crore Equity Shares of ₹ 10 each, ₹ 8 per share called and paid up	8,000
2 crore 11% Cumulative Preference Shares of ₹ 10 each, fully called and paid up	2,000
Total	10,000
(2) Reserves and Surplus :	
Capital Reserve (profit on fixed assets realized in cash)	485
Capital Redemption Reserve	1,000
Securities Premium	2,000
General Reserve	1,040
Surplus i.e. credit balance of Profit & Loss Account	273
Total	4,798

On 2nd April 2024, the company made the final call on equity shares @ ₹ 2 per share. The entire money was received in the month of April, 2024.

On 1st June 2024, the company decided to issue to equity shareholders bonus shares at the rate of 2 shares for every 5 shares held and for this purpose, it decided to utilize the capital reserves to the maximum possible extent.

Pass journal entries for all the above mentioned transactions. Also prepare the notes on Share Capital and Reserves and Surplus relevant to the Balance Sheet of the company immediately after the issue of bonus shares.

(10 Marks)

(10+10 = 20 Marks)

6. (a) Give necessary journal entries for the forfeiture and re-issue of shares:
- (i) Gama Pvt. Ltd. forfeited 9,000 shares of ₹ 10 each fully called up, held by Varun for non-payment of allotment money of ₹ 3 per share and final call of ₹ 4 per share. He paid the application money of ₹ 3 per share. These shares were re-issued to Katen for ₹ 8 per share.

- (ii) Mr. Y, who was the holder of 10,000 preference shares of ₹ 100 each, on which ₹ 70 per share has been called up, could not pay his dues on Allotment and First call each at ₹ 20 per share. The Directors forfeited the above shares and reissued 8,000 of such shares to Mr. Z at ₹ 60 per share paid-up as ₹ 70 per share.

(10 Marks)

- (b) Given below are the extracts of Balance Sheet of Shell Chemicals Limited as on 31st March, 2024:

Particulars	Amount in ₹
9% Redeemable Preference Share Capital	10,00,000
Calls in arrears (Redeemable Preference Shares)	20,000
General Reserve	7,00,000
Securities Premium	80,000

It is provided that:

- Preference Shares are of 100 each fully-called, due for immediate redemption.
- Calls-in-arrears are on account of final call on 1000 Preference shares held by four members whose whereabouts are not known.
- Balance of General Reserve to be fully utilised for the purposes of redemption and the shortfall to be made good by issue of equity shares of ₹ 10 each at par.
- The redemption of preference shares was duly carried out.

You are required to pass the necessary journal entries to give effect to the above redemption.

(5 Marks)

- (c) Write short notes on:

- (i) Adjusted Selling Price method of determining cost of stock.
- (ii) Principal methods of ascertainment of cost of inventory.

Or

Classify the following expenditures as capital or revenue expenditure:

- (i) Amount spent on making a few more exits in a Cinema Hall to comply with Government orders.
- (ii) Travelling expenses of the directors for trips abroad for purchase of capital assets.
- (iii) Amount spent to reduce working expenses.
- (iv) Amount paid for removal of stock to a new site.
- (v) Cost of repairs on second-hand car purchased to bring it into working condition.

(5 Marks)

(10 + 5 + 5 = 20 Marks)

Mock Test Paper - Series II: August, 2024

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FOUNDATION COURSE

PAPER – 1: ACCOUNTING

SUGGESTED ANSWERS/HINTS

1. (a) (i) **False:** Such wages being related to capital asset should be debited to the machinery account.
- (ii) **True:** Since the temporary huts were necessary for the construction, their cost should be added to the cost of the cinema hall and thus capitalised.
- (iii) **False:** If the effect of errors committed cancel out, the errors will be called compensating errors and the trial balance will agree.
- (iv) **True:** In case of the promissory note, it is generally the maker who makes the payment, but in case of the bill of exchange, the person accepting the bill shall be liable to make the payment to the holder of the bill.
- (v) **False:** The business of the partnership firm can be carried on by all the partners or by any one of them acting for all.
- (vi) **False:** Debenture interest is payable before the payment of any dividend on shares.
- (b) **Cash and mercantile system:** Cash system of accounting is a system by which a transaction is recognized only if cash is received or paid. In cash system of accounting, entries are made only when cash is received or paid, no entry being made when a payment or receipt is merely due. Cash system is normally followed by professionals, educational institutions or non-profit making organizations.
- On the other hand, mercantile system of accounting is a system of classifying and summarizing transactions into assets, liabilities, equity (owner's fund), costs, revenues and recording thereof. A transaction is recognized when either a liability is created/ impaired and an asset is created/impaired. A record is made on the basis of amounts having become due for payment or receipt irrespective of the fact whether payment is made or received actually.
- Mercantile system of accounting is generally accepted accounting system by business entities
- (c) Using the Accounting Equation:
- Assets = Capital + Liabilities
- (i) 37,50,000

- (ii) 6,75,000
- (iii) 2,25,000
- (iv) 1,79,40,000

2. (a) Savin & Co.

Dr. Machinery Account			Cr.		
Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
1.4.2021	To Bank A/c	1,00,000	31.3.2022	By Balance c/d	1,00,000
		1,00,000			1,00,000
1.4.2022	To Balance b/d	1,00,000			
1.10.2022	To Bank A/c	1,50,000	31.03.2023	By Balance c/d	2,50,000
		2,50,000			2,50,000
1.4.2023	To Balance b/d	2,50,000	31.03.2024	By Machinery Disposal A/c	1,00,000
			31.03.2024	By Balance c/d	1,50,000
		2,50,000			2,50,000
1.4.2024	To Balance b/d	1,50,000			

Dr. Provision for Depreciation Account			Cr.		
Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
31.03.2022	To Balance c/d	15,000	31.03.2022	By Depreciation A/c	15,000
		15,000			15,000
31.03.2023	To Balance c/d	39,000	1.4.2022	By Balance b/d	15,000
			31.03.2023	By Depreciation A/c (₹ 12,750+₹11,250)	24,000
		39,000			39,000
31.03.2024	To Machinery Disposal A/c [100000-61,413]	38,587	1.4.2023	By Balance b/d	39,000
31.03.2024	To Balance c/d	32,063	31.03.2024	By Depreciation A/c	20,813
			31.03.2024	By Depreciation-Machinery disposed	10,837
		70,650			70,650
			1.4.2024	By Balance b/d	32,063

Dr.

Machinery Disposal Account

Cr.

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
31.03.2024	To Machinery A/c	1,00,000	31.03.2024	By Provision for Depreciation A/c	38,587
			31.03.2024	By Bank A/c	50,000
			31.03.2024	By Profit & Loss A/c (Loss on Sale)	11,413
		1,00,000			1,00,000

Working Notes:

1. Depreciation for the machine purchased on 1.10.2022.

$$\text{For the year 2022-23 (used for 6 months)} = ₹ 1,50,000 \times 15\% \times \frac{6}{12} \\ = ₹ 11,250$$

$$\text{For the year 2023-24 (used for full year)} = ₹ 1,38,750 \times 15\% = ₹ 20,813$$

2. Depreciation for the machine purchased on 1.4.2021.

$$\text{Depreciation} = ₹ 1,00,000 \times 15\% = ₹ 15,000$$

$$\text{So, Depreciation for 2nd year} = ₹ 85,000 \times 15\% = ₹ 12,750$$

$$\text{Depreciation for 3rd year} = ₹ 72,250 \times 15\% = ₹ 10,837$$

(b)

Bank Reconciliation Statement of Ms. Suman

	Balance as per Cash Book			(1,97,400)
<i>Add:</i>	Cheques issued but not presented for payment		14,800	
	Crossed Cheque issued to Abdul not presented for payment		3,000	
	Amounts collected by Bank on our behalf but not entered in the Cash Book			
	Dividend	600		
	Insurance claim	<u>3,200</u>		
		3,800		
	(-) Bank Commission	<u>400</u>	3,400	
	Amount paid in A/c No. 2 credited by the Bank wrongly to this A/c		<u>2,000</u>	<u>23,200</u>
				(1,74,200)

Less: Cheques deposited in the bank but no cleared (₹ 5,200 + ₹ 1,000)		6,200	
Payments made by Bank on our behalf but not entered in the Cash Book			
Interest	1,280		
Premium	640		
Second call	<u>2,400</u>	4,320	
Cheques issued against A/c No. 2 but wrongly debited by the Bank to this A/c		<u>1,200</u>	<u>(11,720)</u>
Overdraft as per Pass Book			1,85,920

**3. (a) Corrected Receipts and Payments Account of Gold Smith Club
for the year ended 31st March, 2024**

Receipts		₹	Amount ₹	Payments		Amount ₹
To	Balance b/d		9,000	By	Expenses	
To	Subscription				(₹ 1,26,000 – ₹ 54,000)	72,000
	Annual Income	91,800		By	Sports Material	54,000
				By	Balance c/d	18,14,400
	Less: Receivable as on 31.3.2024	5,400			(Cash in Hand and at Bank)	
	Add: Advance received for the year 2024–2025	1,800				
	Add: Receivable as on 31.3.2023	3,600				
	Less: Advance received as on 31.3.2023	<u>1,800</u>	90,000			
To	Other Fees		36,000			
To	Donation for Building		18,00,000			
To	Sale of Furniture		5,400			
			<u>19,40,400</u>			<u>19,40,400</u>

Income and Expenditure Account of Gold Smith Club
for the year ended 31st March, 2024

Expenditure		₹	Amount ₹	Income		Amount ₹
To	Sundry Expenses		72,000	By	Subscription	91,800
To	Sports Material			By	Other fees	36,000
	Balance as on 1.4.2023	1,33,200		By	Interest on investment (5% on ₹ 5,40,000)	27,000
	Add: Purchases	54,000		By	Deficit: Excess of Expenditure over Income	72,000
	Less: Balance as on 31.3.2023	<u>36,000</u>	1,51,200			
	Loss on sale of Furniture		3,600			
			<u>2,26,800</u>			<u>2,26,800</u>

Balance Sheet of Gold Smith Club
as on 31st March, 2024

Liabilities		Amount (₹)	Assets		Amount (₹)
Capital Fund (W N)	7,20,000		Furniture	36,000	
Less: Excess of Expenditure over Income	<u>72,000</u>	6,48,000	Less: Sold	<u>9,000</u>	27,000
Building Fund		18,00,000	5% Investment		5,40,000
Subscription Received in advance		1,800	Interest Accrued on Investment		27,000
			Sports Material		36,000
			Subscription Receivable		5,400
			Cash in Hand and at Bank		<u>18,14,400</u>
		<u>24,49,800</u>			<u>24,49,800</u>

Working Note:

Balance Sheet of Gold Smith Club as on 1st April, 2023

Liabilities	Amount ₹	Assets	Amount ₹
Subscription Received in Advance	1,800	Furniture	36,000
Capital Fund	7,20,000	Investment	5,40,000
(Balancing Figure)		Sports Material	1,33,200
		Subscription Receivable	3,600

		Cash in Hand and at Bank	9,000
	7,21,800		7,21,800

(b) (i) If Guarantee is given by firm

Profit and Loss Appropriation Account for the year ending on 31st March, 2024

Particulars	₹	Particulars	₹
To P's Capital A/c (3/5 of ₹ 1,30,00,000)	78,00,000	By Profit and Loss A/c	1,80,00,000
To Q's Capital A/c (2/5 of ₹ 1,30,00,000)	52,00,000		
To R's Capital A/c (1/6 of ₹ 1,80,00,000 or ₹ 50,00,000 whichever is more	50,00,000		
	1,80,00,000		1,80,00,000

(ii) If Guarantee is given by P and Q equally

Profit and Loss Appropriation Account for the year ending on 31st March, 2024

Particulars		₹	Particulars	₹
To P's Capital A/c (3/6 of ₹ 1,80,00,000)	90,00,000		By Profit and Loss, A/c (net profits)	1,80,00,000
Less: Deficiency borne for R (1/2 of 20,00,000)	<u>(10,00,000)</u>	80,00,000		
To Q's Capital A/c (2/6 of ₹ 1,80,00,000)	60,00,000			
Less: Deficiency borne for R (1/2 of 20,00,000)	<u>(10,00,000)</u>	50,00,000		
To R's Capital A/c (1/6 of ₹ 1,80,00,000)	30,00,000			
Add: Deficiency Recovery from P	10,00,000			
Add: Deficiency Recovery from Q	<u>10,00,000</u>	50,00,000		
		1,80,00,000		1,80,00,000

4. (a)

Revaluation Account

	₹		₹
To Plant & Machinery (3,40,000 x 15%)	51,000	By Land & Building A/c	3,04,000
To Provision for Bad & Doubtful Debts (1,20,000 x 5%)	6,000		
To Outstanding Repairs to Building	12,000		
To Albert's Capital A/c (5/8)	1,46,875		
To Andrew's Capital A/c (3/8)	88,125		
	3,04,000		3,04,000

Capital Accounts of Partners

	Albert	Andre	David		Albert	Andre	David
To Albert's Capital A/c	-	-	40,000	By Balance b/d	8,20,000	6,60,000	-
To Andrew's Capital A/c			24,000	By Revaluation A/c	1,46,875	88,125	-
To Andrew's Current A/c	-	1,36,125		By Profit & Loss A/c	1,40,000	84,000	-
To Balance c/d	12,00,000	7,20,000	4,80,000	By Bank			5,44,000
				By David's Capital A/c	40,000	24,000	
				By Albert's Current A/c	53,125		
	12,00,000	8,56,125	5,44,000		12,00,000	8,56,125	5,44,000

Calculation of New Profit Sharing Ratio and gaining ratio:

David's Share of Profit = $1/5 = 2/10$

Remaining Share = $1 - 1/5 = 4/5$

Albert's Share = $5/8 \times 4/5 = 20/40 = 5/10$

Andrew's Share = $3/8 \times 4/5 = 12/40 = 3/10$

New Profit sharing Ratio = 5:3:2

Gaining ratio = 5:3 (same as old profit sharing ratio among old partners)

Balance sheet of Thomas & Associates as on 31.3.2024

Liabilities		₹	Assets		
Capital Accounts:			Land & Buildings		10,64,000
Albert	12,00,000		Plant & Machinery	3,40,000	
Andrew	7,20,000		Less: Depreciation	<u>51,000</u>	2,89,000

David	4,80,000	24,00,000	Furniture		2,18,960
Andrew's Current A/c		1,36,125	Stock		2,90,520
Trade Creditors		1,09,600	Sundry Debtors	1,20,000	
Outstanding Repairs to Building		12,000	Less: Provision	<u>6,000</u>	1,14,000
			Cash at Bank		6,28,120
			Albert's current A/c		<u>53,125</u>
		<u>26,57,725</u>			<u>26,57,725</u>

Working Note:

Required Balance of Capital Accounts

David's Capital after writing off Goodwill = 5,44,000 – 64,000 = 4,80,000

David's Share of Profit = 1/5

Thus, Capital of the firm shall be = 4,80,000 x 5 = 24,00,000

Albert's Capital = 24,00,000 x 5/10 = 12,00,000 and

Andrew's Capital = 24,00,000 x 3/10 = 7,20,000

(b) (i) Amount of salaries to be charged to P & L A/c for the year ended 31stDecember, 2023

Employees = 9 x ₹ 1,32,000 x 12 = ₹ 1,42,56,000

Trainees = 2 x ₹ 63,000 x 6 = ₹ 7,56,000

Salaries charged to P & L A/c ₹ 1,50,12,000

(ii) Amount actually paid as salaries during 2023

Employees = 9 x ₹ 1,32,000 x 11 + 9 x ₹ 1,20,000 = ₹ 1,41,48,000

Trainees = 2 x ₹ 63,000 x 5 = ₹ 6,30,000

Amount paid as salaries ₹ 1,47,78,000

(iii) Outstanding salaries as on 31.12.2023

Employees = 9 x ₹ 1,32,000 = ₹ 11,88,000

Trainees = 2 x ₹ 63,000 = ₹ 1,26,000

Outstanding salaries ₹ 13,14,000

5. (a) Trading and Profit & Loss Account for the year ended 31-03-2024

	₹	₹		₹
To Opening stock		38,600	By Sales	8,54,000
To Purchases		6,13,750	By Closing stock	55,700
To Gross profit c/d (b.f.)		2,57,350		
		<u>9,09,700</u>		<u>9,09,700</u>

To Salaries (75,000 + 14,000 - 12,000)		77,000	By Gross Profit b/d	2,57,350
To Rent and taxes		11,800	By Interest on investment	10,200
To General expenses		22,500	(9,750+450)	
To Depreciation:				
Machinery @ 10%	8,500			
Furniture @ 10%	<u>2,450</u>	10,950		
To Bad Debts	7,200			
To Provision for doubtful debts	<u>7,000</u>	14,200		
To Balance being profit carried to Capital A/c (b.f.)				
		1,31,100		
		<u>2,67,550</u>		<u>2,67,550</u>

Balance Sheet as on 31st March, 2024

Liabilities	₹	₹	Assets	₹	₹
Prakash's Capital			Machinery	85,000	
on 1st April, 2023	3,32,150		Less: Depreciation	<u>(8,500)</u>	76,500
Add: Fresh Capital	50,000		Furniture	24,500	
Add: Profit for the year	<u>1,31,100</u>		Less: Depreciation	<u>(2,450)</u>	22,050
	5,13,250				
Less: Drawings	<u>(96,000)</u>	4,17,250	Inventory-in-trade		55,700
			Sundry debtors	3,50,000	
Sundry creditors		2,08,200	Less: Provision for		
Outstanding expenses		14,000	Doubtful debts	<u>(7,000)</u>	3,43,000
			Investment (including accrued interest ₹ 450)		85,450
			Cash at bank		36,600
			Cash in hand		20,150
		<u>6,39,450</u>			<u>6,39,450</u>

Working Notes:**1. Balance sheet as on 1-4-2023**

	₹		₹
Sundry creditors	60,200	Machinery	85,000
Capital	3,32,150	Furniture	24,500
(balancing figure)		Inventory	38,600
Outstanding salaries	12,000	Sundry debtors	1,55,000
		12% Investments	85,000
		Bank balance (from Cash statement)	16,250
	4,04,350		4,04,350

2. Total Debtors Account

		₹			₹
1.4.23	To Balance b/d	1,55,000	31.3.24	By Cash	4,81,000
31.3.24	To Credit sales (1,70,800/20x80)	6,83,200	31.3.24	By Bad debts	7,200
				By Balance c/d (Bal. Fig.)	3,50,000
		8,38,200			8,38,200

3. Total Creditors Account

		₹			₹
31.3.24	To Cash	3,43,000	1.4.23	By Balance b/d	60,200
31.3.24	To Balance c/d (Bal. Fig.)	2,08,200	31.3.24	By Credit Purchases (1,22,750/20x80)	4,91,000
		5,51,200			5,51,200

(b) Journal Entries in the books of Snowberry Ltd.

2024		Dr. ₹ in lakhs	Cr. ₹ in lakhs
April 2	Equity Share Final Call A/c Dr. To Equity Share Capital A/c (Final call of ₹ 2 per share on 10 crore equity shares made due)	2,000	2,000
	Bank A/c Dr. To Equity Share Final Call A/c (Final call money on 10 crore equity shares received)	2,000	2,000

June 1	Capital Redemption Reserve A/c	Dr.	1,000	
	Securities Premium A/c	Dr.	2,000	
	Capital Reserve A/c	Dr.	485	
	General Reserve A/c	Dr.	515	
	To Bonus to Shareholders A/c (Bonus issue of two shares for every five shares held, by utilising various reserves as per Board's resolution dated.....)			4,000
	Bonus to Shareholders A/c	Dr.	4,000	
	To Equity Share Capital A/c (Capitalisation of profit)			4,000

Notes to Accounts

			₹ in lakhs
1.	Share Capital		
	Authorised share capital		
	20 crore shares of ₹ 10 each		<u>20,000</u>
	Issued, subscribed and fully paid up share capital		
	14 crore Equity shares of ₹ 10 each, fully paid up		14,000
	(Out of the above, 4 crore equity shares @ ₹ 10 each were issued by way of bonus)		
	2 crore, 11% Cumulative Preference share capital of ₹ 10 each, fully paid up		<u>2,000</u>
			<u>16,000</u>
2.	Reserves and Surplus		
	Capital Reserves	485	
	Less: Utilized for bonus issue	<u>(485)</u>	-
	Capital Redemption reserve	1,000	
	Less: Utilized for bonus issue	<u>(1,000)</u>	-
	Securities Premium	2,000	
	Less: Utilized for bonus issue	<u>(2,000)</u>	-
	General Reserve	1,040	
	Less: Utilized for bonus issue	<u>(515)</u>	525
	Surplus (Profit and Loss Account)		<u>273</u>
	Total		<u>798</u>

6. (a) (i) **Journal Entries in the books of Gama Ltd.**

Date			Dr. ₹	Cr. ₹
(a)	Equity Share Capital A/c To Equity Share Allotment money A/c (9000 x ₹ 3) To Equity Share Final Call A/c (9000 x ₹ 4) To Forfeited Shares A/c (9000 x ₹ 3) (Being the forfeiture of 9000 equity shares of ₹ 10 each for non-payment of allotment money and final call, held by Varun as per Board's resolution No.....dated.....)	Dr.	90,000	27,000 36,000 27,000
(b)	Bank A/c (9,000 x 8) Forfeited Shares A/c (9,000x 2) To Equity Share Capital A/c (Being the re-issue of 9,000 forfeited shares @ ₹ 8 each as fully paid up to Katen as per Board's resolution No.....dated.....)	Dr. Dr.	72,000 18,000	90,000
(c)	Forfeited Shares A/c To Capital Reserve A/c (Being the profit on re-issue, transferred to capital reserve)	Dr.	9,000	9,000

(ii) **Journal Entries in the book of Mr. Y**

		Dr. ₹	Cr. ₹
Preference Share Capital A/c (10,000 x ₹ 70) To Preference Share Allotment A/c (10,000 x ₹ 20) To Preference Share First Call A/c (10,000 x ₹ 20) To Forfeited Share A/c (Being the forfeiture of 10,000 preference shares ₹ 70 each being called up for non-payment of allotment and first call money as per Board's Resolution No.... dated.....)	Dr.	7,00,000	2,00,000 2,00,000 3,00,000
Bank A/c (8,000 x ₹60) Forfeited Shares A/c (8,000 x ₹10)	Dr. Dr.	4,80,000 80,000	

To Preference Share Capital A/c (Being re-issue of 8,000 shares at ₹ 60 per share paid-up as ₹ 70 as per Board's Resolution No.....dated....)			5,60,000
Forfeited Shares A/c To Capital Reserve A/c (WN 1) (Being profit on re-issue transferred to Capital/Reserve)	Dr.	1,60,000	1,60,000

Working Note:

Calculation of amount to be transferred to Capital Reserve

Forfeited amount per share = ₹ 3,00,000/10,000 = ₹ 30

Loss on re-issue = ₹ 70 – ₹ 60 = ₹ 10

Surplus per share re-issued ₹ 20

Transferred to capital Reserve ₹ 20 x 8,000 = ₹ 1,60,000.

(b) In the books of Shell chemicals Ltd.

Journal Entries

		₹	₹
9% Preference Share Capital A/c To Calls in Arrears A/c To Shares Forfeited A/c (For Shares Forfeited because of non-payment of calls as holders are unknown)	Dr.	1,00,000	20,000 80,000
Bank A/c (W N) To Equity Share Capital A/c (Being the issue of 20,000 Equity Shares of ₹ 10 each at par as per Board's Resolution No.....dated....)	Dr.	2,00,000	2,00,000
General Reserve A/c To Capital Redemption Reserve A/c (For transfer to CRR for the amount not covered by the proceeds of fresh issue of equity shares)	Dr.	7,00,000	7,00,000
9% Preference Share Capital A/c To Preference Shareholders A/c (For amount payable to preference shareholders)	Dr.	9,00,000	9,00,000
Preference Shareholders A/c To Bank A/c (For amount paid to preference shareholders)	Dr.	9,00,000	9,00,000

Working Note:

Number of Shares to be issued for redemption of Preference Shares:

Face value of shares redeemed	9,00,000
Less: Profit available for distribution as dividend: General Reserve	<u>7,00,000</u> <u>2,00,000</u>
Therefore, number of shares to be issued = ₹ 2,00,000/ ₹ 10 = 20,000 shares.	

- (c) (i) Adjusted selling method is also called retail inventory method. It is used widely in retail business or in business where the inventory comprises of items, the individual costs of which are not readily ascertainable. The historical cost of inventory is estimated by calculating it in the first instance at selling price and then deducting an amount equal to the estimated gross margin of profit on such stocks.
- (ii) The specific identification method, First-In–First-Out (FIFO) and weighted average cost formulae are the principal methods of ascertaining the cost of inventory. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects should be assigned by specific identification of their individual costs under the specific identification method.

Or

- (c) (i) Revenue Expenditure.
(ii) Capital Expenditure.
(iii) Capital Expenditure.
(iv) Revenue Expenditure.
(v) Capital Expenditure.