

MOCK TEST PAPER 1
FOUNDATION COURSE
PAPER – 1: PRINCIPLES AND PRACTICE OF ACCOUNTING

Question No. 1 is compulsory.

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

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

Working Notes should form part of the answer.

Time Allowed: 3 Hours

Maximum Marks: 100

1. (a) State with reasons, whether the following statements are true or false:
- (i) If the effect of errors committed cancel out, the errors will be called compensating errors and the trial balance will disagree.
 - (ii) Amount spent for the construction of temporary huts, which were necessary for construction of the Cinema House and were demolished when the Cinema House was ready, is capital expenditure.
 - (iii) In case of consignment sale, ownership of goods will be transferred to consignee at the time of receiving the goods.
 - (iv) In case the due date of a bill falls after the date of closing the account, the interest from the date of closing to such due date is known as Red-Ink interest.
 - (v) When there is no partnership deed prevails, the interest on loan of a partner to be paid @ 6%.
 - (vi) Re-issue of forfeited shares is allotment of shares but not a sale.
- (6 Statements x 2 Marks = 12 Marks)**
- (b) Explain the objective of “Accounting Standards” in brief. **(4 Marks)**
- (c) From the following transactions, prepare the Purchases Returns Book of Alpha & Co., a saree dealer and post them to ledger :

Date	Debit Note No.	Particulars
04.01.2020	101	Returned to Goyal Mills, Surat – 5 polyester sarees @ Rs. 100.
09.01.2020		Garg Mills, Kota – accepted the return of sarees (which were purchased for cash) – 5 Kota sarees @ Rs. 40.
16.01.2020	102	Returned to Mittal Mills, Bangalore –5 silk sarees @ Rs. 260.
30.01.2020		Returned one typewriter (being defective) @ Rs. 3,500 to B & Co.

(4 Marks)

2. (a) A trader prepared his accounts on 31st March, each year. Due to some unavoidable reasons, no stock taking could be possible till 15th April, 2020 on which date the total cost of goods in his godown came to Rs. 50,000. The following facts were established between 31st March and 15th April, 2020.
- (i) Sales Rs. 41,000 (including cash sales Rs. 10,000)

- (ii) Purchases Rs. 5,034 (including cash purchases Rs. 1,990)
- (iii) Sales Return Rs. 1,000.
- (iv) On 15th March, goods of the sale value of Rs. 10,000 were sent on sale or return basis to a customer, the period of approval being four weeks. He returned 40% of the goods on 10th April, approving the rest; the customer was billed on 16th April.
- (v) The trader had also received goods costing Rs. 8,000 in March, for sale on consignment basis; 20% of the goods had been sold by 31st March, and another 50% by 15th April. These sales are not included in above sales.

Goods are sold by the trader at a profit of 20% on sales.

You are required to ascertain the value of Inventory as on 31st March, 2020.

- (b) A Plant & Machinery costing Rs. 10,00,000 is depreciated on straight line assuming 10 year working life and zero residual value, for four years. At the end of the fourth year, the machinery was revalued upwards by Rs. 40,000. The remaining useful life was reassessed at 8 year. Calculate Depreciation for the fifth year.
- (c) Prepare the Bank Reconciliation Statement of M/s. R.K. Brothers on 30th June 2020 from the particulars given below:
 - (i) The Bank Pass Book had a debit balance of Rs. 25,000 on 30th June, 2020.
 - (ii) A cheque worth Rs. 400 directly deposited into Bank by customer but no entry was made in the Cash Book.
 - (iii) Out of cheques issued worth Rs. 34,000, cheques amounting to Rs. 20,000 only were presented for payment till 30th June, 2020.
 - (iv) A cheque for Rs. 4,000 received and entered in the Cash Book but it was not sent to the Bank.
 - (v) Cheques worth Rs. 20,000 had been sent to Bank for collection but the collection was reported by the Bank as under.
 - (1) Cheques collected before 30th June, 2020, Rs. 14,000
 - (2) Cheques collected on 10th July, 2020, Rs. 4,000
 - (3) Cheques collected on 12th July, 2020, Rs. 2,000.
 - (vi) The Bank made a direct payment of Rs. 600 which was not recorded in the Cash Book.
 - (vii) Interest on Overdraft charged by the bank Rs. 1,600 was not recorded in the Cash Book.
 - (viii) Bank charges worth Rs. 80 have been entered twice in the cash book whereas Insurance charges for Rs. 70 directly paid by Bank was not at all entered in the Cash Book.
 - (ix) The credit side of bank column of Cash Book was under cast by Rs. 2,000.

(5+5 + 10 = 20 Marks)

- 3. (a) Raj of Gwalior consigned 15,000 kgs of Ghee at Rs. 30 per kg to his agent Siraj at Delhi. He spent Rs. 5 per kg as freight and insurance for sending the Ghee at Delhi. On the way 100 kgs. of Ghee was lost due to the leakage (which is to be treated as normal loss) and 400 kgs. of Ghee was destroyed in transit. Rs. 9,000 was paid to consignor directly by the Insurance company as Insurance claim.
Siraj sold 7,500 kgs. at Rs. 60 per kg. He spent Rs. 33,000 on advertisement and recurring expenses.

You are required to calculate:

- (i) The amount of abnormal loss
 - (ii) Value of stock at the end and
 - (iii) Prepare Consignment account showing profit or loss on consignment, if Siraj is entitled to 5% commission on sales.
- (b) Mr. A owed Rs. 4,000 on 1st January, 2020 to Mr. X. The following transactions took place between them. It is agreed between the parties that interest @ 10% p.a. is to be calculated on all transactions.

	Rs.
15 January, 2020 Mr. X sold goods to Mr. A	2,230
29 January, 2020 Mr. X bought goods from Mr. A	1,200
10 February, 2020 Mr. A paid cash to Mr. X	1,000
13 March, 2020 Mr. A accepted a bill drawn by Mr. X for one month	2,000

They agree to settle their complete accounts by one single payment on 15th March, 2020.

Prepare Mr. A in Account Current with Mr. X and ascertain the amount to be paid. Ignore days of grace.

- (c) Mr. Badhri sends goods to his customers on Sale or Return. The following transactions took place during the month of December 2019.

December 2nd - Sent goods to customers on sale or return basis at cost plus 25% - Rs. 80,000

December 10th - Goods returned by customers Rs. 35,000

December 17th - Received letters from customers for approval Rs. 35,000

December 23rd - Goods with customers awaiting approval Rs. 15,000

Mr. Badhri records sale or return transactions as ordinary sales. You are required to pass the necessary Journal Entries in the books of Mr. Badhri assuming that the accounting year closes on 31st Dec. 2019. Considered that the transaction values are at involve price (including profit margin).

(10 + 5 + 5 = 20 Marks)

4. (a) Monika, Yedhant and Zoya are in partnership, sharing profits and losses equally.

Zoya died on 30th June 2020. The Balance Sheet of Firm as at 31st March 2020 stood as

Liabilities	Amount	Assets	Amount
Creditors	20,000	Land and Building	1,50,000
General Reserve	12,000	Investments	65,000
Capital Accounts:		Stock in trade	15,000
Monika	1,00,000	Trade receivables	35,000
Yedhant	75,000	Less: Provision for doubtful debt (2,000)	33,000
Zoya	75,000	Cash in hand	7,000
		Cash at bank	12,000
	2,82,000		2,82,000

In order to arrive at the balance due to Zoya, it was mutually agreed that:

- (i) Land and Building be valued at Rs. 1,75,000

- (ii) Debtors were all good, no provision is required
- (iii) Stock is valued at Rs. 13,500
- (iv) Goodwill will be valued at one Year's purchase of the average profit of the past five years. Zoya's share of goodwill be adjusted in the account of Monika and Yedhant.
- (v) Zoya's share of profit from 1st April 2020, to the date of death be calculated on the basis of average profit of preceding three years.
- (vi) The profit of the preceding five years ended 1st March were:

2020	2019	2018	2017	2016
25,000	20,000	22,500	35,000	28,750

You are required to prepare: (1) Revaluation account and (2) Capital accounts of the partners as at 1st July 2020.

- (b) Following particulars are extracted from the books of Mr. Sandeep for the year ended 31st December, 2020.

Particulars	Amount	Particulars	Amount
Debit Balances:	Rs.	Credit Balances:	Rs.
Cash in hand	1,500	Capital	16,000
Purchase	12,000	Bank overdraft	2,000
Sales return	1,000	Sales	9,000
Salaries	2,500	Purchase return	2,000
Tax and Insurance	500	Provision for Bad debts	1,000
Bad debts	500	Creditors	2,000
Debtors	5,000	Commission	500
Investments	4,000	Bills payable	2,500
Opening stock	1,400		
Drawings	2,000		
Furniture	1,600		
Bills receivables	3,000		
	35,000		35,000

Other information :

- (i) Closing stock was valued at Rs. 4,500.
- (ii) Salary of Rs. 100 and Tax of Rs. 200 are outstanding whereas insurance Rs. 50 is prepaid.
- (iii) Commission received in advance is Rs. 100.
- (iv) Interest accrued on investment is Rs. 210.
- (v) Interest on overdraft is unpaid Rs. 300.
- (vi) Provision for bad debts is to be kept at Rs. 1,000 .
- (vii) Depreciation on furniture is to be charged @ 10%.

You are required to prepare the final accounts after making above adjustments.

(8 + 12 = 20 Marks)

5. (a) Smith Library Society showed the following position on 31st March, 2019:

Balance Sheet as on 31st March, 2019

Liabilities	Rs.	Assets	Rs.
Capital fund	7,93,000	Electrical fittings	1,50,000
Expenses payable	7,000	Furniture	50,000
		Books	4,00,000
		Investment in securities	1,50,000
		Cash at bank	25,000
		Cash in hand	<u>25,000</u>
	<u>8,00,000</u>		<u>8,00,000</u>

The receipts and payment account for the year ended on 31st March, 2020 is given below:

		Rs.			Rs.
To Balance b/d			By Electric charges		7,200
Cash at bank	25,000		By Postage and stationary		5,000
Cash in hand	<u>25,000</u>	50,000	By Telephone charges		5,000
To Entrance fee	30,000		By Books purchased		60,000
To Membership subscription	2,00,000		By Outstanding expenses paid		7,000
To Sale proceeds of old papers	1,500		By Rent		88,000
To Hire of lecture hall	20,000		By Investment in securities		40,000
To Interest on securities.	8,000		By Salaries		66,000
			By Balance c/d		
			Cash at bank		20,000
			Cash in hand		<u>11,300</u>
		<u>3,09,500</u>			<u>3,09,500</u>

You are required to prepare income and expenditure account for the year ended 31st March, 2020 after making the following adjustments:

Membership subscription included Rs. 10,000 received in advance.

Provide for outstanding rent Rs. 4,000 and salaries Rs. 3,000.

Books to be depreciated @ 10% including additions. Electrical fittings and furniture are also to be depreciated at the same rate.

75% of the entrance fees is to be capitalized.

Interest on securities is to be calculated @ 5% p.a. including purchases made on 1.10.2019 for Rs. 40,000.

(b) Following information is provided for M/s. Kumar Traders for the year ended 31st March, 2019:

	Rs.
Opening Inventory	1,00,000
Purchases	6,72,000
Carriage Inwards	30,000
Wages	50,000
Sales	11,00,000
Returns inward	1,00,000
Returns outward	72,000
Closing Inventory	2,00,000

You are required to pass necessary closing entries in the journal proper of M/s. Kumar Trade.

(15 + 5 = 20 Marks)

6. (a) Give necessary journal entries for the forfeiture and re-issue of shares:

- (i) X Ltd. forfeited 300 shares of Rs. 10 each fully called up, held by Ramesh for non-payment of allotment money of Rs. 3 per share and final call of Rs. 4 per share. He paid the application money of Rs. 3 per share. These shares were re-issued to Suresh for Rs. 8 per share.
- (ii) Mr. P, who was the holder of 2,500 preference shares of Rs. 100 each, on which Rs. 70 per share has been called up, could not pay his dues on Allotment and First call each at Rs. 20 per share. The Directors forfeited the above shares and reissued 2,000 of such shares to Mr. Q at Rs. 60 per share paid-up as Rs. 70 per share.

(b) Pure Ltd. issues 1,00,000 12% Debentures of Rs. 10 each at Rs. 9.40 on 1st January, 2018. Under the terms of issue, the Debentures are redeemable at the end of 5 years from the date of issue.

Calculate the amount of discount to be written-off in each of the 5 years.

(c) Classify the following expenditures as capital or revenue expenditure:

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

(10 + 5 + 5 = 20 Marks)

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SUGGESTED ANSWERS/HINTS

1. (a) (i) **False:** If the effect of errors committed cancel out, the errors will be called compensating errors and the trial balance will agree.
- (ii) **True:** Since the temporary huts were necessary for the construction, their cost should be added to the cost of the cinema hall and thus capitalised.
- (iii) **False:** In Consignment sale, ownership of the goods rests with the consignor till they are sold by the consignee. The consignee does not become the owner of the goods even though goods are in his possession. He acts only as agent of the consignor.
- (iv) **True:** In case the due date of a bill falls after the date of closing the account, then no interest is allowed for that. However, interest from the date of closing to such due date is written in "Red-Ink" in the appropriate side of the 'Account current'. This interest is called Red-Ink interest.
- (v) **True:** When there is no partnership deed then the provisions of the Indian Partnership Act are to be applied for settling the dispute. Interest on loan is payable @ 6% p.a. as per Indian Partnership Act.
- (vi) **False:** A forfeited share is merely a share available to the company for sale and remains vested in the company for that purpose only. Reissue of forfeited shares is not allotment of shares but only a sale as they have already been allotted earlier.
- (b) Accounting Standards are selected set of accounting policies or broad guidelines regarding the principles and methods to be chosen out of several alternatives. The Accounting Standards Board of the Institute of Chartered Accountants of India (ICAI) formulates Accounting Standards to be established by the Council of the ICAI. The main objective of Accounting Standards is to establish standards which have to be complied with, to ensure that financial statements are prepared in accordance with generally accepted accounting principles. Accounting Standards seek to suggest rules and criteria of accounting measurements. These standards harmonize the diverse accounting policies and practices at present in use in India.

(c) **Purchase Returns Book**

<i>Date</i>	<i>Debit Note No.</i>	<i>Name of supplier</i>	<i>L.F.</i>	<i>Amount</i>
2020				
Jan. 4	101	Goyal Mills, Surat		500
Jan. 16	102	Mittal Mills, Bangalore		<u>1,300</u>
Jan. 31		Purchases Returns Account (Cr.)		<u>1,800</u>

2. (a) **Statement of Valuation of Stock on 31st March, 2020**

	<i>Rs.</i>	<i>Rs.</i>
Value of stock as on 15th April, 2020		50,000

<i>Add:</i>	Cost of sales during the period from 31 st March, 2020 to 15 th April, 2020		
	Sales (Rs. 41,000 – Rs. 1,000)	40,000	
	Less: Gross Profit (20% of Rs. 40,000)	<u>8,000</u>	32,000
	Cost of goods sent on approval basis (80% of Rs. 6,000)		<u>4,800</u>
			86,800
<i>Less:</i>	Purchases during the period from 31 st March, 2020 to 15 th April, 2020	5,034	
	Unsold stock out of goods received on consignment basis (30% of Rs. 8,000)	<u>2,400</u>	<u>7,434</u>
			<u>79,366</u>

(b) Calculation of depreciation for 5th year

Depreciation per year charged for four years = Rs. 10,00,000 / 10 = Rs. 1,00,000

WDV of the machine at the end of fourth year = Rs. 10,00,000 – Rs. 1,00,000 × 4 = Rs. 6,00,000.

Depreciable amount after revaluation = Rs. 6,00,000 + Rs. 40,000 = Rs. 6,40,000

Remaining useful life as per previous estimate = 6 years

Remaining useful life as per revised estimate = 8 years

Depreciation for the fifth year and onwards = Rs. 6,40,000 / 8 = Rs. 80,000.

(c) Bank Reconciliation Statement as on 30th June 2020

	Particulars	Amount	Amount
	Overdraft as per Pass Book (Dr. Balance)		25,000
<i>Add:</i>	Cheques issued but not presented Rs. (34,000-20,000)	14,000	
	Cheques deposited into the Bank by Customer but not entered in Cash Book	400	
	Bank charges written twice in Cash Book	<u>80</u>	<u>14,480</u>
			39,480
<i>Less:</i>	Cheques received, recorded in cash Book but not sent to the Bank	4,000	
	Cheques sent to the Bank but not collected	6,000	
	Direct payment made by the bank not recorded in the Cash book	600	
	Interest on Overdraft charged by Bank	1,600	
	Insurance charges not entered in Cash Book	70	
	Credit side of bank column of Cash Book was undercast	<u>2,000</u>	<u>14,270</u>
	Balance as per Cash Book		25,210

3. (a) Consignment Account

	Rs.		Rs.
To Goods sent on consignment A/c (15,000 kg x Rs. 30)	4,50,000	By Consignee's A/c-Sales (7,500 kg x Rs. 60)	4,50,000

To Cash A/c (Expenses 15,000 kg x Rs. 5)	75,000	By Abnormal Loss A/c (Insurance claim - WN)	9,000	
To Consignee's A/c: Advertisement & Recurring expenses	33,000	Add: Abnormal Loss (WN) (Profit and Loss Account)	<u>5,000</u>	14,000
Commission @ 5% on Rs.4,50,000	22,500	By Consignment Stock A/c		2,46,690
To Profit and loss A/c (Profit on Consignment)	1,30,190			
	<u>7,10,690</u>			<u>7,10,690</u>

Working Notes:

1. Abnormal Loss:

Cost of goods lost: 400 kg	
Total cost (400 x Rs. 30)	12,000
Add: expenses incurred by the consignor @ Rs.5 per kg	<u>2,000</u>
Gross Amount of abnormal loss	14,000
Less: Insurance claim	<u>(9,000)</u>
Net abnormal loss	<u>5,000</u>

2. Valuation of Inventories

	Quantity (Kgs)	Amount (Rs.)
Total Cost (15,000 kg x Rs.30)	15,000	4,50,000
Add: Expenses incurred by the consignor		75,000
Less: Value of Abnormal Loss – 400 kgs (WN 1)	<u>(400)</u>	<u>(14,000)</u>
	14,600	5,11,000
Less: Normal Loss	<u>(100)</u>	
	14,500	5,11,000
Less: Quantity of ghee sold	<u>(7,500)</u>	
Quantity of Closing Stock	7,000	
Value of 7,000 kgs – (5,11,000/14,500) x 7,000		<u>2,46,690</u>

(b)

Mr. A in Account Current with Mr. X

(Interest upto 15th March, 2020 @ 10% p.a.)

Dr.					Cr.				
Date	Particulars	Amount	Days	Product	Date	Particulars	Amount	Days	Product
2020					2020				
Jan. 01	To Balance b/d	4,000	75	3,00,000	Jan. 29	By Purchase account	1,200	46	55,200
Jan. 15	To Sales account	2,230	60	1,33,800	Feb. 10	By Cash account	1,000	34	34,000
Mar. 13	To Red Ink product (Rs. 2,000 × 29)			58,000	Mar. 13	By Bills Receivable account	2,000		
Mar. 15	To Interest account $\left(\frac{\text{Rs. } 4,02,600 \times 10 \times 1}{100 \times 366} \right)$	110			Mar. 15	By Balance of product By Balance c/d (amount to be paid)	<u>2,140</u>		4,02,600
		<u>6,340</u>		<u>4,91,800</u>			<u>6,340</u>		<u>4,91,800</u>

(c)

In the books of Mr. Badhri

Journal Entries

Date	Particulars		L.F.	Dr. (in Rs.)	Cr. (in Rs.)
2019 Dec. 2	Trade receivables A/c To Sales A/c (Being the goods sent to customers on sale or return basis)	Dr.		80,000	80,000
Dec. 10	Return Inward A/c (Note 1) To Trade receivables A/c (Being the goods returned by customers to whom goods were sent on sale or return basis)	Dr.		35,000	35,000
Dec. 23	Sales A/c To Trade receivables A/c (Being the cancellation of original entry of sale in respect of goods on sale or return basis)	Dr.		15,000	15,000
Dec. 31	Inventories with customers on Sale or Return A/c To Trading A/c (Note 3) (Being the adjustment for cost of goods lying with customers awaiting approval)	Dr.		12,000	12,000

Working Note:

- No entry is required for receiving letter of approval from customer.
- Cost of goods with customers = Rs. 15,000 x 100/125 = Rs. 12,000

4 (a)

Revaluation Account

Particulars	Rs.	Particulars	Rs.
To Stock	1,500	By Land & Building	25,000
To Partners: (Revaluation Profit)		By Provision for doubtful debt	2,000
Monika	8,500		
Yedhant	8,500		
Zoya	8,500		
	27,000		27,000

Partners' Capital Accounts

Particulars	Monika	Yedhant	Zoya	Particulars	Monika	Yedhant	Zoya
To Zoya	4,375	4,375	-	By Bal b/d.	1,00,000	75,000	75,000
To Zoya's Executor	-	-	98,125	By General reserve	4,000	4,000	4,000
To Bal. c/d	1,08,125	83,125		By Monika & Yedhant	-	-	8,750
				By Profit and Loss Adjustment* (suspense) A/c	-	-	1,875

				By Revaluation A/c	8,500	8,500	8,500
	1,12,500	87,500	98,125		1,12,500	87,500	98,125

*Profit and Loss Adjustment = $[(25,000 + 20,000 + 22,500)/3] \times 3/12 \times 1/3 = 1,875$

Working Note:

Calculation of goodwill and Zoya's share

Average of last five year's profits and losses for the year ended on 31st March

31.3.2016	28,750
31.3.2017	35,000
31.3.2018	22,500
31.3.2019	20,000
31.3.2020	<u>25,000</u>
Total	<u>1,31,250</u>
Average profit	26,250

Goodwill at 1 year purchase = Rs. 26,250 x 1 = Rs. 26,250

Zoya's Share of Goodwill = Rs. 26,250 X 1/3
= Rs. 8,750

Which is contributed by Monika and Yedhant in their gaining Ratio

Monika = Rs. 8,750 X 1/2 = Rs. 4,375

Yedhant = Rs. 8,750 X 1/2 = Rs. 4,375

(b)

Trading & Profit and Loss Account of

Mr. Sandeep for the year ended 31st December, 2020

Particulars	Rs.	Rs.	Particulars	Rs.	Rs.
To Opening Stock		1,400	By Sales	9,000	
To Purchase	12,000		Less: Sales return	<u>(1,000)</u>	8,000
Less: Purchase return	<u>(2,000)</u>	10,000	By Closing stock		4,500
To Gross Profit		<u>1,100</u>			<u> </u>
		<u>12,500</u>			<u>12,500</u>
To Salary	2,500		By Gross Profit		1,100
Add: Outstanding salary	<u>100</u>	2,600	By Commission	500	
			Less: Advance	<u>(100)</u>	400
To Tax & Insurance	500		By Accrued interest		210
Add: Outstanding	200		By Net Loss		2,500
Prepaid insurance	<u>(50)</u>	650			
To Bad debt	500				
Opening provision	<u>(1,000)</u>				
Closing provision	<u>1,000</u>	500			
To Interest on overdraft		300			
To Depreciation on furniture		160			
		<u>4,210</u>			<u>4,210</u>

Balance Sheet of Mr. Sandeep as on 31.3.2020

Particulars	Rs.	Rs.	Particulars	Rs.	Rs.
Capital	16,000		By Furniture	1,600	
Less: drawing	(2,000)		Less: Depreciation	<u>(160)</u>	1,440
Net loss	<u>(2,500)</u>	11,500	Bill receivable		3,000
Bank overdraft	2,000		Investment	4,000	
Add: interest	<u>300</u>	2,300	Add: accrued interest	<u>210</u>	4,210
Creditors		2,000	Debtors	5,000	
Bills payable Outstanding		2,500	Less: Provision on bad debts	<u>(1,000)</u>	4,000
expenses:			Closing stock		4,500
Salary	100		Cash in hand		1,500
Tax	<u>200</u>	300	Prepaid insurance		50
Commission received in advance		100			
		<u>18,700</u>			<u>18,700</u>

5. (a)

Smith Library Society

Income and Expenditure Account

for the year ended 31st March, 2020

Dr.					Cr.
Expenditure	Rs.	Rs.	Income		Rs.
To Electric charges		7,200	By Entrance fee (25% of Rs. 30,000)		7,500
To Postage and stationary		5,000			
To Telephone charges		5,000	By Membership subscription	2,00,000	
To Rent	88,000		Less: Received in advance	<u>10,000</u>	1,90,000
Add: Outstanding	<u>4,000</u>	92,000			
To Salaries	66,000		By Sale proceeds of old papers		1,500
Add: Outstanding	<u>3,000</u>	69,000			
To Depreciation (W.N.1)			By Hire of lecture hall		20,000
Electrical fittings	15,000		By Interest on securities (W.N.2)	8,000	
Furniture	5,000		Add: Receivable	<u>500</u>	8,500
Books	<u>46,000</u>	66,000	By Deficit- excess of expenditure over income		16,700
		<u>2,44,200</u>			<u>2,44,200</u>

Working Notes:

1. Depreciation

Rs.

Electrical fittings 10% of Rs. 1,50,000	15,000
Furniture 10% of Rs. 50,000	5,000
Books 10% of Rs. 4,60,000	46,000

2. Interest on Securities

Interest @ 5% p.a. on Rs. 1,50,000 for full year	7,500	
Interest @ 5% p.a. on Rs. 40,000 for half year	<u>1,000</u>	8,500
Less: Received		<u>(8,000)</u>
Receivable		<u>500</u>

(b) Journal Proper in the Books of M/s. Kumar Traders

Date 2019	Particulars		Amount Rs.	Amount Rs.
Mar. 31	Returns outward A/c To Purchases A/c (Being the transfer of returns to purchases account)	Dr.	72,000	72,000
	Sales A/c To Returns Inward A/c (Being the transfer of returns to sales account)	Dr.	1,00,000	1,00,000
	Sales A/c To Trading A/c (Being the transfer of balance of sales account to trading account)	Dr.	10,00,000	10,00,000
	Trading A/c To Opening Inventory A/c To Purchases A/c To Wages A/c To Carriage Inwards A/c (Being the transfer of balances of opening inventory, purchases and wages accounts)	Dr.	7,80,000	1,00,000 6,00,000 50,000 30,000
	Closing Inventory A/c To Trading A/c (Being the incorporation of value of closing Inventory)	Dr.	2,00,000	2,00,000
	Trading A/c To Gross Profit (Being the amount of gross profit)	Dr.	4,20,000	4,20,000
	Gross profit To Profit and Loss A/c (Being the transfer of gross profit to Profit and Loss Account)	Dr.	4,20,000	4,20,000

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

Date			Dr. Rs.	Cr. Rs.
(a)	Equity Share Capital A/c To Equity Share Allotment money A/c (300 x Rs. 3)	Dr.	3,000	900

	To Equity Share Final Call A/c (300 x Rs. 4)			1,200
	To Forfeited Shares A/c (300 x Rs. 3)			900
	(Being the forfeiture of 300 equity shares of Rs. 10 each for non-payment of allotment money and final call, held by Ramesh as per Board's resolution No.....dated.....)			
(b)	Bank Account (300 x 8)	Dr.	2,400	
	Forfeited Shares Account (300x 2)	Dr.	600	
	To Equity Share Capital Account			3,000
	(Being the re-issue of 300 forfeited shares @ Rs. 8 each as fully paid up to Suresh as per Board's resolution No.....dated.....)			
(c)	Forfeited Shares Account	Dr.	300	
	To Capital Reserve Account			300
	(Being the profit on re-issue, transferred to capital reserve)			

(ii)

		Dr. Rs.	Cr. Rs.
Preference Share Capital A/c (2,500 x Rs. 70)	Dr.	1,75,000	
To Preference Share Allotment A/c (2,500 x Rs. 20)			50,000
To Preference Share First Call A/c (2,500 x Rs. 20)			50,000
To Forfeited Share A/c			75,000
(Being the forfeiture of 2,500 preference shares Rs. 70 each being called up for non-payment of allotment and first call money as per Board's Resolution No.... dated.....)			
Bank A/c (2,000 x Rs.60)	Dr.	1,20,000	
Forfeited Shares A/c (2,000 x Rs.10)	Dr.	20,000	
To Preference Share Capital A/c			1,40,000
(Being re-issue of 2,000 shares at Rs. 60 per share paid-up as Rs. 70 as per Board's Resolution No.....dated.....)			
Forfeited Shares A/c	Dr.	40,000	
To Capital Reserve A/c (Note 1)			40,000
(Being profit on re-issue transferred to Capital/Reserve)			

Working Note:

Calculation of amount to be transferred to Capital Reserve

Forfeited amount per share =Rs. 75,000/2500 = Rs. 30

Loss on re-issue =Rs. 70 – Rs. 60 = Rs. 10

Surplus per share re-issued Rs. 20

Transferred to capital Reserve Rs. 20 x 2000 = Rs. 40,000.

- (b) Total amount of discount comes to Rs. 60,000 (Rs. 0.6 X 1, 00,000). The amount of discount to be written-off in each year is calculated as under:

Year end	Debentures Outstanding	Ratio in which discount to be written-off	Amount of discount to be written-off
1st	Rs. 10, 00,000	1/5	1/5th of Rs. 60,000 = Rs. 12,000
2nd	Rs. 10, 00,000	1/5	1/5th of Rs. 60,000 = Rs. 12,000
3rd	Rs. 10, 00,000	1/5	1/5th of Rs. 60,000 = Rs. 12,000
4th	Rs. 10, 00,000	1/5	1/5th of Rs. 60,000 = Rs. 12,000
5th	Rs. 10, 00,000	1/5	1/5th of Rs. 60,000 = Rs. 12,000

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