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.

Question 1

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

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

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

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

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

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

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

(6 x 2 = 12 Marks)

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

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

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

(4 Marks)

Answer

(a) (i) False: Cost of inventories should comprise all cost of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(ii) False: According to the decision in case of Garner vs Murray, the loss due to insolvency of a partner has to be borne by the solvent partners in the capital ratio and not profit sharing ratio.

(iii) False: The amount spent on demolition of an old building which is necessary for the construction of a new factory building on the same site is a capital expenditure.

(iv) False: As per Section 39 of the Companies Act, 2013, application money must be at least 5% of the nominal value of shares and not 25% of issue price of shares.

(v) False: Additional information means that information which has been identified just before the preparation of the final accounts. As NPO follows the double entry system of book keeping, there shall be two effects for each of the additional information.

(vi) True: Cash Transactions are Straightway recorded in the cash book and on the basis of such records, ledgers are prepared. Therefore, cash book is a subsidiary book. Since in cash book balances are directly taken from the Trial balance, it is also treated as principal book. Hence, it is a subsidiary book as well as principal book.

(b) Accounting Policies refer to specific accounting principles and methods of applying these principles adopted by the enterprise in the preparation and presentation of financial statements. Policies are based on various accounting concepts, principles and conventions.

The major characteristics that should be considered while selecting and applying accounting policies are (i) Prudence (ii) Substance over form and (iii), Materiality, There is no single list of accounting policies, which are applicable to all enterprises in all circumstances. Enterprises operate in diverse and complex environmental situations and so they have to adopt various policies.

A change in accounting policies should be made in the following conditions:

(a) It is required by some statute or for compliance with an Accounting Standard

(b) Change would result in more appropriate presentation of financial statement

(c) **In the books of M/s Modern Stores**

Return Outward Book

Date	Particulars	Details	Amount
2026		₹	₹
March, 8	Manoj Stationary Mart		
	12 doz pencils @ ₹ 50 per doz	600	
	12 doz Pens @ ₹ 150 per doz.	1,800	
		2,400	
	Less: 4% trade discount	(96)	2,304

March, 21	Rajat Copies		
	8 Packets A4 paper @ ₹ 100 per Packet	800	
	6 Packets A3 paper @ ₹ 125 per Packet	750	
		1,550	
	Less: 6% trade discount	(93)	1,457
	Total		3,761

Note: Returns of cash purchases and returns of computer are not recorded in the Return Outward Book.

Question 2

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

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

You are required to prepare (i) Machinery Account, (ii) Provision for Depreciation Account and (iii) Machinery Disposal Account in the books of Suman Limited for the period 1st April, 2023 to 31st March, 2026 calculating depreciation to the nearest multiple of a rupee. ***(10 Marks)***

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

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

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

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

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

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

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

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

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

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

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

You are required to pass the necessary accounting entries in the books of Angad Traders to rectify the aforesaid errors. ***(10 Marks)***

Answer

(a) **In the books of Suman Limited**

Dr. **Machinery A/c (at original cost)** **Cr.**

Date	**Particulars**	**₹**	**Date**	**Particulars**	**₹**
01.04.2023	To Bank A/c	60,00,000	31.03.2024	By Balance c/d	60,00,000
		60,00,000			60,00,000
01.04.2024	To Balance b/d	60,00,000	31.03.2025	By Balance c/d	60,00,000
		60,00,000			60,00,000
01.04.2025	To Balance b/d	60,00,000	01.10.2025	By Machinery Disposal A/c	4,00,000

01.10.2025	To Bank A/c	7,90,000	31.03.2026	By Balance c/d	63,90,000
	(7,50,000 + 40,000)	67,90,000			67,90,000

Provision for Depreciation A/c

Date	Particulars	₹	Date	Particulars	₹
31.03.2024	To Balance c/d	6,00,000	31.03.2024	By Depreciation A/c	6,00,000
		6,00,000			6,00,000
31.03.2025	To Balance c/d	11,40,000	1.04.2024	By Balance b/d	6,00,000
			31.03.2025	By Depreciation A/c	5,40,000
		11,40,000			11,40,000
01.10.2025	To Machinery Disposal A/c	92,200	01.04.2025	By Balance b/d	11,40,000
31.03.2026	To Balance c/d	15,57,100	01.10.2025	By Depreciation A/c	16,200
			31.03.2026	By Depreciation A/c (WN 2)	4,93,100
		16,49,300			16,49,300

Machinery Disposal A/c

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
01.10.2025	To Machinery A/c	4,00,000	01.10.2025	By Provision for Depreciation A/c	92,200
			01.10.2025	By Bank A/c	2,25,000
			01.10.2025	By Profit and Loss A/c (Loss on sale of Machinery) (WN1)	82,800
		4,00,000			4,00,000

Working Notes:

(1) Calculation of Profit/Loss on Sale of Machinery

Particulars		₹
A. Original Cost		4,00,000
B. *Less*: Depreciation @ 10% on WDV ₹ 4,00,000	40,000	
Depreciation @10% p.a on WDV ₹ 3,60,000	36,000	
Depreciation @10% p.a on WDV ₹.3,24,000 for 6 months	16,200	(92,200)
C. Book Value as on date of Sale (A – B)		3,07,800
D. *Less*: Sale proceeds		(2,25,000)
E. Loss on Sale (C – D)		82,800

(2) Calculation of Depreciation for Current Year on Machines (other than sold)

Particulars	₹
A. On Old Machines of ₹ 45,36,000 (Note1) for 1 year (10% WDV)	4,53,600
B. On New Machine of ₹ 7,90,000 for ½ year	39,500
	4,93,100

Note 1: Calculation of Book Value of Remaining Machinery (Other than sold)

Particulars	₹
Book Value as on 1st April,2023 (60,00,000-4,00,000)	56,00,000
Less: Depreciation (2023-24)	(5,60,000)
Book Value as on 1st April,2024	50,40,000
Less: Depreciation (2024-25)	(5,04,000)
Book Value as on 1st April,2025	45,36,000

(b) **In the Books of Angad Traders**

Journal Entries

	Particulars		**L.F.**	**Dr. ₹**	**Cr. ₹**
(i)	Sales Return/Return Inward A/c	Dr.		15,000	
	Sales A/c	Dr.		15,000	
	To Suspense A/c				30,000
	(Being sales return wrongly posted to sales a/c now rectified)				
(ii)	Suspense A/c	Dr.		6,000	
	To Mr. Radhey				6,000
	(Being sales return to Mr. Radhey wrongly posted to the debit of Mr. Radhey now rectified)				
(iii)	Furniture A/c	Dr.		4,600	
	To Wages A/c				4,600
	(Being the wages paid to workmen for making furniture wrongly charged to Wages Account now rectified)				
(iv)	Janak Enterprises A/c	Dr.		12,000	
	To Allowances A/c				12,000
	(Being the cheque of Janak Enterprises dishonoured, previously debited to Allowances Account now rectified)				
(v)	Returns Inward /Sales Return A/c	Dr.		1,600	
	To J V Corporation A/c / Customers A/c				1,600
	(Being goods return of goods by customers omitted to be recorded now rectified)				

(vi)	(a) Motor Car A/c Dr.		30,000	
	To car maintenance A/c			30,000
	(Being purchase of car wrongly debited to maintenance account now rectified)			
	(b) Depreciation A/c Dr.		2,250	
	To Motor Car A/c			2,250
	(Being depreciation on Car recorded for the half year)			
(vii)	Sales A/c Dr.		16,000	
	To Furniture A/c			16,000
	(Being sale of furniture recorded as sales of goods now rectified)			
(viii)	Hetal's A/c Dr.		8,880	
	To Bad Debts Recovered A/c			8,800
	(Being recovery of previously written off bad debts wrongly credited to Personal A/c now rectified)			
(ix)	Discount Allowed A/c Dr.		2,500	
	To Suspense A/c			2,500
	(Being Discount allowed total not posted from the Cash Book, now rectified)			
(x)	Drawings A/c Dr.		3,500	
	To employee benefit expenses A/c			3,500
	(Being Mediclaim of the proprietors wrongly charged to employee benefit expenses A/c now rectified)			

Question 3

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

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

Additional Information:

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

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

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

-	*Land and Building*	*₹ 1,75,000*
	Plant and Machinery	*₹ 50,000*
-	*Inventories*	*₹ 25,000*

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

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

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

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

You are required to prepare:

(1) Revaluation Account;

(2) Partners' Capital Accounts;

(3) Balance sheet of the firm after admission of Z. **(10 Marks)**

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

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

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

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

Additional Information:

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

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

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

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

You are required to prepare:

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

(2) Balance Sheet as at 31st March, 2026. ***(10 Marks)***

Answer

(a) In the books of Alpha LLP

Revaluation A/c

Liabilities	₹	Assets	₹
To Provision for Doubtful Debts	2,200	By Land and Building	35,000
To Plant & Machinery	10,000	By Trade payables	1,200
To Inventories	3,000	By Outstanding Liability	300
To Profit on revaluation			
X 14,200			
Y 7,100	21,300		
	36,500		36,500

Partners' Capital A/c

Particulars	X	Y	Z	Particulars	X	Y	Z
To X Capital A/c			12,000	By balance b/d	1,00,000	80,000	
To Y's Capital A/c			6,000	By Bank-Capital			60,000
				By Bank – Goodwill			18,000

				By Profit and Loss A/c	16,000	8,000	
To Y's Current A/c		22,600		By Outstanding liabilities		1,500	
To Balance c/d (WN 1)	1,60,000	80,000	60,000	By Z's Capital A/c	12,000	6,000	
				By Revaluation A/c	14,200	7,100	
				By X's Current A/c	17,800		
	1,60,000	1,02,600	78,000		1,60,000	1,02,600	78,000

Balance Sheet of Alpha LLP as at 1st April, 2026 (after admission)

Liabilities	**₹**	**Assets**		**₹**
Capital Accounts:		Land & Building		1,75,000
X 1,60,000		Plant & Machinery		50,000
Y 80,000		Inventories		25,000
Z 60,000	3,00,000	Trade Receivables	44,000	
Y's Current A/c	22,600	*Less*: Provision for Doubtful Debts	2,200	41,800
Bank Overdraft	60,000	Bank (18,000+ 60,000+18,000)		96,000
Trade Payables	23,000	X's Current A/c		17,800
	4,05,600			4,05,600

Working Notes:

1. **Calculation of total Capital:**

   Z's contribution of ₹ 60,000 consists of 1/5th of capital.

   Therefore, total capital of firm should be ₹ 60,000 x 5 = ₹ 3,00,000 which is divided among partners in the ratio of 8:4:3

   X's share = 3,00,000 X (8/15) = ₹ 1,60,000

   Y's share = 3,00,000 X (4/15) = ₹ 80,000

   Z's share = 3,00,000 X (3/15) = ₹ 60,000

2. **Calculation of sacrificing ratio**

Partner	New Share		Old Share		Difference
X	8/15	–	2/3	=	- 2/15
Y	4/15	–	1/3	=	- 1/15
Z		–	3/15 (gain)	=	3/15 (gain)

(b) In the books of Ms. Kanchan

Trading and Profit and Loss Account for the year ended 31st March, 2026

	Amount ₹		Amount ₹
To Opening stock	58,000	By Sales (₹ 3,60,000 × 100/80) (WN 4)	4,50,000
To Purchases	3,70,000	By Closing stock	68,000
To Gross profit c/d (WN 4)	90,000		
	5,18,000		5,18,000
To Loss on sale of furniture	4,000	By Gross profit b/d	90,000
To Discount allowed to Debtors	2,350	By Discount received from Creditors	1,725
To Expenses (WN 5)	61,750		
To Insurance Premium for the year (WN 6)	1,875		
To Depreciation on furniture & fittings (W.N.2)	8,500		
To Net profit	13,250		
	91,725		91,725

Balance Sheet as on 31st March, 2026

Liabilities		Amount ₹	Assets	Amount ₹
Capital	1,43,200		Furniture & Fittings	47,500
Add: Additional Cap (LIC matured)	15,000		Debtors (W.N. 3)	48,000
Net profit	13,250		Inventories	68,000
	1,71,450		Bank balance (WN 1)	13,100
Less: Drawings	(24,000)	1,47,450	Prepaid Expenses	5,625
Creditors		34,775		
		1,82,225		1,82,225

Working Notes:

1. Bank A/c

Particulars	₹	Particulars	₹
To Balance b/d	28,850	By Creditors	3,70,000
To Debtors	4,34,500	By Expenses	69,250
To Capital Introduced (LIC Matured)	15,000	By Drawings	24,000
To Sale of furniture	16,000	By Furniture	18,000
		By Balance c/d (Balancing Figure)	13,100
	4,94,350		4,94,350

2. Furniture & Fittings A/c

Particulars	₹	Particulars	₹
To Balance b/d	58,000	By Bank	16,000
To Bank	18,000	By Loss on sale of Furniture	4,000
		By Depreciation (balancing figure)	8,500
		By Balance c/d	47,500
	76,000		76,000

3. Debtors A/c

	Particulars	**₹**		**Particulars**	**₹**
To	Balance b/d	34,850	By	Bank	4,34,500
			By	Discount allowed	2,350
To	Sales $\left(₹\,3{,}60{,}000 \times \frac{100}{80}\right)$	4,50,000	By	Balance c/d (balancing figure)	48,000
		4,84,850			4,84,850

4	**Calculation of Sales and Gross Profit :**	
	Cost of Sales (given)	3,60,000
	Gross margin 20 % on sales - (given)	
	∴ Sales = 3,60,000 x (100 / 80)	4,50,000
	∴ Gross Profit= 4,50,000 x (20 / 100)	90,000
5	**Calculation of Expenses:**	
	Expenses paid	69,250
	Less: Fire Insurance Premium	(7,500)
	Expenses	61,750
6	**Calculation of Insurance Premium:**	
	Fire Insurance Premium paid	7,500
	Less: Prepaid for 9-months = 7,500 x (9/12)	5,625
	Insurance for the period - 01-01-26 to 31-03-26	1,875

Question 4

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

Liabilities	***Amount (₹)***	***Assets***	***Amount (₹)***
Capital Accounts:		*Land and building*	*2,60,000*
Donna	*1,60,000*	*Plant and Machinery*	*1,15,000*
Jenny	*1,88,000*	*Furniture and Fixture*	*80,000*

Tony	*1,20,000*	*Joint Life Policy*	*60,000*
General Reserve	*1,44,000*	*Inventory*	*35,000*
Trade Payables	*38,000*	*Trade Receivables 48,000*	
		Less: Provision for	
		Doubtful Debts (4,500)	*43,500*
		Cash at Bank	*56,500*
Total	*6,50,000*	*Total*	*6,50,000*

Tony died on 31st May, 2025.

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

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

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

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

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

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

Additional Information:

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

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

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

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

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

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

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

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

You are required to prepare:

(i) *Revaluation Account;*

(ii) *Partners' Capital Accounts after giving effect to the above transactions.* ***(10 Marks)***

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

Particulars	***₹***	***Particulars***	***₹***
Carriage Inward	*18,000*	*Interest received*	*9,000*
Stock on 1.4.2025	*1,25,000*	*Sales*	*13,50,000*
Carriage Outward	*22,000*	*Returns Outward*	*48,000*
Returns Inwards	*55,000*	*Discount received*	*30,000*
Purchases	*8,60,000*	*Capital account as on 01.04.2025*	*6,29,000*
Salaries	*1,00,000*	*Term Loan from Bank*	*6,00,000*
Rent	*30,000*	*Sundry Creditors*	*1,80,000*
Interest on Term Loan	*51,000*		
Printing and stationery	*10,000*		
Sales Promotion	*12,000*		

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

Additional information:

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

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

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

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

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

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

You are required to prepare the Trading and Profit and Loss Account of Mr. Suresh for the year ended 31st March, 2026 and Balance Sheet as at that date. ***(10 Marks)***

Answer

(a) **Revaluation A/c**

Particulars	**₹**	**Particulars**	**₹**
To Plant and Machinery	17,250	By Land & Building	40,000
To Furniture & Fixtures	8,000	By Inventory	10,000
To Profit on Revaluation Donna ₹14,625 Jenny ₹ 9,750 Tony ₹ 4,875	29,250	By Provision for Doubtful Debts	4,500
	54,500		54,500

Partners Capital A/c

Particulars	**Donna ₹**	**Jenny ₹**	**Tony ₹**	**Particulars**	**Donna ₹**	**Jenny ₹**	**Tony ₹**
				By Bal. b/d	1,60,000	1,88,000	1,20,000
				By Gen Reserve	72,000	48,000	24,000
				By Interest on capital	-	-	2,000
				By Revaluation Profit	14,625	9,750	4,875
				By Joint Life Policy	70,000	46,667	23,333
To Tony's capital A/c (Goodwill) (WN. 2)	20,820	13,880	-	By Donna & Jenny Capital a/c (WN 2)	-	-	34,700
To Bank			2,10,508	By P&L Susp A/c (WN 3)	-	-	1,600
To Bal c/d	2,95,805	2,78,537					
	3,16,625	2,92,417	2,10,508		3,16,625	2,92,417	2,10,508

Working Notes:

1. Goodwill valuation

2021-22	1,46,600		
2022-23	1,88,000		
2023-24	(69,200)		
2024-25	1,52,200		
Total	4,17,600		
Average	= 4,17,600/4 =		1,04,400
Less: Interest on Capital	3,50,000 x 10%		(35,000)
Adjusted Average Profit			69,400
Goodwill (3 year's purchase)		=	2,08,200
Tony's share (1/6)		=	34,700

2. Journal entry for adjustment of goodwill

Particulars		₹	₹
Donna's Capital A/c	Dr.	20,820	
Jenny's Capital A/c	Dr.	13,880	
To Tony's Capital A/c			34,700
(Share of goodwill adjusted)			

3. Tony's share of profit till the date of death

Average profit for full year before interest on capital	= ₹	1,04,400
2 month's profit	= ₹	17,400
Less: interest on capital 4,68,000 X 10% X 2/12	= ₹	(7,800)
Adjusted profit till the date of death	=₹	9,600
Tony's share 1/6th	= ₹	1,600

4. The Joint life policy amount shown in the balance sheet shall be deducted from the JLP proceeds received from insurance co, on the death of a partner.

₹ 2,00,000- 60,000 (Balance Sheet value) = ₹ 1,40,000 (divided in profit sharing ratio between the partners.)

Calculation of Gaining ratio

Partners	New share	Old Share	Gain/ (Sacrifice)
Donna	3/5	3/6	3/30 (gain)
Jenny	2/5	2/6	2/30 (gain)
Tony	0	1/6	-1/6(sacrifice)

Alternatively, the amount received from Joint Life policy can also be routed through the Revaluation Account instead of directly crediting partner's share in respective Partner's capital Accounts. In that case the solution shall be:

Revaluation A/c

Particulars	₹	Particulars	₹
To Plant and Machinery	17,250	By Land & Building	40,000
To Furniture & Fixtures	8,000	By Inventory	10,000
To Profit on Revaluation		By Provision for Doubtful Debts	4,500
Donna ₹ 84,625		By Joint Life Policy	1,40,000
Jenny ₹ 56,417			
Tony ₹ 28,208	1,69,250		
	1,94,500		1,94,500

Partners Capital A/c

Particulars	Donna ₹	Jenny₹	Tony ₹	Particulars	Donna ₹	Jenny ₹	Tony ₹
				By Bal. b/d	1,60,000	1,88,000	1,20,000
				By Gen Reserve	72,000	48,000	24,000
				By Interest on capital	-	-	2,000

				By Revaluation profit	84,625	56,417	28,208
To Tony's capital A/c (Goodwill) (WN. 2)	20,820	13,880	-	By Donna & Jenny Capital a/c (WN 2)	-	-	34,700
To Bank			2,10,508	By P&L Susp A/c (WN 3)	-	-	1,600
To Bal. c/d	2,95,805	2,78,537					
Total	3,16,625	2,92,417	2,10,508	Total	3,16,625	2,92,417	2,10,508

Working Notes:

1. Goodwill valuation

2021-22	₹1,46,600	
2022-23	₹1,88,000	
2023-24	₹ (69,200)	
2024-25	₹1,52,200	
Total	₹4,17,600	
Average	= 4,17,600/4	= 1,04,400
Less: Interest on Capital	3,50,000 X 10% = 35,000	
Adjusted Average Profit	69,400	
Goodwill (3 year's purchase)	= 2,08,200	
Tony's share (1/6)	= ₹34,700	

2. Journal entry for adjustment of goodwill

Particulars		**₹**	**₹**
Donna''s Capital A/c	Dr.	20,820	
Jenny''s Capital A/c	Dr.	13,880	
To Tony''s Capital A/c			34,700
(Share of goodwill adjusted)			

3. Tony's share of profit till the date of death

Average profit for full year before interest on capital	=	₹1,04,400
2 month's profit	=	₹17,400
Less: interest on capital 4,68,000 X 10% x 2/12	=	₹ (7,800)
Adjusted profit till the date of death	=	₹9,600
Tony's share 1/6th	=	₹1,600

4. The Joint life policy amount shown in the balance sheet shall be deducted from the JLP proceeds received from insurance co, on the death of a partner.

₹ 2,00,000- ₹60,000 (Balance Sheet value) = ₹ 1,40,000 (divided in profit sharing ratio between the partners.)

Calculation of Gaining ratio

Partners	New share	Old Share	Gain/ (Sacrifice)
Donna	3/5	3/6	3/30 (gain)
Jenny	2/5	2/6	2/30 (gain)
Tony	0	1/6	-1/6(sacrifice)

(b) **In the books of Suresh**

Trading and Profit & Loss Account for the year ended 31st March,2026

	₹	₹		₹	₹
To Opening stock		1,25,000	By Sales	13,50,000	
To Purchases	8,60,000		*Less:* Returns Inwards	(55,000)	12,95,000
Less: Return Outward A/c	(48,000)		By Closing stock		1,55,000
Less: Loss by fire	(40,000)	7,72,000			
To Carriage inwards		18,000			
To Gross profit c/d		5,35,000			
		14,50,000			14,50,000

To Carriage Outward Salaries		22,000	By Gross profit b/d		5,35,000
To Salaries		1,00,000	By Interest Received		9,000
To Sales Promotion/ Advertisement expenses		12,000	By Discount received		30,000
To Rent		30,000			
To Printing & stationery		10,000			
To General expenses		20,000			
To Discount allowed		22,000			
To Electricity charges		14,000			
To insurance premium		7,000			
To Interest on Loan	51,000				
Add: Outstanding (W.N. 2)	4,000	55,000			
To Provision for doubtful debts		8,750			
To Depreciation (W.N.1)		1,38,000			
To Loss by fire		20,000			
To Audit fees	15,000				
Add: Outstanding	15,000	30,000			
To Capital A/c (Net profit transferred)		85,250			
		5,74,000			5,74,000

Balance Sheet as at 31st March,2026

Liabilities	₹	₹	**Assets**	₹	₹
Capital account:			Furniture & Fixtures	1,50,000	
Balance on 1st April, 2025	6,29,000		*Less*: Depreciation	(22,500)	1,27,500
Add: Net profit	85,250				
	7,14,250		Delivery Van	4,50,000	
Less: Drawings	(1,20,000)	5,94,250	(-) Depreciation	(67,500)	3,82,500

Term Loan	6,00,000		Computer	1,20,000	
Add: Outstanding	4,000	6,04,000	(-) Depreciation	(48,000)	72,000
Audit fees outstanding		15,000	Investment		90,000
			Stock in trade		1,55,000
Sundry creditors		1,80,000	Sundry debtors	3,50,000	
			Less: Provision	(8,750)	3,41,250
			Cash at Bank		1,40,000
			Insurance Claim Receivable		20,000
			Cash in hand		65,000
		13,93,250			13,93,250

Working Notes:

(1) Depreciation

Furniture & Fixture @ 15% on 1,50,000	22,500
Delivery Van @ 15% on 4,50,000	67,500
Computer @ 40% on 1,20,000	48,000
Total	1,38,000

(2) Interest on Loan

Interest on Loan (6,00,000 x 10% x 11/12)	55,000
Less: Interest as per Trial Balance	(51,000)
Profit &Loss account (Outstanding)	4,000

Question 5

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

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

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

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

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

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

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

You are required to ascertain the value of Inventory on 31st March, 2026 and the adjusted net profit for the year ended on that date. ***(5 Marks)***

OR

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

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

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

(3) A Term Deposit matured on 13th March, 2026 and proceeds amounting to ₹ 2,82,500 were credited to bank and entered in the Bank Statement but no recorded in the cash book.

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

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

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

(7) A Bill payable of ₹ 2,50,000 had been paid by the bank but was not entered in the cash book. A Bill of Exchange for ₹ 1,40,000 had been

discounted with the bank at a cost of ₹2,000 but no entry had been made in the books of Sagar.

You are required:

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

(B) to prepare a statement reconciling the adjusted balance in the cash book with the balance shown in the bank statement. **(5 Marks)**

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

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

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

Additional Information:

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

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

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

Particulars	***Note No.***	₹
I. Equity and liabilities		
(1) ***Shareholder's Funds***		
(a) Share Capital	*1*	*3,00,000*
(b) Reserves and Surplus	*2*	*1,00,000*
(2) ***Non-current liabilities***		
(a) Long term borrowings	*3*	*70,000*
(3) ***Current Liabilities***		
(a) Trade payables		*50,000*
Total		*5,20,000*
II. Assets		
(1) ***Non-Current assets***		
(a) Property, Plant and Equipment	*4*	*2,50,000*
(b) Non-current Investment: DRR Investment		
(2) ***Current assets***		*10,500*
(a) Inventories	*5*	*1,50,000*
(b) Trade receivables		*75,000*
(c) Cash and cash equivalents		*34,500*
Total		*5,20,000*

Notes to Accounts		₹	₹
1	***Share Capital***		
	Authorized share capital		
	60,000 Equity shares of ₹ 10 each fully paid		*6,00,000*
	Issued and subscribed share capital		
	30,000 Equity shares of ₹ 10 each fully paid		*3,00,000*

2	***Reserve and Surplus***		
	Statement of Profit & Loss	*93,000*	
	Debenture Redemption Reserve	*7,000*	*1,00,000*
3	***Long term borrowings***		
	10% Debentures		*70,000*
4	*Property, Plant and Equipment*		
	Freehold property		*2,50,000*
5	***Cash and cash equivalents***		
	Cash at bank	*24,000*	
	Cash in hand	*10,500*	*34,500*

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

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

Give the necessary journal entries to record the above transactions in the books of Star Limited. ***(10 Marks)***

Answer

(a) (i) Profit and Loss Adjustment Account

Particulars	**₹**	**Particulars**	**₹**
To Advertisement (samples)	1,00,000	By Net profit	15,00,000
To Sales (goods approved in April to be taken as April sales: (1,87,500 + 62,500)	2,50,000	By Electric fittings	37,500
To Adjusted net profit	26,00,000	By Samples	1,00,000

		By Stock (purchases of March not included in stock)	6,25,000
		By Sales (goods sold in March wrongly taken as April sales)	5,00,000
		By Stock (goods sent on approval basis not included in stock)	1,87,500
	29,50,000		29,50,000

Calculation of value of inventory on 31st March, 2026

	₹
Stock on 31st March, 2026 (given)	9,37,500
Add: Purchases of March, 2026 not included in the stock	6,25,000
Goods lying with customers on approval basis	1,87,500
	17,50,000

Or

(ii) (A) In the books of Sagar

Dr. Adjusted Cash Book (Bank column) Cr.

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
31 Mar. 2026	To Balance b/d	37,25,000	31 Mar. 2026	By Inspection fees A/c	15,000
	To term deposit received A/c	2,82,500		By Creditors A/c (33,000-30,000)	3,000
	To Bills receivable A/c	1,38,000		By Subscription fees A/c	5,000

				By Bills Payable A/c	2,50,000
			Dec. 31	By Balance c/d	38,72,500
		41,45,500			41,45,500

(B) Bank Reconciliation Statement as at 31st March,2026

Particulars	Amount ₹
Balance per cash book	38,72,500
Add: Cheques Issued but not presented for payment till 31st March, 2026	3,00,000
	41,72,500
Less: Cheque paid upto bank but not collected till 31st March, 2026	(2,45,000)
	39,27,500

Alternatively, Bank Reconciliation statement can also prepared using plus & minus presentation format.

(b) Income and Expenditure Account

for the year ended 31st March, 2026

Expenditure		₹	Income		₹
To Medicine consumed (WN. 3)		87,000	By Subscription (WN 1)		1,53,600
To Honorarium to doctors		30,000	By Donation		45,000
To Salaries		84,000	By Interest on investments		27,000
To Miscellaneous expenses		3,000	By Profit on Health Checkup Camp:		
To Depreciation on			Camp collections	37,500	
Equipment (WN 4)	18,000		*Less*: Camp expenses	(4,500)	33,000
Building	6,000	24,000			
To Surplus-excess of income over expenditure		30,600			
		2,58,600			2,58,600

Working Notes:

		₹
1. Subscription for the year ended 31st March, 2026:		
Subscription received during the year		1,50,000
Less: Subscription due on 1.4.2025	4,500	
Less: Subscription received in advance on 31.3.2026	2,100	(6,600)
		1,43,400
Add: Subscription due on 31.3.2026	6,600	
Add: Subscription received in advance on 1.4.2025	3,600	10,200
		1,53,600
2. Purchase of medicine:		
Payment for medicine supply		90,000
Less: Amounts due for medicine supply on 1.4.2025		(27,000)
		63,000
Add: Amounts due for medicine supply on 31.3.2026		39,000
		1,02,000
3. Medicine consumed:		
Stock of medicine on 1.4.2025		30,000
Add: Purchase of medicine during the year (WN 2)		1,02,000
		1,32,000
Less: Stock of medicine on 31.3.2026		(45,000)
		87,000

4. Depreciation on equipment:		
Value of equipment on 1.4.2025		63,000
Add: Purchase of equipment during the year		45,000
		1,08,000
Less: Value of equipment on 31.3.2026		(90,000)
Depreciation on equipment for the year		18,000

(c) In the Books of Star Ltd.

Journal Entries

Particulars		***Dr.*** ₹	***Cr.*** ₹
Bank A/c	Dr.	1,80,000	
To Equity Shareholders A/c / Share Application A/c			1,80,000
(Being application money received on 12,000 shares @ ₹ 15 per share to be issued as rights shares in the ratio of 2:5) (WN 1)			
Equity Shareholders A/c / Share Application A/c	Dr.	1,80,000	
To Equity Share Capital A/c			1,20,000
To Securities Premium A/c			60,000
(Being share application money on 12,000 shares @ ₹ 10 per share transferred to Share Capital Account, and ₹ 5 per share to Securities Premium Account vide Board's Resolution dated....)			
Securities Premium A/c #	Dr.	60,000	
Statement of Profit & Loss A/c	Dr.	10,000	
To Bonus to Shareholders A/c			70,000
(Being amount transferred for issue of bonus shares to existing shareholders in the ratio of 1:6 i.e. 7,000 shares vide Board's Resolution dated.... (WN 2))			

Bonus to Shareholders A/c	Dr.	70,000	
To Equity Share Capital A/c			70,000
(Being issue of bonus shares in the ratio of 1 for 6 vide Board's Resolution dated....)			
10% Debentures A/c	Dr.	70,000	
Premium on Redemption of debentures A/c	Dr.	7,000	
To Debenture holders A/c			77,000
(Being amount payable to debentures holders)			
Statement of Profit and loss A/c	Dr.	7,000	
To Premium on Redemption of Debentures A/c			7,000
(Being Premium on redemption of debentures charged to Profit & Loss A/c)			
Debenture Redemption Reserve A/c	Dr.	7,000	
To General Reserve			7,000
(Being DRR transferred to general reserve)			
Bank A/c	Dr.	10,500	
To Debenture Redemption Reserve Investment A/c			10,500
(Being DRR Investment realised)			
Debenture holders A/c	Dr.	77,000	
To Bank A/c			77,000
(Being amount paid to debenture holders on redemption)			

Working Note:

1. Calculation of number of shares in Right Issue = 30,000 x 2/5 = 12,000 Shares
2. Calculation of number of shares in Bonus Issue

   Total number of equity shares issued = 30,000+12,000= 42,000 shares

   Bonus shares issued = 42,000 x 1/6 = 7,000 shares.

Question 6

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

On application	*₹ 2 per share*
On allotment	*₹ 4 per share (including premium of 2)*
On first and final call	*₹ 6 per share*

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

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

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

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

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

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

You are required to -

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

(ii) Show detailed working of amount received on application, amount adjusted allocated to share allotment and amount refunded. ***(15 Marks)***

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

Answer

(a) Journal Entries in the books of Orange Limited

Particulars		Dr. ₹	Cr. ₹
Bank A/c (Note 1 – Column 3)	Dr.	14,00,000	
To Equity Share Application A/c			14,00,000
(Being application money received on 7,00,000 shares @ ₹ 2 per share)			
Equity Share Application A/c	Dr.	14,00,000	
To Equity Share Capital A/c			5,00,000
To Equity Share Allotment A/c (Note 1 - Column 5)			5,20,000
To Bank A/c (Note 1–Column 6)			3,80,000
(Being application money on 2,50,000 shares transferred to Equity Share Capital Account; on 2,60,000 shares adjusted with allotment and on 1,90,000 shares refunded as per Board's Resolution No.....dated...)			
Equity Share Allotment A/c	Dr.	10,00,000	
To Equity Share Capital A/c			5,00,000
To Securities Premium a/c			5,00,000
(Being allotment money due on 2,50,000 shares @ ₹ 4 each including premium at ₹2 each as per Board's Resolution No....dated....)			
Bank A/c (Note 1 – Column 8)	Dr.	4,80,000	
To Equity Share Allotment A/c			4,80,000
(Being balance allotment money received)			

Equity Share First and Final Call A/c	Dr.	15,00,000	
To Equity Share Capital A/c			15,00,000
(Being final call money due on 2,50,000 shares @₹ 6 per share as per Board's Resolution No.....dated....)			
Bank Account A/c	Dr.	14,94,000	
Calls in arrear A/c (WN 2)	Dr.	6,000	
To Equity Share First & Final Call A/c			15,00,000
(Being amounts due on first call received except on 1000 shares)			
Equity share capital A/c		10,000	
To Share forfeiture A/c			4,000
To Calls in arrear A/c			6,000
(Being 1,000 shares forfeited for non payment of final call) (WN 2)			
Bank Account A/c (1,000 x ₹ 9)	Dr.	9,000	
Share forfeiture A/c (1,000 x ₹ 1)		1,000	
To Equity Share Capital A/c (1,000 x ₹ 10)			10,000
(Being forfeited shares reissued at ₹ 1 discount)			
Share forfeiture A/c		3,000	
To Capital reserve A/c			3,000
(Being share forfeiture transferred to capital reserve*) (WN 3)			

Note:

1. Calculation for Adjustment and Refund

Category	No. of Shares Applied for	No. of Shares Allotted	Amount Received on Application	Amount Required on Application	Amount adjusted on Allotment	Refund [3 – (4 + 5)]	Amount due on Allotment	Amount received on Allotment
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	30,000	Nil	60,000	Nil	Nil	60,000	Nil	Nil
(i)	70,000	70,000	1,40,000	1,40,000	Nil	Nil	2,80,000	2,80,000
(ii)	2,00,000	1,00,000	4,00,000	2,00,000	2,00,000	Nil	4,00,000	2,00,000
(iii)	4,00,000	80,000	8,00,000	1,60,000	3,20,000	3,20,000	3,20,000	Nil
TOTAL	7,00,000	2,50,000	14,00,000	5,00,000	5,20,000	3,80,000	10,00,000	4,80,000

Also,

(i) Amount Received on Application (3) = No. of shares applied for (1) X ₹ 2

(ii) Amount Required on Application (4) = No. of shares allotted (2) X ₹ 2

2. Number of shares to be forfeited from Mr. Mohan:

Applicant from category- C applied for 5,000 shares

In category- C against 4,00,000 shares applied – 80,000 shares allotted.

Therefore, No. of shares allotted to applicant who applied for 5,000 shares

= 5,000 x (80,000 / 4,00,000) = 1,000 shares allotted.

So, number of shares to be forfeited from Mr. Mohan = 1,000 shares

3. Calculation of Profit/Loss on re-issue of shares ₹

Amount received on re-issue (1,000 x 9)	9,000
Add: Amount already received before forfeiture (1,000 x 4)	4,000
Total	13,000
Less: Nominal value of such shares @ ₹ 10 per share	10,000
Profit on Re-issue transferred to capital Reserve	3,000

(b) Preparation of trial balance is the third phase in the accounting process. After posting the accounts in the ledger, a statement is prepared to show separately the debit and credit balances. Such a statement is known as the trial balance.

Trial balance contains various ledger balances on a particular date. It forms the basis for preparing the financial statements i.e. profit and loss account and balance sheet. If it tallies, it means that the accounts are arithmetically accurate but certain errors may still remain undetected. Therefore, it is very important to carefully journalise and post the entries, following are rules of accounting.

In spite of the agreement of the trial balance some errors may remain. These may be of the following types:

(i) Transaction has not been entered at all in the journal.

(ii) A wrong amount has been written in both columns of the journal.

(iii) A wrong account has been mentioned in the journal.

(iv) An entry has not at all been posted in the ledger.

(v) Entry is posted twice in the ledger.

(vi) Error of Principle i.e. treating revenue expenditure as capital expenditure or vice versa

(vii) Compensating Error i.e. one error neutralises the effect of other error.