MOCK TEST PAPER

FOUNDATION COURSE

PAPER – 1: PRINCIPLES AND PRACTICE OF ACCOUNTING

*Question No. **1** is compulsory.*

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

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

Working Notes should form part of the answer.

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

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

   i. Capital + Long Term Liabilities= Fixed Assets + Current Assets + Cash- Current Liabilities.

   ii. Consignment account is of the nature of real account.

   iii. The Sales book is kept to record both cash and credit sales.

   iv. In the calculation of average due date, only the due date of first transaction must be taken as the base date.

   v. If a partner retires, then other partners have a gain in their profit sharing ratio.

   vi. Net income in case of persons practicing vocation is determined by preparing profit and loss account. **(6 Statements x 2 Marks = 12 Marks)**

   (b) Discuss the limitations which must be kept in mind while evaluating the Financial Statements.

   (4 Marks)

   (c) Classify the following errors under the three categories – Errors of Omission, Errors of Commission and Errors of Principle.

   (i) Sale of furniture credited to Sales Account.

   (ii) Purchase worth Rs. 500 from M not recorded in subsidiary books.

   (iii) Credit sale wrongly passed through the Purchase Book.

   (iv) Machinery sold on credit to Mohan recored in Journal Proper but omitted to be posted.

   (v) Goods worth Rs. 5,000 purchased on credit from Ram recorded in the Purchase Book as Rs. 500. **(4 Marks)**

2. (a) M/s Ram took lease of a quarry on 1-1-2016 for Rs. 2,00,00,000. As per technical estimate the total quantity of mineral deposit is 4,00,000 tonnes. Depreciation was charged on the basis of depletion method. Extraction pattern is given in the following table:

Year	Quantity of Mineral extracted
2016	4,000 tonnes
2017	20,000 tonnes
2018	30,000 tonnes

Required

Show the Quarry Lease Account and Depreciation Account for each year from 2016 to 2018.

(b) On 30th September, 2017, the bank account of Neel, according to the bank column of the Cash-Book, was overdrawn to the extent of Rs. 8,124. On the same date the bank statement showed a credit balance of Rs. 41,516 in favour of Neel. An examination of the Cash Book and Bank Statement reveals the following:

1. A cheque for Rs. 26,28,000 deposited on 29th September, 2017 was credited by the bank only on 3rd October, 2017
2. A payment by cheque for Rs. 32,000 has been entered twice in the Cash Book.
3. On 29th September, 2017, the bank credited an amount of Rs. 2,34,800 received from a customer of Neel, but the advice was not received by Neel until 1st October, 2017.
4. Bank charges amounting to Rs. 1,160 had not been entered in the Cash Book.
5. On 6th September, 2017, the bank credited Rs. 40,000 to Neel in error.
6. A bill of exchange for Rs. 2,80,000 was discounted by Neel with his bank. This bill was dishonoured on 28th September, 2017 but no entry had been made in the books of Neel.
7. Cheques issued upto 30th September, 2017 but not presented for payment upto that date totalled Rs. 26,52,000.

You are required :

(a) to show the appropriate rectifications required in the Cash Book of Neel, to arrive at the correct balance on 30th September, 2017 and

(b) to prepare a bank reconciliation statement as on that date.

(10 Marks +10 Marks= 20 Marks)

3. (a) Gagan of Mumbai consigns 2,000 cases of goods costing Rs. 1,000 each to Kumar of Chennai. Gagan pays the following expenses in connection with consignment:

	Rs.
Carriage	20,000
Freight	60,000
Loading charges	20,000

Kumar sells 1,400 cases at Rs. 1,400 per case and incurs the following expenses:

Clearing charges	17,000
Warehousing and storage charges	34,000
Packing and selling expenses	12,000

It is found that 100 cases have been lost in transit and 200 cases are still in transit.

Kumar is entitled to a commission of 10% on gross sales. You are required to prepare the Consignment Account and Kumar's Account in the books of Gagan.

(b) From the following details calculate the average due date:

Date of Bill	Amount (Rs.)	Usance of Bill
28th January, 2018	5,000	1 month
20th March, 2018	4,000	2 months
12th July, 2018	7,000	1 month
10th August, 2018	6,000	2 months

(c) Prepare Journal entries for the following transactions in K. Katrak's books.

(i) Katrak's acceptance to Basu for Rs. 2,500 discharged by a cash payment of Rs. 1,000 and a new bill for the balance plus Rs. 50 for interest.

(ii) G. Gupta's acceptance for Rs. 4,000 which was endorsed by Katrak to M. Mehta was dishonoured. Mehta paid Rs. 20 noting charges. Bill withdrawn against cheque.

(iii) D. Dalal retires a bill for Rs. 2,000 drawn on him by Katrak for Rs. 10 discount.

(iv) Katrak's acceptance to Patel for Rs. 5,000 discharged by Mody's acceptance to him (Katrak) for a similar amount. **(10 + 5 + 5 = 20 Marks)**

4. A, B and C are partners in a firm sharing profits and losses as 8:5:3. Their balance sheet as at 31st December, 2018 was as follows:

	Rs.		Rs.
Sundry creditors	1,50,000	Cash	40,000
General reserve	80,000	Bills receivable	50,000
Partners' loan accounts:		Sundry debtors	60,000
A	40,000	Stock	1,20,000
B	30,000	Fixed assets	2,80,000
Partners' capital accounts:			
A	1,00,000		
B	80,000		
C	70,000		
	5,50,000		5,50,000

From 1st January, 2019 they agreed to alter their profit-sharing ratio as 5:6:5. It is also decided that:

(a) the fixed assets should be valued at Rs. 3,31,000;

(b) a provision of 5% on sundry debtors to be made for doubtful debts;

(c) the goodwill of the firm at this date be valued at three years' purchase of the average net profits of the last five years before charging insurance premium; and

(d) the stock be reduced to Rs. 1,12,000.

There is a joint life insurance policy for Rs. 2,00,000 for which an annual premium of Rs. 10,000 is paid, the premium being charged to profit and loss account. The surrender value of the policy on 31st December, 2018 was Rs. 78,000.

The net profits of the firm for the last five years were Rs. 14,000, Rs. 17,000, Rs. 20,000, Rs. 22,000 and Rs. 27,000.

Goodwill and the surrender value of the joint life policy was not to appear in the books.

Draft journal entries necessary to adjust the capital accounts of the partners and prepare the revised balance sheet. **(20 Marks)**

5. (a) From the following receipts and payments account of Mumbai Club, prepare income and expenditure account for the year ended 31.12.2018 and its balance sheet as on that date:

Receipts	Rs.	Payments	Rs.
Cash in hand	4,000	Salary	2,000
Cash at bank	10,000	Repair expenses	500

Donations	5,000	Purchase of furniture	6,000
Subscriptions	12,000	Misc. expenses	500
Entrance fees	1,000	Purchase of investments	6,000
Interest on investments	100	Insurance premium	200
Interest received from bank	400	Billiard table	8,000
Sale of old newspaper	150	Paper, ink etc.	150
Sale of drama tickets	1,050	Drama expenses	500
		Cash in hand (closing)	2,650
		Cash at bank (closing)	7,200
	33,700		33,700

Information:

1. Subscriptions in arrear for 2018 Rs. 900 and subscriptions in advance for 2019 Rs. 350.
2. Insurance premium outstanding Rs. 40.
3. Misc. expenses prepaid Rs. 90.
4. 50% of donation is to be capitalized.
5. Entrance fees are to be treated as revenue income.
6. 8% interest has accrued on investment for five months.
7. Billiard table costing Rs. 30,000 was purchased during the last year and Rs. 22,000 were paid for it.

(b) From the below mentioned information, prepare a Trading Account of M/s. Ketan Traders for the year ended 31st March, 2019:

	Rs.
Opening Inventory	1,50,000
Purchases	10,08,000
Carriage Inwards	45,000
Wages	75,000
Sales	16,50,000
Returns inward	1,50,000
Returns outward	1,08,000
Closing Inventory	3,00,000

(c) Sky Ltd. keeps no stock records but a physical inventory of stock is made at the end of each quarter and the valuation is taken at cost. The company's year ends on 31st March, 2018 and their accounts have been prepared to that date. The stock valuation taken on 31st March, 2018 was however, misleading and you have been advised to value the closing stocks as on 31st March, 2018 with the stock figure as on 31st December, 2017 and some other information is available to you:

(i) The cost of stock on 31st December, 2017 as shown by the inventory sheet was Rs. 80,000.

(ii) On 31st December, stock sheet showed the following discrepancies:

(a) A page total of Rs. 5,000 had been carried to summary sheet as Rs. 6,000.

(b) The total of a page had been undercast by Rs. 200.

(iii) Invoice of purchases entered in the Purchase Book during the quarter from January to March, 2018 totalled Rs. 70,000. Out of this Rs. 3,000 related to goods received prior to 31st December, 2017. Invoices entered in April 2018 relating to goods received in March, 2018 totalled Rs. 4,000.

(iv) Sales invoiced to customers totalled Rs. 90,000 from January to March, 2018. Of this Rs. 5,000 related to goods dispatched before 31st December, 2017. Goods dispatched to customers before 31st March, 2018 but invoiced in April, 2018 totalled Rs. 4,000.

(v) During the final quarter, credit notes at invoiced value of Rs. 1,000 had been issued to customers in respect of goods returned during that period. The gross margin earned by the company is 25% of cost.

You are required to prepare a statement showing the amount of stock at cost as on 31st March, 2018. **(12 + 4+4 = 20 Marks)**

6. (a) On 1st April, 2017, A Ltd. issued 43,000 shares of Rs. 100 each payable as follows:

Rs. 20 on application;

Rs. 30 on allotment;

Rs. 25 on 1st October, 2017; and

Rs. 25 on 1st February, 2018.

By 20th May, 40,000 shares were applied for and all applications were accepted. Allotment was made on 1st June. All sums due on allotment were received on 15th July those on 1st call were received on 20th October. Journalise the transactions when accounts were closed on 31st March, 2018. **(10 Marks)**

(b) Simmons Ltd. issued 1,00,000, 12% Debentures of Rs.100 each at par payable in full on application by 1st April, Application were received for 1,10,000 Debentures. Debentures were allotted on 7th April. Excess money refunded on the same date.

You are required to pass necessary Journal Entries (including cash transactions) in the books of the company. **(5 Marks)**

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

OR

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

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ANSWERS

1. (a) (i) False- The right hand side of the equation includes cash twice- once as a part of current assets and another separately. The basic accounting equation is

Equity + Long Term Liabilities = Fixed Assets + Current Assets - Current Liabilities

(ii) False: Consignment account is a nominal account

(iii) False- The Sales book is a register specially kept to record credit sales of goods dealt in by the firm, cash sales are entered in the cash book and not in the sales book.

(iv) False- While calculating the average due date, any transaction date may be taken as the base date.

(v) True- If a partner retires, his share of profit or loss will be shared by the other partners in their profit sharing ratio.

(vi) *False*: Net income is determined by preparing income and expenditure in case of persons practicing vocation.

(b) Limitations which must be kept in mind while evaluating the Financial Statements are as follows:

- The factors which may be relevant in assessing the worth of the enterprise don't find place in the accounts as they cannot be measured in terms of money.
- Balance Sheet shows the position of the business on the day of its preparation and not on the future date while the users of the accounts are interested in knowing the position of the business in the near future and also in long run and not for the past date.
- Accounting ignores changes in some money factors like inflation etc.
- There are occasions when accounting principles conflict with each other.
- Certain accounting estimates depend on the sheer personal judgement of the accountant.
- Different accounting policies for the treatment of same item adds to the probability of manipulations.

(c) (i) Error of Principle.

(ii) Error of Omission.

(iii) Error of Commission.

(iv) Error of Omission.

(v) Error of Commission

2. (a) **Quarry Lease Account**

Dr.		**Rs.**			**Cr.** **Rs.**
2016			**2016**		
Jan.	To Bank A/c	2,00,00,000	Dec. 31	By Depreciation A/c [(4,000/4,00,000) ×	2,00,000

				Rs. 2,00,00,000]	
			Dec. 31	By Balance c/d	1,98,00,000
		2,00,00,000			2,00,00,000
2017			2017		
Jan. 1	To Balance b/d	1,98,00,000	Dec. 31	By Depreciation A/c	10,00,000
			Dec. 31	By Balance c/d	1,88,00,000
		1,98,00,000			1,98,00,000
2018			2018		
Jan. 1	To Balance b/d	1,88,00,000	Dec. 31	By Depreciation A/c	15,00,000
			Dec. 31	By Balance c/d	1,73,00,000
		1,88,00,000			1,88,00,000

Depreciation Account

Dr.		**Rs.**			**Cr.** **Rs.**
2016			**2016**		
Dec. 31	To Quarry lease A/c	2,00,000	Dec. 31	By Profit & Loss A/c	2,00,000
		2,00,000			2,00,000
2017			2017		
Dec. 31	To Quarry lease A/c	10,00,000	Dec. 31	By Profit & Loss A/c	10,00,000
		10,00,000			10,00,000
2018			2018		
Dec. 31	To Quarry lease A/c	15,00,000	Dec. 31	By Profit & Loss A/c	15,00,000
		15,00,000			15,00,000

(b) (i) Cash Book (Bank Column)

Date	Particulars	Amount	Date	Particulars	Amount
2017		Rs.	**2017**		Rs.
Sept. 30			Sept. 30		
	To Party A/c	32,000		By Balance b/d	8,124
	To Customer A/c			By Bank charges	1,160
	(Direct deposit)	2,34,800		By Customer A/c	2,80,000
	To Balance c/d	22,484		(B/R dishonoured)	
		2,89,284			2,89,284

(ii) Bank Reconciliation Statement as on 30th September, 2017

Particulars	Amount
	Rs.
Overdraft as per Cash Book	22,484
Add: Cheque deposited but not collected upto 30th Sept., 2017	26,28,000
	26,50,484

Less: Cheques issued but not presented for payment upto 30th Sept., 2017	(26,52,000)
Credit by Bank erroneously on 6th Sept.	(40,000)
Overdraft as per bank statement	41,516

Note: Bank has credited Neel by 40,000 in error on 6th September, 2017. If this mistake is rectified in the bank statement, then this will not be deducted in the above statement along with Rs. 26,52,000 resulting in debit balance of Rs. 1,516 as per pass-book.

3. (a) In the books of Gagan

Consignment to Kumar of Chennai Account

Particulars	Rs.	Particulars		Rs.
To Goods sent on Consignment	20,00,000	By Kumar (Sales)		19,60,000
		By Loss in Transit 100 cases @ Rs. 1,050 each		1,05,000
To Bank (Expenses)	1,00,000	By Consignment Inventories		
To Kumar (Expenses)	63,000	In hand 300 @ Rs. 1,060 each	3,18,000	
To Kumar (Commission)	1,96,000	In transit 200 @ Rs. 1,050 each	2,10,000	5,28,000
To Profit on Consignment to Profit & Loss A/c	2,34,000			
	25,93,000			25,93,000

Kumar's Account

Particulars	Rs.	Particulars	Rs.
To Consignment to Chennai A/c	19,60,000	By Consignment A/c (Expenses)	63,000
		By Consignment A/c (Commission)	1,96,000
		By Balance c/d	17,01,000
	19,60,000		19,60,000

Working Notes:

(i) Consignor's expenses on 2,000 cases amounts to Rs. 1,00,000; it comes to Rs. 50 per case. The cost of cases lost will be computed at Rs. 1,050 per case.

(ii) Kumar has incurred Rs. 17,000 on clearing 1,700 cases, i.e., Rs. 10 per case; while valuing closing inventories with the agent Rs. 10 per case has been added to cases in hand with the agent.

(iii) It has been assumed that balance of Rs. 17,01,000 is not yet paid.

(b) Calculation of Average Due Date

(Taking 3rd March, 2018 as base date)

Date of bill 2018	*Term*	*Due date 2018*	*Amount (Rs.)*	*No. of days from the base date i.e. 3rd March,2018 (Rs.)*	*Product (Rs.)*
28th January	1 month	3rd March	5,000	0	0

20th March	2 months	23rd May	4,000	81	3,24,000
12th July	1month	14th Aug.	7,000	164	11,48,000
10th August	2 months	13th Oct.	6,000	224	13,44,000
			22,000		28,16,000

Average due date = Base date + Days equal to $\frac{\text{Sum of Products}}{\text{Sum of Amounts}}$

$= 3^{rd}$ March, 2018 + $\frac{28,16,000}{22,000}$

$= 3^{rd}$ March, 2018 + 128 days = 9^{th} July, 2018

Working Note:

Bill dated 12th July, 2018 has the maturity period of one month, due date (after adding 3 days of grace) falls on 15th August, 2018. 15th August being public holiday, due date would be preceding date i.e. 14th August, 2018.

(c) **Books of K. Katrak**

Journal Entries

			Dr. Rs.	*Cr.* Rs.
(i)	Bills Payable Account	Dr.	2,500	
	Interest Account	Dr.	50	
	To Cash A/c			1,000
	To Bills Payable Account			1,550
	(Bills Payable to Basu discharged by cash payment of Rs. 1,000 and a new bill for Rs.1,550 including Rs. 50 as interest)			
(ii)	(a) G. Gupta	Dr.	4,020	
	To M. Mehta			4,020
	(G. Gupta's acceptance for Rs. 4,000 endorsed to M. Mehta dishonoured, Rs. 20 paid by M. Mehta as noting charges)			
	(b) M. Mehta	Dr.	4,020	
	To Bank Account			4,020
	(Payment to M. Mehta on withdrawal of bill earlier received from Mr. G. Gupta)			
(iii)	Bank Account	Dr.	1,990	
	Discount Account	Dr.	10	
	To Bills Receivable Account			2,000
	(Payment received from D. Dalal against his acceptance for Rs. 2,000. Allowed him a discount of Rs. 10)			
(iv)	Bills Payable Account	Dr.	5,000	
	To Bills Receivable Account			5,000
	(Bills Receivable from Mody endorsed to Patel in settlement of bills payable issued to him earlier)			

4. **In the books of M/s ABC**

Journal Entries

Date	Particulars		Dr. (Rs.)	Cr.(Rs.)
2019 January 1	Fixed assets A/c	Dr.	51,000	
	To Revaluation A/c			51,000
	(Revaluation of fixed assets)			
	Revaluation A/c	Dr.	11,000	
	To Stock A/c			8,000
	To Provision for doubtful debts A/c			3,000
	(Reduction in the value of stock and provision @ 5% on sundry debtors created for doubtful debts)			
	B's capital A/c	Dr.	10,500	
	C's capital A/c	Dr.	21,000	
	To A's capital A/c			31,500
	(Adjustment for goodwill and joint life policy (W.N.1))			
	Revaluation A/c	Dr.	40,000	
	To A's capital A/c			20,000
	To B's capital A/c			12,500
	To C's capital A/c			7,500
	(Transfer of profit on revaluation)			
	General reserve A/c	Dr.	80,000	
	To A's capital A/c			40,000
	To B's capital A/c			25,000
	To C's capital A/c			15,000
	(Transfer of general reserve)			

Balance Sheet (revised)

as on 1st January, 2019

Liabilities		Amount Rs.	Assets		Amount Rs.
Sundry creditors		1,50,000	Cash		40,000
Partners' loan A/cs:			Bills receivable		50,000
A	40,000		Sundry debtors	60,000	
B	30,000	70,000	*Less:* Provision	3,000	57,000
Partners' capital A/cs: (W.N.2)			Stock		1,12,000
			Fixed assets		3,31,000
A	1,91,500				
B	1,07,000				
C	71,500	3,70,000			
		5,90,000			5,90,000

Working Notes:

(1) Adjustment for goodwill and joint life policy

	Rs.
Average profit of last five years	20,000
Add: Insurance premium per annum	10,000
Average profit before charging premium	30,000
Value of goodwill (3x Rs. 30,000)	90,000
Add: Surrender value of joint life policy	78,000
Total amount for adjustment	1,68,000

	A	*B*	*C*
	Rs.	*Rs.*	*Rs.*
Raised in old profit sharing ratio (8:5:3)	84,000	52,500	31,500
Written off in new profit sharing ratio (5:6:5)	52,500	63,000	52,500
Net effect in capital accounts	31,500	10,500	21,000
	(Cr.)	(Dr.)	(Dr.)

Alternatively, the net effect in partners' capital accounts due to adjustment for goodwill and joint life policy can be shown on the basis of profit sacrificing ratio. Profit sacrificing ratios are:

A = (8/16) - (5/16) = 3/16

B = (5/16) - (6/16) = (1/16)

C = (3/16) - (5/16) = (2/16)

Therefore, adjustments in partner's capital account:

A = 3/16 x Rs. 1,68,000 = Rs. 31,500 (Cr.)

B = (1/16) x Rs. 1,68,000 = Rs. 10,500 (Dr.)

C = (2/16) x Rs. 1,68,000 = Rs. 21,000 (Dr.)

(2) **Partners' Capital Accounts**

		A	*B*	*C*			*A*	*B*	*C*
2019		*Rs.*	*Rs.*	*Rs.*	2019		*Rs.*	*Rs.*	*Rs.*
Jan 1	To A' capital A/c	-	10,500	21,000	Jan 1	By Balance b/d	1,00,000	80,000	70,000
	To Balance c/d	1,91,500	1,07,000	71,500		By B and C's capital A/c (as per contra)	31,500	-	-
						By Revaluation A/c (revaluation profit)	20,000	12,500	7,500
						By General reserve	40,000	25,000	15,000
		1,91,500	1,17,500	92,500			1,91,500	1,17,500	92,500

5. (a)

Income and Expenditure Account of Mumbai Club

for the year ended 31st December, 2018

Dr.					*Cr.*
Expenditure	*Rs.*	*Rs.*	*Income*	*Rs.*	*Rs.*
To Salary		2,000	By Donation	5,000	
To Repair expenses		500	*Less:* Capitalised (50%)	2,500	2,500
To Misc. expenses	500		By Subscriptions	12,000	
Less: Prepaid	90	410	*Add:* Outstanding	900	
To Insurance premium	200			12,900	
Add: Outstanding	40	240	*Less:* Advance for 2019	350	12,550
To Paper, ink etc.		150	By Entrance fees		1,000
To Drama expenses		500	By Interest on investment		300
To Surplus-excess of income over expenditure		14,150	[100+8/100x6,000x5/12]		
			By Interest received from bank		400
			By Sale of old newspapers		150
			By Sale of drama tickets		1,050
		17,950			17,950

Balance Sheet of Mumbai Club

as on 31st December, 2018

Liabilities	*Rs.*	*Rs.*	*Assets*	*Rs.*
Capital fund			Billiard table	30,000
Opening balance	36,000		Furniture	6,000
Add: Surplus	14,150		Investments	6,000
Donations	2,500	52,650	Interest accrued	200
Outstanding insurance premium		40	Prepaid expenses	90
Subscription received in advance		350	Subscriptions receivable	900
			Cash in hand	2,650
			Cash at bank	7,200
		53,040		53,040

Working Note:

Balance Sheet of Mumbai Club

as on 31st December, 2017

Liabilities	*Rs.*	*Assets*	*Rs*
Capital fund	36,000	Billiard table	30,000
(balancing figure)		Cash in hand	4,000
Creditors for billiard table	8,000	Cash at bank	10,000
	44,000		44,000

(b) **In the books of M/s. Ketan Traders**

Trading Account for the year ended 31st March, 2019

Particulars	Rs.	Amount Rs.	Particulars	Rs.	Amount Rs.
To Opening Inventory		1,50,000	By Sales	16,50,000	
To Purchases	10,08,000		*Less:* Returns Inward	(1,50,000)	15,00,000
Less: Returns outward	(1,08,000)	9,00,000	By Closing Inventory		3,00,000
To Carriage Inwards		45,000			
To Wages		75,000			
To Gross profit		6,30,000			
		18,00,000			18,00,000

(c) **Valuation of Physical Stock as at March 31, 2018**

			Rs.
Stock at cost on 31.12.2017			80,000
Add: (1) Undercasting of a page total		200	
(2) Goods purchased and delivered during January – March, 2018 Rs. (70,000 – 3,000 + 4,000)		71,000	
(3) Cost of sales return Rs. (1,000 – 200)		800	72,000
			1,52,000
Less: (1) Overcasting of a page total Rs. (6,000 – 5,000)		1,000	
(2) Goods sold and dispatched during January – March, 2018 Rs. (90,000 – 5,000 + 4,000)	89,000		
Less: Profit margin $\left(89{,}000\times\frac{25}{125}\right)$	17,800	71,200	(72,200)
Value of stock as on 31st March, 2018			79,800

Note: In the above solution, transfer of ownership is assumed to take place at the time of delivery of goods. If it is assumed that transfer of ownership takes place on the date of invoice, then Rs. 4,000 goods delivered in March 2018 for which invoice was received in April, 2018, would be treated as purchases of the accounting year 2017-2018 and thus excluded. Similarly, goods dispatched in March, 2018 but invoiced in April, 2018 would be excluded and treated as sale of the year 2017-2018

6. **(a)** **A Ltd.**

Journal

2017			*Dr.* Rs.	*Cr.* Rs.
May 20	Bank Account	Dr.	8,00,000	
	To Share Application A/c			8,00,000
	(Application money on 40,000 shares at Rs. 20 per share received.)			
June 1	Share Application A/c	Dr.	8,00,000	

	To Share Capital A/c			8,00,000
	(The amount transferred to Capital Account on 40,000 shares Rs. 20 on application. Directors' resolution no........ dated ......)			
	Share Allotment A/c	Dr.	12,00,000	
	To Share Capital A/c			12,00,000
	(Being share allotment made due at Rs. 30 per share. Directors' resolution no...... dated ......)			
July 15	Bank Account	Dr.	12,00,000	
	To Share Application and Allotment A/c			12,00,000
	(The sums due on allotment received.)			
Oct. 1	Share First Call Account	Dr.	10,00,000	
	To Share Capital Account			10,00,000
	(Amount due from members in respect of first call-on 40,000 shares at Rs. 25 as per Directors, resolution no... dated...)			
Oct. 20	Bank Account	Dr.	10,00,000	
	To Share First Call Account			10,00,000
	(Receipt of the amounts due on first call.)			
2018				
Feb. 1	Share Second and Final Call A/c	Dr.	10,00,000	
	To Share Capital A/c			10,00,000
	(Amount due on 40,000 share at Rs. 25 per share on second and final call, as per Directors resolution no... dated...)			
Mar. 31	Bank Account	Dr.	10,00,000	
	To Share Second & Final Call A/c			10,00,000
	(Amount received against the final call on 40,000 shares at Rs.25 per share.)			

(b) **In the books of Simmons Limited**

Date	Particulars		Rs. '000	Rs. '000
April 1	Bank A/c	Dr.	11,000	
	To 12% Debentures Application A/c			11,000
	(Being money received on 1,10,000 debentures)			
April 7	12% Debentures Application A/c	Dr.	1,000	
	To Bank A/c			1,000
	(Being money on 10,000 debentures refunded as per Board's Resolution No…..dated…)			
April 7	12% Debentures Application A/c	Dr.	10,000	
	To 12% Debentures A/c			10,000
	(Being the allotment of 1,00,000 debentures of Rs. 100 each at par, as per Board's Resolution No….dated…)			

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

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

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

(iii) Interest allowed by the bank.

(iv) Interest and expenses charged by the bank.

(v) Interest and dividends collected by the bank.

(vi) Direct payments by the bank.

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

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

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

(x) An error committed by the bank etc.

OR

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

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

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

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

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

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

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

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

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