

## ANSWERS OF MODEL TEST PAPER 2

### FOUNDATION COURSE

#### PAPER – 1: ACCOUNTING

#### ANSWERS

1. (a) (i) **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.
- (ii) **False:** Accrual concept implies accounting on 'due' or 'accrual' basis. Accrual basis of accounting involves recognition of revenues and costs as and when they accrue irrespective of actual receipts or payments.
- (iii) **True:** In the early periods of useful life of a fixed assets, repairs and maintenance expenses are relatively low because the asset is new. Whereas in later periods, as the asset become old, repairs and maintenance expenses increase continuously. Under written down value method, depreciation charged is high in the initial period and reduces continuously in the later periods. Thus, depreciation and repair and maintenance expenses become more or less uniform throughout the useful life of the asset.
- (iv) **True:** Discount at the time of retirement of a bill is a gain for the drawee and loss for the drawer.
- (v) **False:** If individual life policies are taken in the name of the partners and premium is paid from the firm, then retiring partner is entitled to surrender value of all the partners policies.
- (vi) **False:** Net income is determined by preparing income and expenditure in case of persons practicing vacation.

(b)

| <b>Book-keeping</b>  | <b>Accounting</b>   |
|--|---|
| It is a process concerned with recording of transactions.            | It is a process concerned with summarising of the recorded transactions.                |
| It constitutes as a base for accounting.                             | It is considered as a language of the business.   |
| Financial statements do not form part of this process.               | Financial statements are prepared in this process on the basis of book-keeping records. |
| Managerial decisions cannot be taken with the help of these records. | Management takes decisions on the basis of these records.                               |

|  |   |
|--|---|
| There is no sub-field of book-keeping.   | It has several sub-fields like financial accounting, management accounting etc.           |
| Financial position of the business cannot be ascertained through book-keeping records. | Financial position of the business is ascertained on the basis of the accounting reports. |

(c) **Bank Reconciliation Statement as on 31<sup>st</sup> March, 2024**

| Particulars   | Details (₹) | Amount (₹) |
|---|-------------|------------|
| Balance as per Pass Book (Cr.)                          |             | 3,00,000   |
| Add: Cheque deposited but not yet cleared               | 44,000      |            |
| Add: Cheque recorded in Cash Book but not yet deposited | 10,000      |            |
| Add: Bank Charges debited by bank                       | 500         | 54,500     |
| Less: Cheque issued but not yet presented               | (96,000)    |            |
| Less: Interest allowed by bank                          | (3,000)     | (99,000)   |
| Balance as per Cash Book                                |             | 2,55,500   |

2. (a) **Valuation of Physical Stock as at March 31, 2024**

|   |               | ₹             |
|---|---------------|---------------|
| Stock at cost on 31.12.2023   |               | 80,000        |
| Add: (1) Undercasting of a page total   | 400           |               |
| (2) Goods purchased and delivered during January – March, 2024                |               |               |
| ₹ (70,000 – 6,000 + 7,000)  | 71,000        |               |
| (3) Cost of sales return ₹ (1,500 – 300)                                      | <u>1,200</u>  | <u>72,600</u> |
|   |               | 1,52,600      |
| Less: (1) Overcasting of a page total   | 1,000         |               |
| ₹ (6,000 – 5,000)   |               |               |
| (2) Goods sold and dispatched during January – March, 2024                    |               |               |
| ₹ (90,000 – 5,000 + 4,000) 89,000   |               |               |
| Less: Profit margin $\left(89,000 \times \frac{25}{125}\right)$ <u>17,800</u> | <u>71,200</u> | <u>72,200</u> |
| Value of stock as on 31st March, 2024   |               | <u>80,400</u> |

**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 ₹ 4,000 goods delivered in March 2024 for which invoice was received in April, 2024, would be treated as purchases of the accounting year 2023-2024 and thus excluded. Similarly, goods dispatched in March, 2024 but invoiced in April, 2024 would be excluded and treated as sale of the year 2023-2024.

(b) **In the books of M/s. Surya Lights**  
**Machinery Account**

| Date     | Particulars        | Amount ₹        | Date       | Particulars                     | Amount ₹        |
|----------|--------------------|-----------------|------------|---------------------------------|-----------------|
| 1.1.2020 | To Bank A/c        | 3,20,000        | 31.12.2020 | By Depreciation A/c             | 96,000          |
|          | To Bank A/c        | 80,000          |            | (₹80,000+ ₹ 16,000)             |                 |
|          | (Erection charges) |                 | 31.12.2020 | By Balance c/d                  | 4,64,000        |
| 1.7.2020 | To Bank A/c        | 1,60,000        |            | (₹3,20,000+ ₹1,44,000)          |                 |
|          |                    | <u>5,60,000</u> |            |                                 | <u>5,60,000</u> |
| 01.01.21 | To Balance b/d     | 4,64,000        | 31.12.2021 | By Depreciation A/c             | 1,12,000        |
|          |                    |                 |            | (₹80,000+ ₹ 32,000)             |                 |
|          |                    |                 | 31.12.2021 | By Balance c/d                  | 3,52,000        |
|          |                    |                 |            | (₹ 2,40,000 + ₹ 1,12,000)       |                 |
|          |                    | <u>4,64,000</u> |            |                                 | <u>4,64,000</u> |
| 01.01.22 | To Balance b/d     | 3,52,000        | 01.07.2022 | By Bank A/c                     | 1,60,000        |
| 30.9.22  | To Bank A/c        | 60,000          |            | By Profit and Loss A/c          | 40,000          |
|          |                    |                 |            | (Loss on Sale – W.N.)           |                 |
|          |                    |                 | 31.12.2022 | By Depreciation A/c             | 75,000          |
|          |                    |                 |            | (₹ 40,000 + ₹ 32,000 + ₹ 3,000) |                 |
|          |                    |                 |            | By Balance c/d                  | 1,37,000        |
|          |                    |                 |            | (₹ 80,000 + ₹ 57,000)           |                 |
|          |                    | <u>4,12,000</u> |            |                                 | <u>4,12,000</u> |
| 01.01.23 | To Balance b/d     | 1,37,000        | 31.12.2023 | By Depreciation A/c             | 20,550          |
|          |                    |                 |            | (₹ 12,000 + ₹ 8,550)            |                 |
|          |                    |                 |            | By Balance c/d                  | 1,16,450        |
|          |                    |                 |            | (₹ 68,000 + ₹ 48,450)           |                 |
|          |                    | <u>1,37,000</u> |            |                                 | <u>1,37,000</u> |

**Working Notes:**

**Book Value of machines (Straight line method)**

|                                     | Machine I     | Machine II    | Machine III |
|-------------------------------------|---------------|---------------|-------------|
|                                     | ₹             | ₹             | ₹           |
| Cost                                | 4,00,000      | 1,60,000      | 60,000      |
| Depreciation for 2020               | <u>80,000</u> | <u>16,000</u> |             |
| Written down value as on 31.12.2020 | 3,20,000      | 1,44,000      |             |
| Depreciation for 2021               | <u>80,000</u> | <u>32,000</u> |             |

|                                     |                 |               |               |
|-------------------------------------|-----------------|---------------|---------------|
| Written down value as on 31.12.2021 | 2,40,000        | 1,12,000      |               |
| Depreciation for 2022               | <u>40,000</u>   | <u>32,000</u> | <u>3,000</u>  |
| Written down value as on 31.12.2022 | 2,00,000        | <u>80,000</u> | <u>57,000</u> |
| Sale proceeds                       | <u>1,60,000</u> |               |               |
| Loss on sale                        | <u>40,000</u>   |               |               |

3. (a) **In the books of Mr. Jalaj**  
**Statement of Affairs**

| Liabilities       | 31.3.23         | 31.3.24         | Assets       | 31.3.23         | 31.3.24         |
|-------------------|-----------------|-----------------|--------------|-----------------|-----------------|
| Capital (bal fig) | 3,01,500        | 5,50,875        | Furniture    | 62,500          | 56,250          |
| Loans             | 1,12,500        | 87,500          | Building     | 1,25,000        | 1,21,875        |
| Creditors         | 62,500          | 1,00,000        | Stock        | 1,25,000        | 3,12,500        |
|                   |                 |                 | Debtors      | 75,000          | 1,37,500        |
|                   |                 |                 | Cash in hand | 14,000          | 16,500          |
|                   |                 |                 | Cash at bank | 75,000          | 93,750          |
|                   | <u>4,76,500</u> | <u>7,38,375</u> |              | <u>4,76,500</u> | <u>7,38,375</u> |

**Capital A/c**

| Particulars        | ₹               | Particulars         | ₹               |
|--------------------|-----------------|---------------------|-----------------|
| To Cash (drawings) | 30,000          | By Bal b/d          | 3,01,500        |
| To Bal c/d         | 5,50,875        | By Cash             | 50,000          |
|                    |                 | By Profit (bal fig) | 2,29,375        |
|                    | <u>5,80,875</u> |                     | <u>5,80,875</u> |

(b) **Revaluation Account**

|                            | ₹               |                                 | ₹               |
|----------------------------|-----------------|---------------------------------|-----------------|
| To Furniture A/c           | 40,000          | By Office equipment A/c         | 47,000          |
| To Stock A/c               | 50,000          | By Building A/c                 | 5,00,000        |
| To Joint life policy       | 10,000          | By Provision for doubtful debts | 15,000          |
| To Partners' capital A/cs: |                 |                                 |                 |
| X                          | 2,31,000        |                                 |                 |
| Y                          | 1,54,000        |                                 |                 |
| Z                          | <u>77,000</u>   |                                 |                 |
|                            | <u>4,62,000</u> |                                 |                 |
|                            | <u>5,62,000</u> |                                 | <u>5,62,000</u> |

### Partners' Capital Accounts

|                    | X<br>₹           | Y<br>₹          | Z<br>₹          |                    | X<br>₹           | Y<br>₹          | Z<br>₹          |
|--------------------|------------------|-----------------|-----------------|--------------------|------------------|-----------------|-----------------|
| To Y's capital A/c | 90,000           | -               | 30,000          | By Balance b/d     | 8,00,000         | 4,20,000        | 4,00,000        |
| To Y's loan A/c    |                  | 8,14,000        |                 | By General Reserve | 1,80,000         | 1,20,000        | 60,000          |
| To Balance c/d     | 11,21,000        |                 | 5,07,000        | By revaluation A/c | 2,31,000         | 1,54,000        | 77,000          |
|                    |                  |                 |                 | By X's capital A/c |                  | 90,000          |                 |
|                    |                  |                 |                 | By Z's capital A/c |                  | 30,000          |                 |
|                    | <u>12,11,000</u> | <u>8,14,000</u> | <u>5,37,000</u> |                    | <u>12,11,000</u> | <u>8,14,000</u> | <u>5,37,000</u> |

### Balance Sheet as on 1.4.2024 (After Y's retirement)

| Liabilities       | ₹               | ₹                | Assets                             | ₹               | ₹                |
|-------------------|-----------------|------------------|------------------------------------|-----------------|------------------|
| Capital accounts: |                 |                  | Building                           |                 | 15,00,000        |
| X                 | 11,21,000       |                  | Furniture                          |                 | 2,00,000         |
| Z                 | <u>5,07,000</u> | 16,28,000        | Office equipment                   |                 | 3,27,000         |
| Y's loan account  |                 | 8,14,000         | Stock                              |                 | 2,00,000         |
| Sundry creditors  |                 | 3,70,000         | Sundry debtors                     | 3,00,000        |                  |
|                   |                 |                  | Less: Provision for doubtful debts | <u>(15,000)</u> | 2,85,000         |
|                   |                 |                  | Cash at bank                       |                 | 3,00,000         |
|                   |                 | <u>28,12,000</u> |                                    |                 | <u>28,12,000</u> |

#### Working Notes:

Calculation of goodwill:

1. Average of last 4 year's profit  

$$= (90,000 + 1,40,000 + 1,20,000 + 1,30,000)/4$$

$$= ₹ 1,20,000$$
2. Goodwill at three years' purchase  

$$₹ 1,20,000 \times 3 = ₹ 3,60,000$$

#### Goodwill adjustment

|   | Share of goodwill<br>(Old ratio) | Share of goodwill<br>(New ratio) | Adjustment     |
|---|----------------------------------|----------------------------------|----------------|
| X | 1,80,000                         | 2,70,000                         | 90,000 (Dr.)   |
| Y | 1,20,000                         | -                                | 1,20,000 (Cr.) |
| Z | 60,000                           | 90,000                           | 30,000 (Dr.)   |

**Note:** Alternatively Joint Life Policy can also be routed through Partners Capital Account.

**4. (a) Realization Account**

| <i>Particulars</i>                 | ₹               | <i>Particulars</i>             | ₹               |
|------------------------------------|-----------------|--------------------------------|-----------------|
| To Debtors                         | 48,000          | By Creditors                   | 48,000          |
| To Stock                           | 60,000          | By Cash A/c (Assets realized): |                 |
| To Fixtures                        | 24,000          | Plant and Machinery            | 1,02,000        |
| To Plant and machinery             | 1,08,000        | Fixtures                       | 18,000          |
| To Cash A/c (Creditors)            | 45,600          | Stock                          | 84,000          |
| To Cash A/c (GST)                  | 4,200           | Sundry Debtors                 | <u>44,400</u>   |
| To Cash A/c (Realization expenses) | 1,500           | By Q (Unrecorded asset)*       | 4,800           |
| To Profit on Realization           |                 |                                |                 |
| P                                  | 3,960           |                                |                 |
| Q                                  | 3,960           |                                |                 |
| R                                  | <u>1,980</u>    |                                |                 |
|                                    | 9,900           |                                |                 |
|                                    | <u>3,01,200</u> |                                | <u>3,01,200</u> |

**Partners' Capital Accounts**

| <i>Particulars</i>                    | P               | Q             | R             | <i>Particulars</i>          | P               | Q             | R             |
|---------------------------------------|-----------------|---------------|---------------|-----------------------------|-----------------|---------------|---------------|
|                                       | ₹               | ₹             | ₹             |                             | ₹               | ₹             | ₹             |
| To Realization A/c (unrecorded asset) |                 | 4,800         |               | By Balance b/d              | 1,20,000        | 48,000        | 24,000        |
| To Cash (Bal. Fig.)                   | 1,47,960        | 71,160        | 37,980        | By Reserve fund             | 24,000          | 24,000        | 12,000        |
|                                       |                 |               |               | By Realization A/c (Profit) | 3,960           | 3,960         | 1,980         |
|                                       | <u>1,47,960</u> | <u>75,960</u> | <u>37,980</u> |                             | <u>1,47,960</u> | <u>75,960</u> | <u>37,980</u> |

**Cash Account**

| <i>Particulars</i>         | ₹               | <i>Particulars</i>             | ₹               |
|----------------------------|-----------------|--------------------------------|-----------------|
| To Balance b/d             | 60,000          | By Realization A/c (Creditors) | 45,600          |
| To Realization A/c(Assets) | 2,48,400        | By Realization A/c (Expenses)  | 1,500           |
|                            |                 | By Realization A/c (GST)       | 4,200           |
|                            |                 | By P's Capital A/c             | 1,47,960        |
|                            |                 | By Q's Capital A/c             | 71,160          |
|                            |                 | By R's Capital A/c             | 37,980          |
|                            | <u>3,08,400</u> |                                | <u>3,08,400</u> |

\* An unrecorded asset is in the nature of gain hence realization account is credited. Since this asset has been taken over by Q, therefore, his account has been debited.

(b)

**Navel College**  
**Income and Expenditure Account**  
**for the year ending 31st March, 2024**

| Expenditure                                | ₹             | ₹                | Income                        | ₹ | ₹                |
|--|---------------|------------------|-------------------------------|---|------------------|
| To Salaries:<br>Teaching                   |               | 8,75,000         | By Tutions & other fee        |   | 8,10,000         |
| Research                                   |               | 1,25,000         | By Govt. Grants               |   | 5,01,000         |
| To Material &<br>Supplies<br>Consumed      |               |                  | By Income from<br>Investments |   | 1,75,000         |
| Teaching                                   |               | 52,000           | By Hostel room Rent           |   | 1,65,000         |
| Research                                   |               | 1,45,000         | By Mess Receipts              |   | 2,05,000         |
|  |               |                  | By Profit-stores sales        |   | 1,14,000         |
| To Sports &<br>Games<br>Expenses           |               |                  |                               |   |                  |
| Cash                                       | 52,000        |                  |                               |   |                  |
| Materials                                  | <u>24,000</u> | 76,000           |                               |   |                  |
| To Students<br>Welfare<br>Expenses         |               |                  |                               |   |                  |
| Cash                                       | 37,000        |                  |                               |   |                  |
| Materials                                  | <u>78,000</u> | 1,15,000         |                               |   |                  |
| To Scholarships                            |               | 85,000           |                               |   |                  |
| To Depreciation:                           |               |                  |                               |   |                  |
| Building                                   |               | 77,500           |                               |   |                  |
| Plant &<br>Machinery                       |               | 85,000           |                               |   |                  |
| Furniture &<br>Fittings                    |               | 54,000           |                               |   |                  |
| Motor Vehicle                              |               | 48,000           |                               |   |                  |
| To Excess of<br>Income over<br>Expenditure |               | 2,32,500         |                               |   |                  |
|  |               | <u>19,70,000</u> |                               |   | <u>19,70,000</u> |

**Navel College**  
**Balance Sheet as on 31st March, 2024**

| Liabilities                                     | ₹               | ₹         | Assets                    | ₹                 | ₹        |
|---|-----------------|-----------|---------------------------|-------------------|----------|
| Capital Fund                                    |                 |           | Fixed Assets:             |                   |          |
| Opening<br>balance                              | 13,08,000       |           | Land                      |                   | 1,50,000 |
| Add: Excess<br>of Income<br>over<br>Expenditure | <u>2,32,500</u> | 15,40,500 | Building Cost             | 15,50,000         |          |
| Building<br>Fund                                |                 | 19,10,000 | Less: Dep.                | <u>(5,67,500)</u> | 9,82,500 |
|   |                 |           | Plant &<br>Machinery Cost | 8,50,000          |          |

|                      |          |                  |                 |            |                  |
|----------------------|----------|------------------|-----------------|------------|------------------|
| Current Liabilities: |          |                  | Less: Dep.      | (5,90,000) | 2,60,000         |
| Outstanding Expenses | 2,35,000 |                  | Furniture &     |            |                  |
| Security Deposit     | 1,55,000 |                  | Fittings:       |            |                  |
|                      |          |                  | Cost            | 5,40,000   |                  |
|                      |          |                  | Less: Dep.      | (3,80,000) | 1,60,000         |
|                      |          |                  | Motor Vehicles  |            |                  |
|                      |          |                  | Cost:           | 2,40,000   |                  |
|                      |          |                  | Less: Dep.      | (48,000)   | 1,92,000         |
|                      |          |                  | Library         |            | 3,20,000         |
|                      |          |                  | Investments     |            | 12,75,000        |
|                      |          |                  | Stock (stores)- |            |                  |
|                      |          |                  | Material &      |            | 1,85,000         |
|                      |          |                  | Supplies        |            |                  |
|                      |          |                  | Cash in hand &  |            |                  |
|                      |          |                  | at Bank         |            | 3,16,000         |
|                      |          | <u>38,40,500</u> |                 |            | <u>38,40,500</u> |

**Working Notes:**

|     |                                   |                 |                   |                     |                   |
|-----|-----------------------------------|-----------------|-------------------|---------------------|-------------------|
| (1) | Material & Supplies-Closing Stock |                 |                   | ₹                   | ₹                 |
|     | Opening Stock                     |                 |                   |                     | 3,10,000          |
|     | Purchases                         |                 |                   |                     | <u>8,20,000</u>   |
|     |                                   |                 |                   |                     | 11,30,000         |
|     | Less: Cost of Goods Sold          |                 | 6,46,000          |                     |                   |
|     | Material Consumed                 |                 | <u>2,99,000</u>   |                     | <u>(9,45,000)</u> |
|     | Balance                           |                 |                   |                     | <u>1,85,000</u>   |
| (2) | Provisions for Depreciation       |                 |                   |                     |                   |
|     |                                   | Building        | Plant & Equipment | Furniture & Fitting |                   |
|     |                                   | ₹               | ₹                 | ₹                   |                   |
|     | Opening Balance                   | 4,90,000        | 5,05,000          | 3,26,000            |                   |
|     | Addition                          | <u>77,500</u>   | <u>85,000</u>     | <u>54,000</u>       |                   |
|     | Closing Balance                   | <u>5,67,500</u> | <u>5,90,000</u>   | <u>3,80,000</u>     |                   |

**5. (a) Rectification entries in the books of M/s Mangrove Arts**

|    | Particulars  | L.F. | Dr.<br>₹ | Cr.<br>₹ |
|----|--|------|----------|----------|
| 1. | Profit and Loss Adjustment Account Dr.<br>To Building Account<br>(Repairs amounting ₹ 52,500 wrongly debited to building account, now rectified) |      | 52,500   | 52,500   |

|    |  |     |          |          |
|----|--|-----|----------|----------|
| 2. | Profit and Loss Adjustment Account<br>To Suspense Account<br>(Addition of freight column in purchase journal was under casted, now rectification entry made) | Dr. | 9,000    | 9,000    |
| 3. | Suspense Account<br>To Leena Account<br>(Goods returned by Leena had been posted wrongly to the debit of her account, now rectified)                         | Dr. | 12,300   | 12,300   |
| 4. | Profit and Loss Adjustment Account<br>To Furniture Account<br>(Being sale of furniture wrongly entered in sales book, now rectified)                         | Dr. | 1,80,000 | 1,80,000 |
| 5. | Lucky & Co.<br>To Bills receivable account<br>(Bill receivable dishonoured debited to Bills receivable account instead of customer account, now rectified)   | Dr. | 45,000   | 45,000   |

**(b) (i) (1) Journal Proper in the Books of M/s. Vikram Traders**

| Date<br>2024 | Particulars   |     | Amount<br>₹ | Amount<br>₹                                 |
|--------------|---|-----|-------------|---|
| Mar.<br>31   | Returns outward A/c<br>To Purchases A/c<br>(Being the transfer of returns to purchases account)   | Dr. | 2,16,000    | 2,16,000                                    |
|              | Sales A/c<br>To Returns Inward A/c<br>(Being the transfer of returns to sales account)  | Dr. | 3,00,000    | 3,00,000                                    |
|              | Sales A/c<br>To Trading A/c<br>(Being the transfer of balance of sales account to trading account)  | Dr. | 30,00,000   | 30,00,000                                   |
|              | Trading A/c<br>To Opening Inventory A/c<br>To Purchases A/c<br>To Wages A/c<br>To Carriage Inwards A/c<br>(Being the transfer of balances of opening inventory, purchases and wages accounts) | Dr. | 23,40,000   | 3,00,000<br>18,00,000<br>1,50,000<br>90,000 |
|              | Closing Inventory A/c<br>To Trading A/c<br>(Being the incorporation of value of closing Inventory)  | Dr. | 6,00,000    | 6,00,000                                    |

|  |   |     |           |           |
|--|---|-----|-----------|-----------|
|  | Trading A/c<br>To Gross Profit<br>(Being the amount of gross profit)                                      | Dr. | 12,60,000 | 12,60,000 |
|  | Gross profit<br>To Profit and Loss A/c<br>(Being the transfer of gross profit to Profit and Loss Account) | Dr. | 12,60,000 | 12,60,000 |

**OR**

**(ii) In the Books of Mr. Mandeep**

**Manufacturing Account for the year ended on March 31,2024**

| Particulars                       | ₹          | Amount ₹  | Particulars   | Amount ₹  |
|-----------------------------------|------------|-----------|---|-----------|
| To Opening W.I.P.                 |            | 3,90,000  | By Closing W-I-P                                      | 5,07,000  |
| To Raw Material Consumed:         |            |           | By products   | 20,000    |
| Opening inventory                 | 3,02,000   |           | By Trading A/c-<br>Cost of finished goods transferred | 17,81,000 |
| Purchases                         | 12,10,000  |           |   |           |
|                                   | 15,12,000  |           |   |           |
| Less: Return                      | (18,000)   |           |   |           |
|                                   | 14,94,000  |           |   |           |
| Less: Closing inventory           | (3,10,000) | 11,84,000 |   |           |
| To Direct Wages                   |            | 2,10,000  |   |           |
| To Direct expenses:               |            |           |   |           |
| Royalty                           |            | 1,30,000  |   |           |
| To Manufacturing Overhead:        |            |           |   |           |
| Indirect Material                 | 16,000     |           |   |           |
| Indirect Wages                    | 48,000     |           |   |           |
| Repairs & Maintenance             | 2,30,000   |           |   |           |
| Depreciation on Factory Shed      | 40,000     |           |   |           |
| Depreciation on Plant & Machinery | 60,000     | 3,94,000  |   |           |
|                                   |            | 23,08,000 |   | 23,08,000 |

(c) **Journal Entries in the books of Verma Ltd.**

|           |  |  | ₹  | ₹        |
|-----------|--|--|--|----------|
| 1-4-2023  | Equity share final call A/c Dr.<br>To Equity share capital A/c<br>(For final calls of ₹ 2 per share on 2,70,000 equity shares due as per Board's Resolution dated....)   |  | 5,40,000                                   | 5,40,000 |
| 20-4-2023 | Bank A/c Dr.<br>To Equity share final call A/c<br>(For final call money on 2,70,000 equity shares received)  |  | 5,40,000                                   | 5,40,000 |
|           | Securities Premium A/c Dr.<br>Capital Redemption Reserve A/c Dr.<br>General Reserve A/c Dr.<br>Profit and Loss A/c (b.f.) Dr.<br>To Bonus to equity shareholders A/c<br>(For making provision for bonus issue of one share for every four shares held) |  | 75,000<br>1,20,000<br>3,60,000<br>1,20,000 | 6,75,000 |
|           | Bonus to equity shareholders A/c Dr.<br>To Equity share capital A/c<br>(For issue of bonus shares)   |  | 6,75,000                                   | 6,75,000 |

**Extract of Balance Sheet as at 30<sup>th</sup> April, 2023 (after bonus issue)**

|   |                 | ₹                |
|---|-----------------|------------------|
| <b>Share Capital</b>  |                 |                  |
| <b>Authorised Capital</b>   |                 |                  |
| 30,000 12% Preference shares of ₹10 each  |                 | 3,00,000         |
| 3,37,500 Equity shares of ₹10 each (refer working note below)   |                 | <u>33,75,000</u> |
| <b>Issued and subscribed capital</b>  |                 |                  |
| 24,000 12% Preference shares of ₹10 each, fully paid  |                 | 2,40,000         |
| 3,37,750 Equity shares of ₹10 each, fully paid<br>(Out of above, 67,500 equity shares @ ₹10 each were issued by way of bonus) |                 | 33,75,000        |
| <b>Reserves and surplus</b>   |                 |                  |
| Securities Premium  | 75,000          |                  |
| Less: Utilised for bonus issue  | <u>(75,000)</u> | NIL              |
| Capital Redemption Reserve  | 1,20,000        |                  |

|                                |            |          |
|--------------------------------|------------|----------|
| Less: Utilised for bonus issue | (1,20,000) | NIL      |
| General Reserve                | 3,60,000   |          |
| Less: Utilised for bonus issue | (3,60,000) | NIL      |
| Profit and Loss Account        | 6,00,000   |          |
| Less: Utilised for bonus issue | (1,20,000) | 4,80,000 |

**Working Notes:**

- Number of Bonus shares to be issued- ₹  
(2,70,000 shares / 4) X 1 = 67,500 shares
  - The authorised capital should be increased as per details given below:
- |   |                  |
|---|------------------|
| Existing issued Equity share capital              | 27,00,000        |
| Add: Issue of bonus shares to equity shareholders | <u>6,75,000</u>  |
|   | <u>33,75,000</u> |

**6. (a) In the books of Woodland Mills Ltd.**

**Journal Entries**

| Particulars  | L.F. | Debit Amount (₹) | Credit Amount (₹) |
|--|------|------------------|-------------------|
| Bank A/c Dr.<br>To Equity Share Application A/c<br>(Money received on applications for 10,000 shares @ ₹ 1 per share)            |      | 10,000           | 10,000            |
| Equity Share Application A/c Dr.<br>To Equity Share Capital A/c<br>(Transfer of application money on allotment of 10,000 shares) |      | 10,000           | 10,000            |
| Equity Share Allotment A/c Dr.<br>To Equity Share Capital A/c<br>(Amount due on the allotment of 10,000 shares @ ₹ 2 per share)  |      | 20,000           | 20,000            |
| Bank A/c Dr.<br>To Equity Share Allotment A/c<br>(Allotment money received on 9,900 shares)                                      |      | 19,800           | 19,800            |
| <b>OR</b>  |      |                  |                   |
| Bank A/c Dr.<br>Calls in arrears A/c Dr.<br>To Equity Share Allotment A/c  |      | 19,800<br>200    | 20,000            |

|   |            |               |            |
|---|------------|---------------|------------|
| (Allotment Amount received except 100 shares)   |            |               |            |
| Equity Share Capital A/c<br>To Share Forfeiture A/c<br>To Equity Shares Allotment A/c<br>(100 Shares of Amar forfeited)                           | Dr.        | 300           | 100<br>200 |
| <b>OR</b>   |            |               |            |
| Equity Share Capital A/c<br>To Shares Forfeiture A/c<br>To Calls in arrears A/c<br>(100 shares forfeited due to non-payment of allotment money)   | Dr.        | 300           | 100<br>200 |
| Equity Share First Call A/c<br>To Equity Share Capital A/c<br>(First call made due on 9,900 shares at ₹ 3 per share)                              | Dr.        | 29,700        | 29,700     |
| Bank A/c<br>To Equity Share First Call A/c<br>(First call money received on 9,750 shares at ₹ 3 per share)  | Dr.        | 29,250        | 29,250     |
| <b>OR</b>   |            |               |            |
| Bank A/c<br>Calls in arrears A/c<br>To Equity Share First Call A/c<br>(First Call money received except 150 shares)                               | Dr.<br>Dr. | 29,250<br>450 | 29,700     |
| Equity Share Capital A/c<br>To Share Forfeiture A/c<br>To Equity Share First Call A/c<br>(150 Shares of Kabir forfeited)                          | Dr.        | 900           | 450<br>450 |
| <b>OR</b>   |            |               |            |
| Equity Share Capital A/c<br>To Share Forfeiture A/c<br>To Calls in arrears A/c<br>(150 shares forfeited due to non - payment of First call money) | Dr.        | 900           | 450<br>450 |
| Equity Share Second and Final Call A/c<br>To Equity Share Capital A/c<br>(Second and Final call made due on 9,750 shares at ₹ 4 per share)        | Dr.        | 39,000        | 39,000     |

|  |            |  |               |            |
|--|------------|--|---------------|------------|
| Bank A/c<br>To Equity Share Second and Final Call A/c<br>(Second and Final call money received on 9,700 shares at ₹ 4 per share)                           | Dr.        |  | 38,800        | 38,800     |
| <b>OR</b>  |            |  |               |            |
| Bank A/c<br>Calls in arrears A/c<br>To Equity Shares Second and Final call A/c<br>(Second and Final call money received except 50 shares)                  | Dr.<br>Dr. |  | 38,800<br>200 | 39,000     |
| Equity Share Capital A/c<br>To Share Forfeiture A/c<br>To Equity Share Second and Final Call A/c<br>(50 Shares of Dilip forfeited)                         | Dr.        |  | 500           | 300<br>200 |
| <b>OR</b>  |            |  |               |            |
| Equity Share Capital A/c<br>To Shares Forfeiture A/c<br>To Calls in arrears A/c<br>(50 shares forfeited due to non-payment of Second and final call money) | Dr.        |  | 500           | 300<br>200 |
| Bank A/c<br>Share Forfeiture A/c<br>To Equity Share Capital A/c<br>(300 shares reissued at ₹ 9 per share)  | Dr.<br>Dr. |  | 2,700<br>300  | 3,000      |
| Share Forfeiture A/c<br>To Capital Reserve A/c (W.N.1)<br>(Profit on re-issue transferred to Capital Reserve)  | Dr.        |  | 550           | 550        |

**Working Note-1:** Calculation of amount to be transferred to Capital Reserve:

|  |              |
|--|--------------|
| Surplus out of 100 shares of Amar forfeited  | ₹ 100        |
| Surplus out of 150 shares of Kabir forfeited | ₹ 450        |
| Surplus out of 50 shares of Dilip forfeited  | <u>₹ 300</u> |
|  | ₹ 850        |
| Less: Loss on re-issue of shares             | <u>₹ 300</u> |
| Transferred to Capital Reserve               | <u>₹ 550</u> |

**(b)** Rules regarding posting of entries in the ledger:

1. Separate account is opened in ledger book for each account and entries from journal are posted to respective ledger account accordingly.
2. It is a practice to use words 'To' and 'By' while posting transactions in the ledger. The word 'To' is used in the particular column with the accounts written on the debit side while 'By' is used with the accounts written in the particular column of the credit side. These 'To' and 'By' do not have any meanings but are used to the account debited and credited.
3. The concerned account debited in the journal should also be debited in the ledger but reference should be of the respective credit account.

**(c)**

| Bills of Exchange   | Promissory Note  |
|---|--|
| There are three parties involved<br>drawer, drawee and payee. | There are only two parties involved<br>promissory (maker) and Payee. |
| it is drawn by the creditor.                                  | It is drawn by the debtor.   |