



PAPER – 1: ACCOUNTING



QUESTIONS

True and False

1. State with reasons, whether the following statements are true or false:
 - (i) Trade Discount is a reduction granted by a supplier from the list price of goods or services on business considerations for prompt payment.
 - (ii) A tallied trial balance means that the books of accounts have been prepared as per accepted accounting principles.
 - (iii) "Salary paid in advance" is not an expense because it neither reduces assets nor increases liabilities.
 - (iv) When closing inventory is overstated, net income for the accounting period will be understated.
 - (v) In case of bill of exchange, the drawer and the payee may not be the same person but in case of a promissory note, the maker and the payee may be the same person.
 - (vi) Goodwill is intangible asset therefore it cannot be valued
 - (vii) Laboratory & library Deposits taken from the students in case of an educational Institution are shown on the liabilities side of the Balance Sheet.
 - (vii) Since company has existence independent of its members, it continues to be in existence despite the death, insolvency or change of members.

- (ix) Company X Ltd. is incurring huge losses; the Board of Directors are of the opinion that in case of losses, there is no need to pay interest to debenture holders.

Theoretical Framework

2. (a) Explain Cash and Mercantile system of accounting
(b) Define revenue receipts and give examples. How are these receipts treated?
(c) Change in accounting policy may have a material effect on the items of financial statements." Explain the statement with the help of an example.

Journal Entries

3. (a) Pass a journal entry in each of the following cases:
- (i) A running business was purchased by Arjun with the following assets and liabilities:
- Bank – ₹ 70,000
Land – ₹ 1,40,000
Furniture – ₹ 35,000
Stock – ₹ 70,000
Creditors – ₹ 35,000
Bank Overdraft – ₹ 70,000
- (ii) Sold goods to Harpreet for ₹ 3,50,000 at a trade discount of 20% and charged IGST @ 12%.
- (iii) Goods distributed by way of free samples amounted to ₹ 35,000.
- (iv) Goods of list price ₹1,40,000 were returned by Harpreet.
- (v) Sandeep became insolvent and could pay only 40 paise in a rupee. The amount due from him was ₹21,000.

Capital or Revenue Expenditure

- (b) Classify the following expenditures as capital or revenue expenditure/receipt:
- ₹ 10,000 spent as import duty on machinery purchased.
 - Amount received from debtors during the year.
 - Cost of testing whether the equipment is functioning properly.
 - Insurance claim received on account of a machinery damaged by fire.

Subsidiary Books

4. (a) Prepare a Purchases book from the following transactions of Techno Computers

Date (2026)	Particulars
Jan. 3	Bought from Rocket Computers (Delhi), on credit: 10 RAM @ ₹ 1,400 each 50 Pen Drives @ ₹ 300 each Trade Discount @ 10% CGST @ 9%, SGST @ 9% Freight ₹ 700
Jan. 5	Purchased from Yes Computers (Mumbai), on credit: 20 Hard Disk @ ₹ 3,600 each 10 UPS @ ₹ 2,000 each Trade Discount @ 10% IGST @ 18%
Jan. 17	Bought from Sai Computers (Delhi), on credit: 8 Motherboards @ ₹ 2,500 each

	20 Web Camera @ ₹ 600 each
	Trade Discount @ 5%
	CGST @ 9%, SGST @ 9%
	Freight ₹ 2,500

Rectification of Errors

- (b) Before the preparation of the Trial Balance, the following errors were discovered in the books of Mr. Krishna:
- (i) Minor repairs to office premises amounting to ₹ 3,200 plus CGST and SGST @ 9% each were debited to Building Account.
 - (ii) An amount of ₹ 8,500 due from Mohit Verma, which had been written off as bad debts in the previous year, was recovered during the current year and wrongly credited to Mohit Verma's Personal Account.
 - (iii) Office furniture purchased for ₹35,000 plus CGST and SGST @ 9% each was entered in the Purchases Day Book.
 - (iv) Goods purchased on credit from Rakesh Enterprises amounting to ₹ 24,000 plus IGST @12% have remained completely unrecorded.
 - (v) School fees of proprietor's daughter amounting to ₹ 28,000 were debited to Legal Charges Account.
 - (vi) A cheque received from Ankit Sharma ₹12,600 was credited to the account of Amit Sharma.
 - (vii) Goods costing ₹ 15,000 sold to a customer were returned by him. The goods were received back into inventory, but no entry was passed in the books. CGST and SGST @ 9% each was charged on the original cost.
 - (viii) Wages of ₹ 5,000 paid to workers engaged in manufacturing office furniture were debited to Wages Account.

- (ix) Salary paid to office manager ₹ 18,000 was debited to his Personal Account.
- (x) Cash paid to creditor Naveen Kumar ₹ 9,800 was correctly entered in the Cash Book but omitted from his Personal Account.

Pass the necessary Journal Entries to rectify the above errors.

Bank Reconciliation Statement

5. The Bank Pass Book of Account No.5678 of Mrs. Geeta showed an overdraft of ₹ 33,575 on 31st March 2026. On going through the Pass Book, the accountant found the following:
- (i) A Cheque of ₹ 1,080 credited in the pass book on 28th March 2026 being dishonoured is debited again in the pass book on 1st April 2026. There was no entry in the cash book about the dishonour of the cheque until 15th April 2026.
 - (ii) Bankers had credited her account with ₹ 2,800 for interest collected by them on her behalf, but the same has not been entered in her cash book.
 - (iii) Out of ₹ 20,500 paid in by Mrs. Geeta in cash and by cheques on 31st March 2026 cheques amounting to ₹ 7,500 were collected on 7th April, 2026.
 - (iv) Out of Cheques amounting to ₹ 7,800 drawn by her on 27th March, 2026 a cheque for ₹ 2,500 was encashed on 3rd April, 2026.
 - (v) Bankers seems to have given here wrong credit for ₹ 500 paid in by her in Account No. 8765 and a wrong debit in respect of a cheque for ₹ 300 against her account No.8765.
 - (vi) A cheque for ₹ 1,000 entered in Cash Book but omitted to be banked on 31st March, 2026.
 - (vii) A Bill Receivable for ₹ 5,200 previously dishonoured (discounted for ₹ 200) with the Bank had been dishonoured but advice was received on 1st April, 2026.

- (viii) A Bill for ₹ 10,000 was retired /paid by the bank under a rebate of ₹ 175 but the full amount of the bill was credited in the bank column of the Cash Book.
- (ix) A Cheque for ₹ 2,400 deposited into bank but omitted to be recorded in Cash Book and was collected by the bank on 31st March, 2026.

Prepare Bank Reconciliation Statement as on 31st March, 2026.

Valuation of Inventories

6. Stock taking of Comfort Zone Stores for the year ended 31st March, 2026 was completed by 7th April, 2026, the valuation of which showed a stock figure of ₹ 5,02,500 at cost as on the completion date. After the end of the accounting year and till the date of completion of stock taking, sales for the next year were made for ₹ 20,625, profit margin being 33.33 percent on cost. Purchases for the next year included in the stock amounted to ₹ 27,000 at cost less trade discount 10 percent. During this period, goods were added to stock of the mark-up price of ₹ 900 in respect of sales returns. After stock taking it was found that there were certain very old slow moving items costing ₹ 3,375 which should be taken at ₹ 1,575 to ensure disposal to an interested customer. Due to heavy floods, certain goods costing ₹ 4,650 were received from the supplier beyond the delivery date of customer. As a result, the customer refused to take delivery and net realizable value of the goods was estimated to be ₹ 3,750 on 31st March, 2026.

You are required to calculate the value of stock for inclusion in the final accounts for the year ended 31st March, 2026. Closing stock is valued by comfort zone Stores on generally accepted accounting principles.

Depreciation and Amortisation

7. A firm purchased a second-hand machinery on 1st April, 2023 for ₹ 30,00,000 subsequent to which ₹ 4,00,000 were spent on its repairs and installation. On 1st October, 2023 another machinery was purchased for ₹ 18,00,000 and cost of installing the machine in a new plant is ₹ 40,000. The firm also shifted the machinery purchased on 1st April, 2023 to the new plant and incurred freight of ₹ 10,000. They adopted a

policy of charging depreciation @ 12% per annum on diminishing balance method.

On 1st April, 2025 it was decided to change the method and rate of depreciation to straight line basis. On this date, the remaining useful life was assessed as 5 years for both the machines purchased with no scrap value.

On 1st October, 2025 the first machine become outdated and sold for ₹ 5,00,000. On the same date, another machinery was purchased for ₹ 17,00,000. The estimated useful life of the machine is 10 years and residual value is ₹ 60,000.

You are required to prepare the machinery account for the year ending March 31, 2026.

Bills of Exchange

8. Mr. Bimal accepted a bill for ₹ 30,000 drawn on him by Mr. Aman on 1st August, 2025 for 3 months. This was for the amount which Bimal owed to Aman. On the same date Mr. Aman got the bill discounted at his bank for ₹ 29,400.

On the due date, Bimal approached Aman for renewal of the bill. Mr. Aman agreed on condition that ₹ 6,000 be paid immediately along with interest on the remaining amount at 12% p.a. for 3 months and that for the remaining balance Bimal should accept a new bill for 3 months. These arrangements were carried through. On 31st December, 2025, Bimal became insolvent and his estate paid 40%.

You are required to prepare Journal Entries in the books of Mr. Aman

Final accounts

9. The following are the balances as at 31st March, 2026, extracted from the books of Ms. Priya Nandini, proprietor of Nandini Textiles.

	₹		₹
Plant and Machinery	58,650	Bad Debts Recovered	1,350
Furniture and Fittings	30,750	Salaries	83,250
Bank Overdraft	2,40,000	Salaries Payable	7,350

Capital Account	98,100	Prepaid Rent	900
Drawings	24,000	Rent	12,900
Purchases	4,80,000	Carriage Inward	3,375
Opening Stock	96,750	Carriage Outward	4,050
Wages	36,495	Sales	6,45,900
Provision for Doubtful Debts	9,600	Advertisement Expenses	10,050
Provision for Discount on Debtors	4,125	Printing and Stationery	3,750
Sundry Debtors	3,60,000	Cash in Hand	4,350
Sundry Creditors	1,42,500	Cash at Bank	9,375
Bad Debts	3,300	Office Expenses	30,480
Interest Paid on Loan	9,000		

Additional Information:

1. Closing stock as on 31st March, 2026 was ₹ 3,75,000.
2. Create a provision for doubtful debts @ 5% on Sundry Debtors and a provision for discount on debtors @ 2.5% on debtors (after provision for doubtful debts).
3. Depreciation is to be provided on Plant and Machinery @ 15% p.a. and on Furniture and Fittings @ 10% p.a.
4. Manager's commission is payable @ 5% on net profit after charging such commission.
5. Interest on Loan is to be provided @ 8% per annum.
6. Audit fees of ₹ 4,500 are outstanding and have not yet been accounted for.

Prepare a Trading and Profit and Loss Account for the year ended 31st March, 2026, and a Balance Sheet as on that date.

Financial Statements of Not for Profit Organizations

10. The following is the Receipts and payments account of Masters Club for the year ended on 31st March, 2026

Receipts and payments A/c for the year ended on 31st march 2026

Receipts	Amount (₹)	Payments	Amount (₹)
To balance b/d	8,450	By Salaries and wages	12,250
To Subscription	23,000	By Supply of refreshment	18,250
To Sale of refreshments	22,000	By Sports equipment	2,800
To Entrance fees	26,000	By Telephone Charges	
To interest on investments @ 7%	4,550	By Electricity charges	15,600
		By Honorarium charges	6,500
		By balance c/d	1,100
	84,000		84,000

Additional information:

- Following are the assets and liabilities on 31st March, 2025:
 Assets- Sports equipment- ₹ 32,000; Subscription in arrears- ₹ 7,600; furniture- ₹ 12,480
 Liabilities- Outstanding Electricity charges- ₹ 5,400; Subscription in advance- ₹ 6,250
- Following are the assets and liabilities on 31st March, 2026-
 Assets- Sports equipment- ₹ 50,500; Subscription in arrears- ₹ 5,200; furniture- ₹ 11,180
 Liabilities- Outstanding Electricity charges- ₹ 3,800; Subscription in advance- ₹ 4,850
- 50% of the entrance fees to be capitalized.

4. Interest on the investments is being received in full, and the investments have been made on 1.4.2025

You are required to prepare Income and Expenditure account and the Balance Sheet as of 31st March 2026 in the books of Masters Club.

Accounts from Incomplete Records

11. The following is the Balance Sheet of Manish and Suresh as on 1st April, 2025:

Liabilities	₹	Assets	₹
Capital Accounts:		Building	1,00,000
Manish	1,50,000	Machinery	65,000
Suresh	75,000	Stock	40,000
Creditors for goods	30,000	Debtors	50,000
Creditors for expenses	25,000	Bank	25,000
	<u>2,80,000</u>		<u>2,80,000</u>

They give you the following additional information:

- Sales and purchases for the year ended 31st March, 2025 were ₹ 3,00,000 and ₹ 2,40,000 respectively.
- Stock level is maintained uniformly in value throughout all over the year.
- Depreciation on machinery is charged @ 10%, Depreciation on building @ 5% in the current year.
- Sales in the current year will increase by 43.75% in volume.
- Rate of gross profit remains the same.
- Business Expenditures are ₹ 50,000 for the year. All expenditures are paid off in cash.
- All sales and purchases are on credit basis and there are no cash purchases and sales.

You are required to prepare Trading and Profit and Loss Account for the year ended 31.03.2026.

Partnership Accounts

Profit and Loss Appropriation Account

12. Aarav Mehta, Rohan Khanna and Vikram Sharma are in partnership sharing profit and losses at the ratio of 2:5:3. The Balance Sheet of the partnership as on 31.12.2025 was as follows:

Balance Sheet of M/s Aarav Mehta, Rohan Khanna & Vikram Sharma

Liabilities	₹	Assets	₹
Capital A/cs		Sundry fixed assets	15,00,000
Aarav Mehta	2,55,000	Inventory	3,00,000
Rohan Khanna	9,45,000	Trade receivables	1,50,000
Vikram Sharma	6,75,000	Bank	15,000
Trade payables	<u>90,000</u>		<u> </u>
	19,65,000		19,65,000

The partnership earned profit ₹ 6,00,000 in 2025 and the partners withdrew ₹ 4,50,000 during the year. Normal rate of return 30%.

You are required to calculate the value of goodwill on the basis of 5 years' purchase of super profit. For this purpose calculate super profit using average capital employed.

Admission of Partner

13. X and Y are partners in a firm, sharing Profits and Losses in the ratio of 3: 2. The Balance Sheet of X and Y as on 31st March, 2025 was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Sundry Creditors	45,150	Building	91,000
Bill Payable	14,350	Furniture	20,300
Bank Overdraft	31,500	Stock-in-Trade	74,900

Capital Account:		Debtors	1,22,500	
X: 1,54,000		Less: Provision	(700)	1,21,800
Y: <u>1,26,000</u>	2,80,000	Investment		8,750
		Cash		<u>54,250</u>
	<u>3,71,000</u>			3,71,000

'Z' was admitted to the firm on 1.4.2025 on the following terms:

- He is admitted for 1/6th share and introduces a Capital of ₹ 87,500. The new profit sharing ratio of X, Y and Z will be 3 : 2 : 1 respectively.
- Z is unable to bring in cash for his share of goodwill; The partners decided to calculate goodwill on the basis of 'Z's share in the profits and the capital contribution made by him to the firm.
- Furniture is written down by ₹ 3,045 and stock to be depreciated by 5%.
- Building is appreciated to ₹ 1,02,200. Investment value increases by ₹ 1,575.
- Creditors include ₹ 4,900 not to be paid. Provision for Debtors is to be maintained at 5%.
- A printer purchased for ₹ 3,500 on credit was entered in Furniture A/c by mistake. It is now to be treated as Office Equipment, and the liability to the supplier is still outstanding.
- Outstanding wages of ₹ 5,460 are also to be provided

You are required to prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of New Partnership firm after admission of 'Z'.

Dissolution of Partnership

- A, B and C were partners sharing profits and losses in the ratio of 4 : 3 : 1. Their Balance Sheet as on 31st March, 2025 was as follows :

Liabilities	₹	Assets	₹
A's Capital A/c	1,05,000	Building	90,000

B's Capital A/c	45,000	Machinery	30,000
C's Capital A/c	75,000	Stock	82,500
Creditors	39,000	Debtors	90,000
Bank Loan (Secured)	13,500		
A's Loan	15,000		
	2,92,500		2,92,500

They decided to dissolve the business. The assets were realised gradually and the net amounts were distributed immediately as follows:

2025	₹	Expenses	₹
May, 30	33,000	Expenses paid	3,000
July, 30	25,200	Expenses paid	2,200
Sept. 30	57,000	Expenses paid	4,500
Nov. 30	68,000	Expenses paid	8,000
Dec. 31	1,08,000	Expenses paid	10,000

Show the distribution of cash among partners using maximum possible loss method.

Issue and Forfeiture of Shares

15. DC Limited invited applications for issuing 3,75,000 equity shares of ₹ 10 each at a premium of ₹ 5 per share. The total amount payable was ₹ 9 per share (including premium) on application and allotment and balance on the First and Final Call

Applications for 15,00,000 equity shares were received. Applications for 10,00,000 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 7,500 shares applied by Mr. Sunil. 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 DC Limited.

Bonus Issue and Redemption of Preference Shares

16. The following is the summarized Balance Sheet of Globus Ltd. as at 31.3.2025:

Liabilities	₹	Assets	₹
Share Capital		Fixed Assets 3,00,000	
Authorised		Less: Dep <u>1,00,000</u>	2,00,000
10,000 10% Redeemable Preference		Investments	1,00,000
Shares of ₹ 10 each	1,00,000		
90,000 Equity Shares of ₹ 10 each	9,00,000		
	10,00,000		
Issued, Subscribed and Paid-up Capital		Current Assets and Loans and Advances	
10,000 10% Redeemable Preference		Inventory	45,000
Shares of ₹ 10 each	1,00,000	Trade receivables	25,000
10,000 Equity Shares of ₹ 10 each	1,00,000	Cash and Bank Balances	50,000
(A)	2,00,000		
Reserves and Surplus			
General Reserve	1,08,500		
Securities Premium	70,000		
Profit and Loss A/c	30,000		
(B)	2,08,500		
Current Liabilities and Provisions (C)	11,500		
Total (A + B + C)	4,20,000	Total	4,20,000

For the year ended 31.3.2026, the company made a net profit of ₹ 35,000 after providing ₹ 20,000 depreciation.

The following additional information is available with regard to company's operation:

1. The preference dividend for the year ended 31.3. 2026 was paid.
2. Except cash and bank balances other current assets and current liabilities as on 31.3. 2026, was the same as on 31.3.2025.
3. The company redeemed the preference shares at a premium of 10%.
4. The company issued bonus shares in the ratio of one share for every two equity share held as on 31.3.2026.
5. To meet the cash requirements of redemption, the company sold investments.
6. Investments were sold at 90% of cost on 31.3.2026.

You are required to prepare necessary journal entries to record redemption and issue of bonus shares.

Issue of Debentures

17. On 1st April 2025, Vertex Industries Ltd. took over assets of ₹ 27,00,000 and liabilities of ₹ 3,60,000 of Summit Manufacturing Ltd. for a purchase consideration of ₹ 26,40,000.

Vertex Industries Ltd. discharged the purchase consideration by issuing 8% Debentures of ₹ 100 each at a premium of 10% on the same date.

Further, Vertex Industries Ltd. issued 18,000, 8% Debentures of ₹ 100 each at a discount of 10%, redeemable at a premium of 5% after 5 years. According to the terms of issue, ₹30 per debenture was payable on application and the balance on allotment.

It was decided to write off the entire loss on issue of debentures in the year of issue itself.

You are required to pass the necessary journal entries in the books of Vertex Industries Ltd. for the financial year 2025–26.

18. Write short notes on:
- (i) Going Concern concept.
 - (ii) Services a Chartered Accountant can provide to society
 - (iii) Double entry system

- (iv) Factors taken into consideration for calculation of depreciation.
- (v) Noting Charges.
- (vi) Importance of bank reconciliation to an industrial unit.



SUGGESTED ANSWERS/HINTS

1.
 - (i) **False:** Trade Discount is a reduction granted by a supplier from the list price of goods or services on business considerations other than for prompt payment.
 - (ii) **False:** Trial balance only checks the arithmetical accuracy of the books. Errors of principle and errors of commission will not affect the agreement of the trial balance.
 - (iii) **True:** Salary paid in advance relates to the coming accounting period and it has nothing to do with the current period. Hence it is not taken in the Profit and Loss Account as an expense. It is shown as a Current Asset in the Balance Sheet.
 - (iv) **False:** When closing inventory is overstated, net income for the accounting period will also be overstated.
 - (v) **False:** The drawer and payee may be same person in case of bill of exchange whereas in promissory note maker and payee can't be same person.
 - (vi) **False:** Even though Goodwill is intangible asset it can be valued in terms of money. It can be measured in terms of physical units.
 - (vii) **True:** Laboratory and library deposits are of the nature of security deposits to be refunded to the students on their leaving the College or University. Hence they are shown on the liability side of the Balance Sheet.
 - (viii) **True:** As per Perpetual Existence company has existence independent of its members, it continues to be in existence despite the death, insolvency or change of members.

- (ix) **False:** Even if the company incurs losses, it has to pay interest on debentures. Debenture 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.
2. (a) **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.

- (b) Receipts which are obtained in course of normal business activities are revenue receipts. Example receipts from sale of goods or services, interest income etc.

Revenue receipts should not be equated with the actual cash receipts. Revenue receipts are credited to the Profit and Loss Account

- (c) Change in accounting policy may have a material effect on the items of financial statements. For example, cost formula used for inventory valuation is changed from weighted average to FIFO. Unless the effect of such change in accounting policy is quantified, the financial statements may not help the users of accounts.

3. (a)

In the books of Arjun
Journal Entries

		₹	₹
(i)	Cash A/c Dr.	70,000	
	Land A/c Dr.	1,40,000	
	Furniture A/c Dr.	35,000	
	Stock A/c Dr.	70,000	
	To Creditors		35,000
	To Bank overdraft		70,000
	To Capital A/c		2,10,000
	(Being commencement of business by Arjun by taking over a running business).		
(ii)	Harpreet's A/c Dr.	3,13,600	
	To Sales A/c		2,80,000
	To Output IGST A/c		33,600
	(Being goods sold to Harpreet at trade discount of 20% and charged IGST @12%)		
(iii)	Advertisement Expenses A/c Dr.	35,000	
	To Purchases A/c		35,000
	(Being goods distributed as free sample)		
(iv)	Sales Return A/c Dr.	1,12,000	
	Output IGST A/c Dr.	13,440	
	To Harpreet A/c		1,25,440
	(Being goods returned by Harpreet and output IGST charged at the time of sales now reversed)		
(v)	Cash A/c Dr.	8,400	
	Bad Debts A/c Dr.	12,600	
	To Sandeep		21,000
	(Being Sandeep become insolvent)		

- (b) (i) Import duty is paid to bring the machinery to a usable condition and is directly related to acquiring a fixed asset and any cost incurred to acquire, install, or make a fixed asset ready for use forms part of the cost of that asset and is **Capital Expenditure**.
- (ii) Amount received from debtors is simply the amount which is already earned as revenue in a prior period. It does not generate any new income, nor does it create or extinguish a long-term asset or liability. It is therefore a **revenue receipt**.
- (iii) Testing costs are incurred before an asset is put into use and this cost is necessary to bring an asset to its working condition. Hence, it is **Capital expenditure**.
- (iv) Insurance claim received on account of machinery damaged by fire is the compensation received on account of loss of a fixed asset. Hence it is a **Capital receipt**.

4. (a) **In the Books of Techno Computers**

Purchases Book

Date	Particulars	L.F.	Details (₹)	Cost (₹)	Input CGST (₹)	Input SGST (₹)	Input IGST (₹)	Freight (₹)	Total (₹)
2026 Jan. 3	Rocket Computers 10 RAM @ ₹ 1,400 each 50 Pen Drives @ ₹ 300 each		14,000 <u>15,000</u> 29,000 <u>(2,900)</u> 26,100 2,349 2,349						
	Less: Trade Discount @10%								
	Add: CGST@ 9%								
	Add: SGST @9%								

	Add: Freight		700						
			31,498	26,100	2,349	2,349		700	31,498
Jan. 5	Yes Computers								
	20 Hard Disk		72,000						
	@ ₹ 3,600 each								
	10 UPS @		20,000						
	₹ 2,000 each								
			92,000						
	Less: Trade Discount @10%		(9,200)						
			82,800						
	Add: IGST @18%		14,904						
			97,704	82,800			14,904		97,704
Jan. 17	Sai Computers								
	8 Motherboards								
	@ ₹ 2,500 each		20,000						
	20 Web		12,000						
	Camera @								
	₹ 600 each								
			32,000						
	Less: Trade Discount @		(1,600)						
	5%								
			30,400						
	Add: CGST @9%		2,736						
	Add: SGST @9%		2,736						
	Add: Freight		2,500						
			38,372	30,400	2,736	2,736		2,500	38,372
				1,39,300	5,085	5,085	14,904	3,200	1,67,574

Working Note:

1. GST is a comprehensive indirect tax applied to the manufacturing, sale, and consumption of goods and services. Input GST is paid on purchases and can be set off against Output GST. Therefore, separate columns are maintained in the Purchases Book for recording Input CGST, Input SGST, and Input IGST.
2. Trade discounts are deducted first, then GST is calculated on the remaining balance.
3. When a supplier charges for shipping, these costs are included in the total invoice value. A separate column for "Freight" is provided in the Purchases Book to track these expenses.

(b)
In the books of Mr. Krishna
Journal Entries

Date	Particulars	Dr. ₹	Cr. ₹
(1)	Repairs A/c Dr. Input CGST A/c Input SGST A/c To Building A/c (Being repairs to building wrongly debited to building now rectified)	3,200 288 288	3,776
(2)	Mohit Verma A/c Dr. To Bad Debts Recovered A/c (Recovery of bad debts wrongly credited to debtor now rectified)	8,500	8,500
(3)	Furniture A/c Dr. Input CGST A/c Input SGST A/c	35,000 3,150 3,150	

	To Purchases A/c (Furniture purchase wrongly treated as goods purchaser, now rectified)		41,300
(4)	Purchases A/c Dr. Input ICGST A/c To Rakesh Enterprises A/c (Goods purchased from Rakesh enterprises omitted to be recorded now rectified)	24,000 2,880	26,880
(5)	Drawings A/c Dr. To Legal Charges A/c (Proprietor's daughter's school fees wrongly debited to expenses, now rectified)	28,000	28,000
(6)	Amit Sharma A/c Dr. To Ankit Sharma A/c (Cheque received from Ankit sharma wrongly credited to Amit Sharma, now rectified)	12,600	12,600
(7)	Sales Return A/c Dr. Output CGST A/c Dr. Output SGST A/c Dr. To Customer's A/c (Sales return omitted to be recorded now rectified)	15,000 1,350 1,350	17,700
(8)	Furniture A/c Dr. To Wages A/c (Furniture-making wages capitalised now rectified)	5,000	5,000

(9)	Salaries A/c To Office Manager's Personal A/c (Salary paid to personal manager wrongly debited to personal account now rectified)	Dr.	18,000	18,000
(X)	Naveen Kumar A/c To Suspense A/c (Omission of posting in creditor's account now rectified)	Dr.	9,800	9,800

5. Bank Reconciliation Statement as on 31st March, 2026

Particulars	₹
Bank balance (Debit i.e. overdraft) as per Bank Pass book	33,575
(ii) <i>Add:</i> No entry in Cash book for interest collection by Bank	2,800
(iii) <i>Less:</i> Amount debited in cash book for pending cheques in collection but not credited in Pass Book	(7,500)
(iv) <i>Add:</i> Cheque credited in cash book but not debited in pass book	2,500
(v) <i>Add:</i> Reversal of wrong Credit	500
<i>Less:</i> Reversal of wrong debit	(300)
(vi) <i>Less:</i> Cheque of ₹ 1,0000 entered in cash book but omitted to be banked	(1,000)
(vii) <i>Less:</i> Discounted dishonored but no entry in Cash book	(5,200)
(viii) <i>Add:</i> Rebate on bill retired not entered in cash book	175
(viii) <i>Add:</i> Cheques deposited in bank not yet recorded in cash book	<u>2,400</u>
Balance (Cr. i.e. overdraft) as per Cash book	<u>27,950</u>

Note: A cheque of ₹ 1,080 credited in Pass Book on 28th March, 2026 and later debited in Pass Book on 1st April, 2026 has no effect on Bank Reconciliation statement as at 31st March, 2026.

6. (a) Statement showing the valuation of stock as on 31st March, 2026

		₹
A	Value of Stock as on 7th April, 2026	5,02,500
B	Add: Cost of sales after 31 st March, till stock taking (₹ 20,625 – ₹ 5,157)	15,468
C	Less: Purchases for the next period (net)	(24,300)
D	Less: Cost of Sales Returns	(675)
E	Less: Loss on revaluation of slow moving inventories	(1,800)
F	Less: Reduction in value on account of default	<u>(900)</u>
G	Value of Stock on 31 st March, 2026	<u>4,90,293</u>

Note: Profit margin of 33.33 percent on cost means 25 percent on sale price.

7. Machinery Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2025 April 1	To Bal b/d- Machine 1 26,32,960 Machine 2 <u>15,22,048</u>	41,55,008	2025 Oct. 1	By Depreciation- on machinery 1 sold	2,63,296
		17,00,000	Oct. 1	By Bank – machinery 1 sold	5,00,000
Oct. 1	To Bank A/c (Machine 3)		Oct. 1	By Profit & Loss– Loss on Sale of machinery (WN. 1)	18,69,664
			2026 Mar. 31	By Depreciation (WN. 2) Machine 2 3,04,410 Machine 3 <u>82,000</u>	3,86,410
			Mar. 31	By bal c/d	<u>28,35,638</u>
		58,55,008			58,55,008

Working Note 1:
Calculation of depreciation and Profit/loss on sale:

	Machine 1 purchased on 1st April, 2023 (₹)	Machine 2 purchased on 1st October, 2023 (₹)	Total (₹)
Cost of Purchase	30,00,000	18,00,000	
	<u>4,00,000</u>	<u>40,000</u>	
Total Cost	34,00,000	18,40,000	
Less: Depreciation @ 12%			
Machine 1 (12 months)	(4,08,000)		
Machine 2 (6 months)		(1,10,400)	5,18,400
W.D.V. on 31-3-2024	29,92,000	17,29,600	
Less: Depreciation @ 12%	(3,59,040)	(2,07,552)	5,66,592
W.D.V. on 31-3-2025	26,32,960	15,22,048	
Less: Depreciation on SLM Basis (WN. 2)	(2,63,296)	(3,04,410)	5,67,706
	23,69,664	12,17,638	
Less: Sale proceeds on 1-10-2025	(5,00,000)		
Loss on sale of machinery	18,96,664		

Working Note 2:

Calculation of Depreciation on the basis of Straight-line method with effect from April 1,2025

- Machine 1 (purchased on 1st April,2025) = $34,00,000 - 4,08,000 - 3,59,040 = 26,32,960 / 5 = 5,26,592 / 2 = 2,63,296$
- Machine 2 (purchased on 1st October, 2023) = $18,40,000 - 1,10,400 - 2,07,552 = 15,22,048 / 5 = ₹ 3,04,410$
- Machine 3 (purchased on 1st Oct,2025) = $\frac{17,00,000 - 60,000}{10} = 1,64,000 / 2 = ₹ 82,000$

Note: Freight incurred on Machinery purchased on 1st April, 2023 is to be excluded from the cost of machinery since this cost is incurred only for shifting the machinery to the new plant and does not increase the operating capacity of the machinery.

8. Journal Entries in the Books of Mr. Aman

Date 2025	Particulars	L.F.	Dr. Amount ₹	Cr. Amount ₹
August 1	Bills Receivable A/c To Bimal (Being the acceptance received from Bimal to settle his account)	Dr.	30,000	30,000
August 1	Bank A/c Discount A/c To Bills Receivable (Being the bill discounted for ₹ 9,800 from bank)	Dr. Dr.	29,400 600	30,000
November 4	Bimal To Bank A/c (Being the Bimal's acceptance is to be renewed)	Dr.	30,000	30,000
November 4	Bimal To Interest A/c (Being the interest due from Bimal for 3 months i.e., $8000 \times \frac{3}{12} \times 12\% = 240$)	Dr.	720	720
November 4	Cash A/c Bills Receivable A/c To Bimal (Being amount and acceptance of new bill received from Bimal)	Dr. Dr.	6,720 24,000	30,720

December 31	Bimal A/c Dr. To Bills Receivable A/c (Being Bimal became insolvent)	24,000	24,000
December 31	Cash A/c Dr. Bad debts A/c Dr. To Bimal (Being the amount received and written off on Bimal's insolvency)	9,600 14,400	24,000

9. In the books of Ms. Priya Nandini (Nandini Textiles)

Trading A/c for the year ended 31st March, 2026

	Particulars	₹		Particulars	₹
To	Opening Stock	96,750	By	Sales	6,45,900
To	Purchases	4,80,000	By	Closing Stock	3,75,000
To	Carriage Inward	3,375			
To	Wages	36,495			
To	Gross Profit c/d	4,04,280			
		10,20,900			10,20,900

Profit and Loss A/c for the year ended 31st March, 2026

	Particulars	₹		Particulars	₹
To	Salaries	83,250	By	Gross Profit b/d	4,04,280
To	Rent	12,900	By	Bad Debts Recovered	1,350
To	Advertisement Expenses	10,050			
To	Printing and Stationery	3,750			
To	Bad Debts	3,300			
To	Carriage Outward	4,050			
To	Provision for Doubtful Debts (WN 1)	8,400			

To	Provision for Discount on Debtors (WN 2)	4,425			
To	Depreciation (WN-4)	11,873			
To	Office Expenses	30,480			
To	Interest on Loan	9,000			
To	Audit Fees	4,500			
To	Manager's Commission (WN 3)	10,460			
To	Net Profit (to Capital A/c)	2,09,192			
		4,05,630			4,05,630

Balance Sheet at on 31st March, 2026

Liabilities	₹	₹	Assets	₹	₹
Capital Account	98,100		Plant and Machinery	58,650	
Add: Net Profit	<u>2,09,192</u>		Less: Depreciation	<u>(8,798)</u>	49,852
	3,07,292		Furniture and Fittings	30,750	
Less: Drawings	<u>(24,000)</u>	2,83,292	Less: Depreciation	<u>(3,075)</u>	27,675
			Closing Stock		3,75,000
Bank Overdraft		2,40,000	Sundry Debtors	3,60,000	
Sundry Creditors		1,42,500	Less: Prov. for Doubtful Debts	<u>(18,000)</u>	
Salaries Payable		7,350	Less: Prov. for Discount on Debtors	<u>(8,550)</u>	3,33,450
Manager's Commission Payable		10,460	Prepaid Rent		900
Outstanding Audit Fees		4,500	Cash in Hand		4,350
Loan (WN 5)		<u>1,12,500</u>	Cash at Bank		<u>9,375</u>
		<u>8,00,602</u>			<u>8,00,602</u>

Working Notes

1. Provision for Doubtful Debts	Amount
Sundry Debtors balance	₹ 3,60,000
New provision @ 5% of ₹3,60,000	₹ 18,000
Less: Existing provision	<u>₹ (9,600)</u>
Additional provision charged to P&L	<u>₹ 8,400</u>
2. Provision for Discount on Debtors	
Net Debtors after provision for doubtful debts	₹ 3,42,000
New provision @ 2.5% of ₹3,42,000	₹ 8,550
Less: Existing provision	<u>₹ (4,125)</u>
Additional provision charged to P&L	<u>₹ 4,425</u>
3. Manager's Commission	
Profit before manager's commission (after interest on capital)	₹ 2,19,652
Commission = $5/105 \times ₹ 2,19,652$	<u>₹ (10,460)</u>
Net Profit (transferred to Capital Account)	<u>₹ 2,09,192</u>
4. Depreciation	
Plant and Machinery: 15% on ₹58,650	₹ 8,798
Furniture and Fittings: 10% on ₹30,750	<u>₹ 3,075</u>
Total Depreciation	<u>₹ 11,873</u>
5. Loan	
Interest on Loan @8%	9,000
Total Loan = $9,000/8\%$	1,12,500

10. **In the books of Masters Club**
Income and expenditure Account for the year ended on
31st March, 2026

Expenditure	Amount (₹)	Income	Amount (₹)
To Salaries and wages	12,250	By Subscriptions (W.N. 4)	22,000

To Depreciation (W.N. 3)	10,300	By Net proceeds from refreshments (22,000-18,250)	3,750
To Telephone Charges	2,800	By Entrance fees (50% x 26,000)	13,000
To Electricity charges (W.N. 5)	14,000	By Interest on investments	4,550
To Honorarium charges	6,500	By Excess of expenditure over income	2,550
	45,850		45,850

Balance sheet as at 31st March, 2026

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital as on 31 st Mar,25		Sports Equipment	50,500
1,13,880	1,11,330	Furniture	11,180
Less: Deficit (2,550)		7% Investments	65,000
Entrance fees	13,000	Subscription in arrears	5,200
Outstanding electricity charges	3,800	Cash	1,100
Subscription in advance	4,850		
	1,32,980		1,32,980

Working notes

1. Investments made $\frac{\text{Income earned during the year}}{\text{Rate of interest}} = \frac{4,550}{7\%} = 65,000$

2. Balance sheet as at 31st March, 2025

Liabilities	Amount (₹)	Assets	Amount (₹)
capital fund (B/f)	1,13,880	Sports Equipment	32,000
Outstanding electricity charges	5,400	Furniture	12,480
Subscription in advance	6,250	7% Investments	65,000
		Subscription Outstanding	7,600
		Cash	8,450
	1,25,530		1,25,530

3. Calculation of depreciation of Sports equipment

Particulars	Amount (₹)
Sports equipment as on 31 st March, 2025	32,000
Add: Purchases during the year	27,500
Less: Closing balance of equipment as on 31 st March, 2026	(50,500)
Depreciation on sports equipment for the year ended 31 st March, 2026	9,000

Calculation of depreciation of Furniture

Particulars	Amount (₹)
Furniture as on 31 st , March 2025	12,480
Add: Purchases during the year	-
Less: Closing balance of equipment as on 31 st March, 2026	(11,180)
Depreciation on furniture for the year ended 31 st March, 2026	1,300

Total Depreciation = ₹ 10,300 (9,000+1,300)

4. Subscription to be credited to income and expenditure account for the year 2026

Dr. Subscription A/c (year ended on 31st March, 2026) **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Outstanding at the beginning (2025)	7,600	By Advance at the beginning (2025)	6,250
To Income and Expenditure A/c	22,000	By Receipts and payments A/c	23,000
To Advance at the end (2026)	4,850	By Outstanding at the end (2026)	5,200
	34,450		34,450

5. Electricity charges to be debited to Income and expenditure Account

Electricity charges paid for year 2026	15,600
Add: Outstanding charges for year 2026	3,800
Less: Outstanding charges for year 2025	(5,400)
Electricity charges to be debited to Income and Expenditure A/c	14,000

11. Trading and Profit and Loss account for the year ending 31st March, 2026

Particulars	₹	Particulars	₹
To Opening Stock	40,000	By Sales (WN (ii))	4,31,250
To Purchases (WN (iii))	3,45,000	By Closing Stock	40,000
To Gross Profit c/d (20% on sales)	<u>86,250</u>		
	<u>4,71,250</u>		<u>4,71,250</u>
To Business Expenses	50,000	By Gross Profit b/d	86,250
To Depreciation on:			
Machinery 6,500			
Building <u>5,000</u>	11,500		
To Net profit	<u>24,750</u>		
	<u>86,250</u>		<u>86,250</u>

Working Note:

		₹
(i)	Calculation of Rate of Gross Profit earned during previous year	
A	Sales during previous year	3,00,000
B	Purchases	2,40,000
C	Cost of Goods Sold (₹ 40,000 + ₹ 2,40,000 – ₹ 40,000)	<u>2,40,000</u>
D	Gross Profit (A-C)	60,000

E	Rate of Gross Profit $\frac{₹ 60,000}{₹ 3,00,000} \times 100$	20%
(ii)	Calculation of sales during current year	₹
A	Cost of goods sold during previous year	2,40,000
B	Add: Increases in volume @ 43.75 %	<u>1,05,000</u>
C	Cost of goods sold during Current Year	3,45,000
D	Add: Gross profit @ 25% on cost (20% on sales)	<u>86,250</u>
E	Sales for current year [C+D]	<u>4,31,250</u>
(iii)	Calculation of Purchases during current year	
	Cost of Goods Sold	3,45,000
	Add: Closing Stock	40,000
	Less: Opening Stock	<u>40,000</u>
	Purchases	<u>3,45,000</u>

12.

	Valuation of Goodwill:	₹
(1)	Average Capital Employed	
	Total Assets less Trade payables as on 31.12.2025	18,75,000
	Add: 1/2 of the amount withdrawn by partners	<u>2,25,000</u>
		21,00,000
	Less: 1/2 of the profit earned in 2025	<u>(3,00,000)</u>
		<u>18,00,000</u>
(2)	Super Profit:	
	Profit of M/s Aarav Mehta, Rohan Khanna & Vikram Sharma	6,00,000
	Normal profit @ 30% on ₹ 18,00,000	<u>(5,40,000)</u>
	Super Profit	<u>60,000</u>
(3)	Value of Goodwill	
	5 Years' Purchase of Super profit (₹ 60,000 × 5)	₹ 3,00,000

13. (i) Revaluation Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Furniture	3,045	By Building	11,200
To Stock (5% of 74,900)	3,745	By Sundry Creditors	4,900
To Prov. for Doubtful Debts (6,125 - 700)	5,425	By Investment	1,575
To Outstanding Wages	5,460		
To Office Equip. Supplier	3,500	By Loss transferred to Capital A/cs:	
		X's Capital A/c (3/5)	2,100
		Y's Capital A/c (2/5)	<u>1,400</u>
	21,175		21,175

(ii) Partners' Capital Accounts

Particulars	X (₹)	Y (₹)	Z (₹)	Particulars	X (₹)	Y (₹)	Z (₹)
To Revaluation Loss	2,100	1,400	—	By Balance b/d	1,54,000	1,26,000	—
To X & Y Capital A/c			26,250	By Cash A/c	—	—	87,500
To Balance c/d	1,67,650	1,35,100	61,250	By Z's Capital A/c (WN-1)	15,750	10,500	—
	<u>1,69,750</u>	<u>1,36,500</u>	<u>87,500</u>		<u>1,69,750</u>	<u>1,36,500</u>	<u>87,500</u>

(iii) Balance Sheet of X, Y & Z as at 1st April, 2025

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Accounts:			
X's Capital A/c = 1,67,650		Building	1,02,200
Y's Capital A/c = 1,35,100		Furniture (20,300 - 3,045 - 3,500)	13,755
Z's Capital A/c = <u>61,250</u>	3,64,000	Office Equipment	3,500
Bills Payable	14,350	Stock-in-Trade (74,900 - 3,745)	71,155

Bank Overdraft	31,500	Debtors (1,22,500 - 6,125)	1,16,375
Sundry Creditors (45,150 - 4,900)	40,250	Investment	10,325
Outstanding Wages	5,460	Cash (54,250 + 87,500)	1,41,750
Supplier for Office Equipment	3,500		
	4,59,060		4,59,060

Working Note:
1. Calculation of goodwill

Z's contribution of ₹ 87,500 consists only 1/6th of capital.

Therefore, total capital of firm should be ₹ 87,500 × 6 = ₹ 5,25,000.

But combined capital of X, Y and Z amounts ₹ 1,54,000 + 1,26,000 + 87,500 = 3,67,500

Thus Hidden goodwill is ₹ 5,25,000 - ₹ 3,67,500 = ₹ 1,57,500.

Z's Share of Goodwill = 1,57,500 × 1/6 = 26,250

Calculation of sacrificing ratio

Partner	New Share		Old Share		Difference
X	3/6	–	3/5	=	3/30
Y	2/6	–	2/5	=	2/30
Z	1/6	–		=	1/6 (gain)

14. Statement showing distribution of cash

Details	Bank Loan	Creditors	A's Loan	A's Capital	B's Capital	C's Capital
Amount due on 1-4-2025	13,500	39,000	15,000	1,05,000	45,000	75,000
Net cash realized (33,000 – 3,000)						
30,000						
Paid Bank Loan	(13,500)					

Paid Creditors		(16,500)				
Balance due 30-07-2025	Nil	22,500	15,000	1,05,000	45,000	75,000
Net Cash realized (25,200 – 2,200) 23,000						
Paid to Creditors		(22,500)				
Paid A's Loan			(500)			
Balance due 30-9-2025		Nil	14,500	1,05,000	45,000	75,000
Net Cash realized (57,000 – 4,500) 52,500						
Paid A's Loan			(14,500)			
Balance Due	Nil	Nil	Nil	1,05,000	45,000	75,000
Balance Cash available 38,000						
Maximum Loss (1,05,000 + 45,000 + 75,000 – 38,000) ₹ 1,87,000 distributed to A, B and C in 4:3:1				(93,500)	(70,125)	(23,375)
				11,500	(25,125)	51,625
B's deficiency transferred to A and C in their capital ratio 7 : 5				(14,656)	25,125	(10,469)
				(3,156)	-	41,156
A's deficiency borne by C				3,156		(3,156)

Paid to A	-	-	38,000
Balance due on 30-11-2025	1,05,000	45,000	37,000
Net Cash realised (68,000 - 8,000) = 60,000	-	-	-
Maximum Loss (1,05,000 + 45,000 + 37,000 - 60,000) = 1,27,000 allocated to partners in the Ratio of 4 : 3 : 1	-	-	-
—	(63,500)	(47,625)	(15,875)
Deficiency of <i>B</i> transferred to A & C in 7 : 5 ratio	41,500	(2,625)	21,125
Paid to A and C	(1,532)	2,625	(1,093)
Balance due on 31-12-2025	39,968	-	20,032
Net Cash realised (1,08,000 - 10,000) = 98,000	65,032	45,000	16,968
Maximum Loss (65,032 + 45,000 + 16,968 - 98,000) = 29,000	-	-	-
Allocated in ratio of 4 : 3 : 1	-	-	-
Paid to A, B and C	(14,500)	(10,875)	(3,625)
Balances in Capital Account left unpaid	50,532	34,125	13,343
	14,500	10,875	3,625

15. Journal Entries in the books of DC Ltd.

Sr. No.	Particulars	L/F	Debit (₹)	Credit (₹)
1	Bank A/c (15,00,000 × ₹ 9) Dr. To Equity Share Application & Allot. A/c (Being application money received)		1,35,00,000	1,35,00,000
2	Equity Share Application & Allot. A/c Dr. To Equity Share Capital A/c (3,75,000 × 4) To Securities Premium A/c (3,75,000 × 5) To Bank A/c (10,00,000 × 9) To Equity share First & Final Call A/c (Being application and allotment money transferred, adjusted and excess amount refunded)		1,35,00,000	15,00,000 18,75,000 90,00,000 11,25,000
3)	Equity Share First & Final Call A/c Dr. To Equity Share Capital A/c (Being call money due)		22,50,000	22,50,000
4)	Bank A/c (WN 1) Dr. Calls-in-arrears A/c Dr. To Equity Share First & Final Call A/c (WN 1) (Being first and final call money received)		11,08,125 16,875	11,25,000
5)	Equity Share Capital A/c (5,625 × 10) Dr. To Calls-in-arrear A/c (WN-2) To Forfeited shares A/c (Being shares of Mr. Sunil forfeited)		56,250	16,875 39,375
6)	Bank A/c (5,625 × 6) Dr. Forfeited shares A/c Dr.		33,750 22,500	

7)	To Equity Share Capital A/c (5,625 × 10) (Being shares reissued)			56,250
	Forfeited Share A/c	Dr.	16,875	
	To Capital Reserve (Being shares forfeiture transferred to Capital Reserve)			16,875

Working Note:

- Calculation of Amount due on first and Final Call

Application money received (5,00,000×9)	45,00,000
Amount due on application	<u>(33,75,000)</u>
Excess money adjusted in First and Final Call	<u>11,25,000</u>
Amount due on First and Final Call	22,50,000
Excess amount received on Share application and Allotment adjusted in First and Final Call	<u>(11,25,000)</u>
Amount due on First and Final Cal	<u>11,25,000</u>

- Calculation of Calls-in-arrears of Mr. Sunil

Sr. no.	Particulars	Amount in ₹
i.	Application Received	7,500
ii.	Allotment of shares $(7,500 \times \frac{3,75,000}{5,00,000})$	5,625
iii.	Application and allotment money received (i × 9)	67,500
iv.	Application and allotment money due (ii × 9)	<u>50,625</u>
v.	Excess adjusted in first and Final Call (iii – iv)	16,875
vi.	First and Final Call Money due (ii × 6)	33,750
vii.	Adjustment in First and Final Call: (v)	<u>16,875</u>
viii.	Arrears (vi – vii)	16,875

16. Journal Entries in the Books of Globus Ltd.

Particulars		Dr.	Cr.
		₹	₹
Dividend to preference shareholders A/c To Bank A/c (Dividend on preference shares paid)	Dr.	10,000	10,000
Profit & Loss A/c To Dividend to preference shareholders A/c (Dividend on preference shares written off to profit and loss account)	Dr.	10,000	10,000
10% Redeemable Preference Capital Premium on redemption of Preference Shares To Preference Shareholders (Amount payable to preference shareholders on redemption)	Dr. Dr.	1,00,000 10,000	1,10,000
Profit & Loss A/c To Premium on Redemption of Preference shares (Amount of premium payable on redemption of preference shares)	Dr.	10,000	10,000
Bank A/c Profit and Loss A/c To Investments A/c (Amount realised on sale of Investments and loss thereon adjusted)	Dr. Dr.	90,000 10,000	1,00,000
Preference shareholders A/c To Bank (Payment made to preference shareholders)	Dr.	1,10,000	1,10,000
General Reserve A/c To Capital Redemption Reserve A/c (Transfer to the Capital redemption reserve account on redemption of shares)	Dr.	1,00,000	1,00,000
Capital Redemption Reserve A/c To Bonus to Equity Shareholders A/c (Amount adjusted by issuing bonus shares in the ratio of 1:2)	Dr.	50,000	50,000

Bonus to Equity Shareholders A/c	Dr.	50,000	
To Equity Share Capital			50,000
(Balance on Bonus to equity shareholder account transferred to equity share capital)			

**17. In the books of Vetex Ltd.
Journal Entries**

Date	Particular	L.F	Dr.	Cr.
2025	Sundry Assets A/c	Dr.	27,00,000	
April	Goodwill A/c (Bal. fig)	Dr.	3,00,000	
	To Summit Manufacturing Ltd. A/c			26,40,000
	To Sundry Liabilities A/c			3,60,000
	(Assets and liabilities taken over for a net consideration of ₹ 26,40,000)			
	Summit Manufacturing Ltd. A/c	Dr.	26,40,000	
	To 8% Debentures A/c			24,00,000
	To Securities Premium A/c			2,40,000
	(24000; 8% Debenture of ₹ 100 each issued at a premium of 10%)			
	Bank A/c	Dr.	5,40,000	
	To Debenture Application A/c			5,40,000
	(Application money received for 18000, 8% Debenture)			
	Debenture Application A/c	Dr.	5,40,000	
	To 8% Debenture A/c			5,40,000
	(18000; 8% Debenture allotted)			
	Debentures allotment A/c	Dr.	10,80,000	
	Loss on issue of debenture A/c	Dr.	2,70,000	
	To 8% Debentures A/c			12,60,000
	To Premium on redemption of debentures A/c			90,000
	(Allotment money due on 18,000; 8% Debentures at 10% discount and redeemable at 5% premium)			

2026 Mar, 31	Bank A/c Dr.	10,80,000	
	To Debentures Allotment A/c (Allotment money received)		10,80,000
	Profit and Loss A/c Dr.	2,70,000	
	To Loss on issue of Debenture A/c (Loss on issue of debenture written off)		2,70,000

- 18.** (i) Going Concern concept: The financial statements are normally prepared on the assumption that an enterprise is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the enterprise has neither the intention nor the need to liquidate or curtail materially the scale of its operations; if such an intention or need exists, the financial statements may have to be prepared on a different basis and, if so, the basis used is disclosed.
- (ii) 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.

- (vii) Other services like secretarial work, share registration work, company formation receiverships, arbitrations etc.
- (iii) Double entry system may be defined as that system which recognizes and records both the aspects of a transaction.

Every transaction has two aspects and according to this system, both the aspects are recorded. This system was developed in the 15th century in Italy by Luca Pacioli. It has proved to be systematic and has been found of great use for recording the financial affairs for all institutions requiring use of money.

This system offers the under mentioned advantages:

- (a) By the use of this system, the accuracy of the accounting work can be established through the device of trial balance.
 - (b) The profit earned or loss suffered during a period can be ascertained together with details.
 - (c) The financial position of the firm or the institution concerned, can be ascertained at the end of each period, through preparation of the balance sheet.
 - (d) The system permits accounts to be kept in as much detail as necessary and therefore, affords significant information for the purpose of control etc.
 - (e) Result of one year may be compared with those of previous years and reasons for the change may be ascertained. It is because of these advantages that the double entry system has been used extensively in all countries.
- (iv) Following factors are taken into consideration for calculation of depreciation.
1. **Cost of asset** including expenses for installation, commissioning, trial run etc.- Cost of a depreciable asset represents its money outlay or its equivalent in connection with its acquisition, installation and commissioning as well as

for additions to or improvement thereof for the purpose of increase in efficiency.

2. **Estimated useful life of the asset** - Useful Life' is either (i) the period over which a depreciable asset is expected to be used by the enterprise or (ii) the number of production or similar units expected to be obtained from the use of the asset by the enterprise. Determination of the useful life is a matter of estimation and is normally based on various factors including experience with similar type of assets. Several other factors like estimated working hours, production capacity, repairs and renewals, etc. are also taken into consideration on demanding situation.
 3. **Estimated scrap value** (if any) is calculated at the end of useful life of the asset. If such value is considered as insignificant, it is normally regarded as nil. On the other hand, if the residual value is likely to be significant, it is estimated at the time of acquisition/installation, or at the time of subsequent revaluation of asset.
- (v) It is necessary that the fact of dishonour and the causes of dishonour should be established. If there is a fear of dishonour, the bill will be given to the public official known as "Notary Public". These officials present the bill for payment and if the money is received, they will hand over the money to the original party. But, if the bill is dishonoured they will note the fact of dishonour, and the reasons given and give the bill back to their client. For this service, they charge a small fee. This fee is known as noting charges. The amount of noting charges is recoverable from the party who is responsible for dishonour.
- (vi) Banks are essential to modern society, but for an industrial unit, it serves as a necessary instrument in the commercial world. Most of the transactions of the business are done through bank whether it is a receipt or payment. Rather, it is legally necessary to operate

the transactions through bank after a certain limit. All the transactions, which have been operated through bank, if not verified properly, the industrial unit may not be sure about its liquidity position in the bank on a particular date. There may be some cheques which have been issued, but not presented for payment, as well as there may be some deposits which has been deposited in the bank, but not collected or credited so far. Some expenses might have been debited or bills might have been dishonoured. It is not known to the industrial unit in time, it may lead to wrong conclusions. The errors committed by bank may not be known without preparing bank reconciliation statement. Preparation of bank reconciliation statement prevents the chances of embezzlement. Hence, bank reconciliation statement is very important and is a necessity of an industrial unit as it plays a key role in the liquidity control of the industry.