CA Foundation Course **(Mock Test Paper – Series : 1)**

DATE: 26.10.2024 **MAXIMUM MARKS: 100** **TIMING: $3^{1/4}$ Hours**

PAPER 1 : ACCOUNTING

Question No. 1 is compulsory.

Candidates are required to answer any four questions from the remaining five questions.

Answer 1:

(a) (i) **False:** {1 M}

Under accrual concept, the effects of transactions and other events are recognised on mercantile basis i.e., when they occur (and not as cash or a cash equivalent is received or paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate. {1 M}

(ii) **True:** {1 M}

Balance Sheet is a statement of the financial position of an enterprise at a given date. {1 M}

(iii) **False**: {1 M}

Legal expenses incurred to defend a suit claiming that the firm's factory site belongs to the plaintiff is maintenance expenditure of the asset. By this expense, neither any endurable benefit can be obtained in future in addition to that what is presently available nor the capacity of the asset will be increased. Maintenance expenditure in relation to an asset is revenue expenditure. {1 M}

(iv) **False:** {1 M}

A claim that an enterprise is pursuing through legal process, where the outcome is uncertain, is a contingent asset. {1 M}

(v) **True:** {1 M}

In case of the promissory note, it is generally the maker who makes the payment, but in case of the bill of exchange, the person accepting the bill shall be liable to make the payment to the holder of the bill. {1 M}

(vi) **True:** {1 M}

When the goods are sent to customer on approval basis then this transaction is recorded as normal sales initially but on subsequent information adjustment entries are passed. {1 M}

Answer:

(b) (1)

(i) **Errors of Omission:** If a transaction is completely or partially omitted from the books of account, it will be a case of omission. Examples would be: not recording a credit purchase of furniture or not posting an entry into the ledger.

(ii) **Errors of Commission:** If an amount is posted in the wrong account or it is written on the wrong side or the totals are wrong or a wrong balance is struck, it will be a case of "errors of commission". {2 M}

(2) **Distinction between Money measurement concept and matching concept**

As per Money Measurement concept, only those transactions, which can be measured in terms of money are recorded. Since money is the medium of exchange and the standard of economic value, this concept requires that those transactions alone that are capable of being measured in terms of money be only to be recorded in the books of accounts. Transactions and {2 M}

events that cannot be expressed in terms of money are not recorded in the business books.
In Matching concept, all expenses matched with the revenue of that period should only be taken into consideration. In the financial statements of the organization if any revenue is recognized then expenses related to earn that revenue should also be recognized.

Answer:
(c)

Sales Book

Date	Particulars	Details	L.F.	Amount	
2020	M/s. Gupta & Verma				
	30 shirts @ Rs. 800	24,000			
	20 Trousers @ Rs. 1,000	20,000			
		44,000			
	Less : 10%	(4,400)			
	Sales as per invoice no. dated………			39,600	}{1 M}
	M/s. Jain & Sons				
	50 shirts @ Rs. 800			40,000	}{1 M}
	Sales as per invoice no. dated……….				
	M/s. Mathur & Jain				
	100 shirts @ Rs. 750	75,000			
	10 overcoats @ Rs. 5,000	50,000			
		1,25,000			
	Less : 10%	(12,500)			
	Sales as per invoice no. dated………..			1,12,500	}{1 M}
		Total		1,92,100	}{1 M}

Note : Cash sale and sale of furniture are not entered in Sales Book.

Answer 2:
(a)

In the books of M/s Meenakshi
Machinery A/c

Date	Account	(in Rs.)	Date	Account	(in Rs.)	
01.01.2019	To Balance b/d	4,56,000 }{1 M}	01.07.2019	By Bank A/c	2,50,000	
				By P&L A/c – Loss on Sale	50,000	}{1 M}
30.09.2019	To Bank A/c	60,000	01.07.2019	By Depreciation	20,000	}{1 M}
			31.12.2019	By Depreciation	17,500	}{1 M}
				By Balance c/d	1,78,500	}{1 M}
		5,16,000			5,16,000	
01.01.2020	To Balance b/d	1,78,500	31.12.2020	By Depreciation	26,775	}{1 M}
			31.12.2020	By Balance c/d	1,51,725	}{1 M}
		1,78,500			1,78,500	

Working Note: Calculation of Book Value of Machines under SLM

	Machine 1 (in Rs.)	Machine 2 (in Rs.)	Machine 3 (in Rs.)
<u>Date of Purchase</u>	01.01.2017	01.07.2017	30.09.2019
Original Cost	4,00,000	1,60,000	60,000
Depreciation for 2017 (SLM)	(40,000)	(8,000)	
WDV on 31.12.2017	3,60,000	1,52,000	
Depreciation for 2018 (SLM)	(40,000)	(16,000)	
WDV on 31.12.2018 {1/2 M}{	3,20,000	1,36,000 }{1/2 M}	

Depreciation for 2019 (SLM)	(20,000)	(16,000)	(1,500)
WDV on 31.12.2019 (30th June for Machine 1)	3,00,000	1,20,000	58,500
Sale Proceeds	(2,50,000)		
Loss on Sale	50,000 {1/2 M}		
Depreciation for 2020 (WDV @ 15%)	-	(18,000)	(8,775) {1/2 M}
WDV on 31.12.2020	-	**1,02,000** {1/2 M}	**49,725** {1/2 M}

Answer:

(b) **In the books of Hare Rama & Sons Journal**

	Particulars		L.F.	Dr. Rs.	Cr. Rs.	
(i)	Repairs A/c	Dr.		1,850		{1 M}
	To Building A/c				1,850	
	(Correction of wrong debit to building A/c for repairs made)					
(ii)	Shyam Lal A/c	Dr.		3,000		{1 M}
	To Bad Debts Recovered A/c				3,000	
	(Correction of wrong credit to Personal A/c in respect of recovery of previously written off bad debts)					
(iii)	Furniture A/c	Dr.		20,000		{1 M}
	To Purchases A/c				20,000	
	(Correction of wrong debit to Purchases A/c for furniture purchased)					
(iv)	Purchases A/c	Dr.		8,000		{1 M}
	To Ram Singh A/c				8,000	
	(Purchases of goods from Ram Singh remained unrecorded)					
(v)	Drawings A/c	Dr.		15,000		{1 M}
	To Audit Fees A/c				15,000	
	(Correction of wrong debit to Audit Fees A/c for college fees of proprietor's son)					
(vi)	Pinki Rani A/c	Dr.		4,500		{1 M}
	To Meet Kumar A/c				4,500	
	(Correction of wrong credit to Pinki Rani. instead of Meet Kumar.)					
(vii)	Returns Inwards / Sales Return A/c	Dr.		6,200		{1 M}
	To Customer/Debtors A/c				6,200	
	(Entry of goods returned by customer and taken in inventory omitted from records)					
(viii)	Furniture A/c	Dr.		1,500		{1 M}
	To Wages A/c				1,500	
	(Wages paid to workmen for office furniture wrongly charged to wages a/c now rectified)					
(ix)	Salaries A/c	Dr.		12,000		{1 M}
	To Clerk's (Personal) A/c				12,000	
	(Correction of wrong debit to Clerk's personal A/c for salaries paid)					
(x)	Purchases A/c	Dr.		20,000		{1 M}
	Sales A/c	Dr.		20,000		
	To Raghav A/c				40,000	

	(Correction of wrong entry in the sales Book for purchases of goods from Raghav)			

Answer 3:

(a) **In the books of Fashion Garments Ltd.**

Journal Entries

Particulars	**L.F.**	**Debit Amount (Rs.)**	**Credit Amount (Rs.)**	
Bank A/c Dr.		10,000		{1/2 M}
To Equity Share Application A/c			10,000	
(Money received on applications for 10,000 shares @ Rs. 1 per share)				
Equity Share Application A/c Dr.		10,000		{1/2 M}
To Equity Share Capital A/c			10,000	
(Transfer of application money on 10,000 shares to share capital)				
Equity Share Allotment A/c Dr.		20,000		{1/2 M}
To Equity Share Capital A/c			20,000	
(Amount due on the allotment of 10,000 shares @ Rs. 2 per share)				
Bank A/c Dr.		19,800		{1/2 M}
To Equity Share Allotment A/c			19,800	
(Allotment money received on 9,900 shares)				
OR				
Bank A/c Dr.		19,800		{1/2 M}
Calls in arrears A/c Dr.		200		
To Equity Share Allotment A/c			20,000	
(Allotment Amount received except 100 shares)				
Equity Share Capital A/c Dr.		300 {1/2 M}		
To Share Forfeiture A/c			100	{1/2 M}
To Equity Shares Allotment A/c			200	{1/2 M}
(100 Shares of Ram forfeited)				
OR				
Equity Share Capital A/c Dr.		300 {1/2 M}		
To Shares Forfeiture A/c			100	{1/2 M}
To Calls in arrears A/c			200	{1/2 M}
(100 shares forfeited due to non-payment of allotment money)				
Equity Share First Call A/c Dr.		29,700		{1/2 M}
To Equity Share Capital A/c			29,700	
(First call made due on 9,900 shares at Rs. 3 per share)				
Bank A/c Dr.		29,250		{1/2 M}
To Equity Share First Call A/c			29,250	
(First call money received on 9,750 shares at Rs. 3 per share)				
OR				
Bank A/c Dr.		29,250		{1/2 M}
Calls in arrears A/c Dr.		450		
To Equity Share First Call A/c			29,700	

(First Call money received except 150 shares)				
Equity Share Capital A/c Dr.		900	}{1/2 M}	
To Share Forfeiture A/c			450	}{1/2 M}
To Equity Share First Call A/c			450	}{1/2 M}
(150 Shares of Shyam forfeited)				
OR				
Equity Share Capital A/c Dr.		900	}{1/2 M}	
To Share Forfeiture A/c			450	}{1/2 M}
To Calls in arrears A/c			450	}{1/2 M}
(150 shares forfeited due to non - payment of First call money)				
Equity Share Second and Final Call A/c Dr.		39,000		{1/2 M}
To Equity Share Capital A/c			39,000	
(Second and Final call made due on 9,750 shares at Rs. 4 per share)				
Bank A/c Dr.		38,800		{1/2 M}
To Equity Share Second and Final Call A/c			38,800	
(Second and Final call money received on 9,700 shares at Rs. 4 per share)				
OR				
Bank A/c Dr.		38,800		{1/2 M}
Calls in arrears A/c Dr.		200		
To Equity Shares Second and Final call A/c			39,000	
(Second and Final call money received except 50 shares)				
Equity Share Capital A/c Dr.		500	}{1/2 M}	
To Share Forfeiture A/c			300	}{1/2 M}
To Equity Share Second and Final Call A/c			200	}{1/2 M}
(50 Shares of Mohan forfeited)				
OR				
Equity Share Capital A/c Dr.		500	}{1/2 M}	
To Shares Forfeiture A/c			300	}{1/2 M}
To Calls in arrears A/c			200	}{1/2 M}
(50 shares forfeited due to non-payment of Second and final call money)				
Bank A/c Dr.		2,700	}{1/2 M}	
Share Forfeiture A/c Dr.		300	}{1/2 M}	
To Equity Share Capital A/c			3,000	
(300 shares reissued at Rs. 9 per share)				
Share Forfeiture A/c Dr.		550		{1/2 M}
To Capital Reserve A/c (W.N.1)			550	
(Profit on re-issue transferred to Capital Reserve)				

Working Note-1:

Calculation of amount to be transferred to Capital Reserve:

Surplus out of 100 shares of Ram forfeited	Rs. 100
Surplus out of 150 shares of Shyam forfeited	Rs. 450
Surplus out of 50 shares of Mohan forfeited	Rs. 300
	Rs. 850
Less: Loss on re-issue of shares	Rs. 300
Transferred to Capital Reserve	Rs. 550

Answer:

(b) **Debenture Redemption Reserve Account**

Date	Particulars	Rs.	Date	Particulars	Rs.
31st March, 2022	To General reserve A/c note 1 (Refer Note 1)	3,75,000 }{1 M}	1st April, 2021	By Balance b/d	1,25,000
			1st April, 2021	By Profit and loss A/c (Refer Note 1)	2,50,000 }{1 M}
		3,75,000			3,75,000

10% Secured Bonds of Govt. (DRR Investment) A/c

		Rs.			Rs.
1st April, 2021	To Balance b/d	5,62,500	31st March, 2022	By Bank A/c	5,62,500 }{1 M}
		5,62,500			5,62,500

Bank Account

		Rs.			Rs.
31st March,	To Balance b/d	37,50,000	31st March,	By Debenture holders A/c (110% of 37,50,000)	41,25,000 }{1 M}
2022	To Interest on {1 M}{	56,250	2022		
	DRR Investment				
	(5,62,500 X 10%)				
	To DRR			By Balance c/d	2,43,750 }{1 M}
	Investment A/c	5,62,500			
		43,68,750			43,68,750

Debentures Holders A/c

		Rs.			Rs.
31st March 2022	To Bank	41,25,000	31st March, 2022	By 10% Debentures	37,50,000 }{1 M}
				By Premium on Redemption	3,75,000 }{1 M}
		41,25,000			41,25,000

Working note –

Calculation of DRR before redemption = 10% of Rs. 37,50,000 = 3,75,000 }{1 M}

Available balance = Rs. 1,25,000

DRR required =3,75,000 – 1,25,000 = Rs. 2,50,000. }{1 M}

Answer 4:

(a) **Dr.** **AMENDED CASH BOOK (BANK COLUMN)** **Cr.**

Receipts	L.F.	Amount	Payments	L.F.	Amount
		Rs.			Rs.
To Customer A/c	{1 M}{	6,100	By Balance b/d		8,300
To Insurance Claim A/c	{1 M}{	8,000	By Discount Charges		400 }{1 M}
To Balance c/d	{1 M}{	3,900	By Adjustment of under casting		1,000 }{1 M}
			By Insurance Premium A/c		2,000 }{1 M}
			By X (Cheque issued omitted to be recorded		3,500 }{1 M}
			By Cheque issued (wrongly entered in the cash column)		2,800 }{1 M}
		18,000			18,000

BANK RECONCILIATION STATEMENT
as on 31st March 2015

Particulars	Plus Items	Minus Items	
	Rs.	Rs.	
Overdraft (Cr.) Balance as per Amended Cash Book		3,900	}{1/2 M}
Cheques deposited but not credited by bank upto 31st March		4,600	}{1/2 M}
Cheques issued but not presented for payment upto 31st March	{1/2 M}{ 1,500		
	1,500	8,500	
Overdraft (Dr.) Balance as per Pass Book		7,000	}{1/2 M}

Answer:

(b) Statement showing the valuation of Inventory as on 31st March, 2022

	Rs.	
Value of Inventory as on 10th April	33,50,000	
Add: Cost of goods sold after 31st March till Inventory taking	1,03,125	}{1/2 M}
(Rs. 1,37,500 – Rs. 34,375)		
Less: Purchases for the next period (net)	(1,62,000)	}{1 M}
Less: Cost of Sales Returns	(4,500)	}{1/2 M}
Less: Loss on revaluation of slow-moving inventories	(12,000)	}{1 M}
Less: Reduction in value on account of default	(6,000)	}{1 M}
Value of Inventory on 31st March	32,68,625	}{1 M}

Note: Profit margin of 33.33% on cost means 25% on sales price.

OR

Statement showing the valuation of Inventory as on 31st March, 2022

		Rs.	
Value of Inventory as on 10th April		33,50,000	
Add: Cost of goods sold after 31st March till Inventory taking	1,03,125	}{1/2 M}	
(Rs. 1,37,500 – Rs. 34,375)			
Less: Cost of Sale Return {1/2 M}{	4,500	98,625	
Less: Purchases for the next period (net)		(1,62,000)	}{1 M}
Less: Loss on revaluation of slow-moving inventories		(12,000)	}{1 M}
Less: Reduction in value on account of default		(6,000)	}{1 M}
Value of Inventory on 31st March		32,68,625	}{1 M}

Note: Profit margin of 33.33% on cost means 25% on sales price.

Answer:

(c) Weighted Average basis

Santosh Mills

Calculation of the value of Inventory as on 31-3-2020

	Receipts			Issues			Balance			
Date	Units	Rate	Amount	Units	Rate	Amount	Units	Rate	Amount	
		Rs.	Rs.		Rs.	Rs.		Rs.	Rs.	
1-1-2020	Balance							Nil		
1-1-2020	100	30	3,000	}{1/2 M}			100	30	3,000	}{1/2 M}
15-1-2020				50	30	1,500	}{1/2 M} 50	30	1,500	}{1/2 M}
1-2-2020	200	40	8,000	}{1/2 M}			250	38	9,500	}{1/2 M}
15-2-2020				100	38	3,800	}{1/2 M} 150	38	5,700	}{1/2 M}
20-2-2020				100	38	3,800	}{1/2 M} 50	38	1,900	}{1/2 M}

Therefore, the value of Inventory as on 31-3-2020 = 50 units @ Rs. 38 = Rs. 1,900

Answer 5:

(a)

In the Book of Babai

Journals

Date	Particulars	L.F	Dr. (Rs.)	Cr. (Rs.)
2018	Kachari A/c	Dr.	90,000	
April 1	To Sales	Cr.		90,000
	(Goods sold to Kachari on credit)			
2018	Bills receivable A/c	Dr.	90,000	
April 1	To Kachari A/c	Cr.		90,000
	(Acceptance received for 3 bills for Rs. 30,000 each payable at one, two and three months after date respectively)			
April 1	Bank A/c	Dr.	29,400	
	Discount on Bills Receivable A/c	Dr.	600	
	To Bills receivable A/c	Cr.		30,000
	(Second bill discounted)			
April 1	Bank A/c	Dr.	29,100	
	Discount on Bills Receivable A/c	Dr.	900	
	To Bills receivable A/c	Cr.		30,000
	(Third bill discounted)			
May 4	Bank A/c / Cash A/c	Dr.	30,000	
	To Bills receivable A/c	Cr.		30,000
	(Payment of first bill received)			
July 4	Kachari A/c	Dr.	30,150	
	To Bank A/c	Cr.		30,150
	(Third bill dishonoured and noting charges paid by bank)			
July 4	Cash A/c	Dr.	10,150	
	To Kachari A/c	Cr.		10,150
	(Cash received from Kachari under new arrangement)			
July 4	Kachari A/c	Dr.	500	
	To Interest A/c [20,000 x 15% x 2/12]	Cr.		500
	(Interest charged on renewal of bill)			
July 4	Bills receivable A/c	Dr.	20,500	
	To Kachari A/c	Cr.		20,500
	(Acceptance received for new bill)			
Sept. 7	Kachari A/c	Dr.	20,680	
	To Bills receivable A/c	Cr.		20,500
	To Cash A/c (noting charges)	Cr.		180
	(Bill dishonoured by Kachari and noting charges paid)			
Sept. 15	Cash A/c (20,680 x 0.35)	Dr.	7,238	
	Bad Debts A/c	Dr.	13,442	
	To Kachari A/c	Cr.		20,680
	(35 paise in a rupee received on the insolvency of Kachari)			

{1 M for Each Entry}

Answer:

(b)

Mr. Shiv Kumar
Trading and Profit and Loss Account
for the year ended 31st March, 2022

		Rs.		Rs.	
To Opening inventory (balancing figure)		80,000 }{1/2 M}	By Sales (3,20,000 x 100/80)	4,00,000	}{1/2 M}
To Purchases (1,92,000 x 100/80){1/2 M}{		2,40,000	By Closing inventory	40,000	
To Gross profit c/d @ 30% on sales		1,20,000			
		4,40,000		4,40,000	
To Miscellaneous expenses (Rs. 80,000 – Rs. 8,000 + Rs. 10,000)		82,000 }{1/2 M}	By Gross profit b/d	1,20,000	
			By Miscellaneous receipts	20,000	
			By Net loss transferred to Capital A/c (b.f.)	25,840	}{1/2 M}
To Depreciation:					
Building	Rs. 36,000	}{1/2 M}			
Furniture	Rs. 7,800	}{1/2 M}			
(Rs. 6,800 + Rs. 1,000)					
Motor Car {1/2 M}{	Rs. 16,000	59,800			
To Loss on sale of furniture		11,000			
To Bad debts		8,000			
To Provision for doubtful debts		5,040			
		1,65,840		1,65,840	

Balance Sheet as on 31st March, 2022

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.	
Capital as on 1st April, 2021		7,16,000	Building	3,20,000		
			Add: Addition during the year	40,000		
Profit and Loss A/c				3,60,000		
Opening balance	40,000		Less: Provision for depreciation	(36,000)	3,24,000	}{1/2 M}
Less: Loss for the year	(25,840)	14,160 }{1/2 M}	Furniture	60,000		
			Less: Sold during the year	(20,000)		
Sundry creditors		1,12,000				
Bills payable		16,000		40,000		
Outstanding salary		10,000	Add: Addition during the year	28,000		
				68,000		
			Less: Depreciation	(6,800)	61,200	}{1/2 M}
			Motor car (at cost)	80,000		
			Less: Depreciation	(16,000)	64,000	
			Inventory in trade		40,000	
			Sundry debtors	2,52,000		
			Less: Provision for doubtful debts @ 2%	(5,040)	2,46,960	}{1/2 M}
			Bills receivable		28,000	
			Cash in hand and at bank		1,04,000	
		8,68,160			8,68,160	

Working Notes:

(i) Sundry Debtors Account

	Rs.		Rs.
To Balance b/d	1,60,000	By Cash/Bank A/c	2,00,000
To Sales A/c (credit)[1]	3,20,000	By Bills Receivable A/c	20,000

		By Bad debts A/c	8,000
		By Balance c/d (bal. fig.)	2,52,000 }{1/2 M}
	4,80,000		4,80,000

(ii) Sundry Creditors Account

	Rs.		Rs.
To Cash/Bank A/c	1,84,000	By Balance b/d	1,20,000
To Bills Payable A/c	16,000	By Purchases A/c[2]	1,92,000
To Balance c/d (bal. fig.)	1,12,000 }{1/2 M}		
	3,12,000		3,12,000

(iii) Bills Receivable Account

	Rs.		Rs.
To Balance b/d	32,000	By Cash/ Bank A/c(bal. fig.)	24,000 }{1/2 M}
To Sundry Debtors A/c	20,000	By Balance c/d	28,000
	52,000		52,000

(iv) Bills Payable Account

	Rs.		Rs.
To Cash/Bank A/c (bal. fig.) {1/2 M}{	28,000	By Balance b/d	28,000
To Balance c/d	16,000	By Sundry Creditors A/c	16,000
	44,000		44,000

(v) Furniture Account

	Rs.		Rs.
To Balance b/d	60,000	By Bank/Cash A/c	8,000
To Bank A/c (b.f.)	28,000 }{1/2 M}	By Depreciation A/c (on furniture sold)	1,000
		By Profit and loss A/c (loss on sale) (20,000 – 1,000 – 8,000)	11,000
		By Depreciation A/c (68,000 x 10%)	6,800
		By Balance c/d (68,000 – 6,800)	61,200 }{1/2 M}
	88,000		88,000

(vi) Cash/Bank Account

	Rs.		Rs.
To Balance b/d	1,80,000	By Misc. trade expenses A/c	80,000
To Miscellaneous receipts A/c	20,000	By Purchases A/c	48,000
To Sundry debtors A/c	2,00,000	By Furniture A/c	28,000
To Sales A/c	80,000	By Sundry creditors A/c	1,84,000
To Furniture A/c (sale)	8,000	By Bills payable A/c	28,000
To Bills receivable A/c	24,000	By Building A/c (3,60,000 – 3,20,000)	40,000
		By Balance c/d	1,04,000 }{1/2 M}
	5,12,000		5,12,000

(vii) Opening Balance Sheet as on 31st March, 2021

Liabilities	Rs.	Assets	Rs.
Capital (balancing figure) {1/2 M}{	7,16,000	Building	3,20,000
Profit and loss A/c	40,000	Furniture	60,000

Sundry Creditors	1,20,000	Motor car	80,000
Bills Payable	28,000	Inventory in trade	80,000
Outstanding salary	8,000	Sundry Debtors	1,60,000
		Bills Receivable	32,000
		Cash in hand and at bank	1,80,000
	9,12,000		9,12,000

Answer 6:

(a) Income and Expenditure Account of Retreat & Refresh Club for the year ended 31st March, 2018

Expenditure		Amount Rs.		Income	Amount Rs.	
To Honoraria to secretary		19,200		By Subscriptions (W.N. 3)	41,960	}{1 M}
To Misc. expenses		6,120		By Sale of old magazines	9,600	
To Rates and taxes		5,040		By Entertainment fees	17,080	
To Groundman's wages		3,360		By Bank interest	920	
To Printing and stationary		1,880		By Bar receipts	29,800	}{1 M}
To Telephone expenses		9,560		By Profit on sale of car (W.N. 5)	4,400	}{1 M}
To Bar expenses						
Opening bar stock	2,840					
Add: Purchases (W.N. 2)	22,440					
	25,280					
Less: Closing bar stock	(-) 3,480	21,800	}{1 M}			
To Repairs		1,280				
To Depreciation						
Club premises (W.N. 4)	{1 M}{ 2,040					
Car (W.N. 6)	{1 M}{ 9,360	11,400	}{1 M}			
To Excess of income over expenditure transferred to capital fund		24,120	}{1 M}			
		1,03,760			1,03,760	

OR

Income and Expenditure Account of Retreat & Refresh Club for the year ended 31st March, 2018

Expenditure		Amount Rs.		Income	Amount Rs.	
To Honoraria to secretary		19,200		By Subscriptions (W.N. 3)	41,960	}{1 M}
To Misc. expenses		6,120		By Sale of old magazines	9,600	
To Rates and taxes		5,040		By Entertainment fees	17,080	
To Groundman's wages		3,360		By Bank interest	920	
To Printing and stationary		1,880		By Profit from operation (W.N. 7)	8,000	}{1 M}
To Telephone expenses		9,560		By Profit on sale of car (W.N. 5)	4,400	}{1 M}
To Repairs		1,280				
To Depreciation						
Club premises (W.N. 4)	{1 M}{ 2,040					
Car (W.N. 6)	{1 M}{ 9,360	11,400	}{1 M}			
To Excess of income over expenditure transferred to capital fund		24,120	}{1 M}			
		81,960			81,960	

Calculation of profit from operation

		Rs.
Bar receipts		29,800
Less: Bar expenses		
Opening bar stock	2,840	
Add: Purchases (W.N. 2)	22,440	
	25,280	
Less: Closing bar stock	(-) 3,480	21,800
Profit from operation		8,000 }{1 M}

Balance Sheet of Retreat & Refresh Club as on 31st March, 2018

Liabilities		Amount Rs.	Assets	Amount Rs.
Capital fund (W.N. 1)	87,200		Club Premises	38,760
Add: Excess of income over expenditure	24,120	1,11,320 {1 M}	Car	53,040
Outstanding liabilities for bar purchases		1,720	Bar stock	3,480
			Outstanding subscription	3,920
			Cash and bank	13,840
		1,13,040		1,13,040

Working Notes:

1. Balance Sheet of Retreat & Refresh Club as on 1st April, 2017

Liabilities	Amount Rs.	Assets		Amount Rs.
Amount due for bar purchases	2,360	Club premises	1,16,000	
Capital fund on 1.4.2017 (balancing figure)	87,200 {1 M}	Less: Depreciation	(-) 75,200	40,800
		Car	48,760	
		Less: Depreciation	(-) 41,160	7,600
		Bar stock		2,840
		Outstanding subscription		4,800
		Cash at bank		33,520
	89,560			89,560

2. Calculation of bar purchases for the year

	Rs.
Bar payments as per receipts and payments account	23,080
Add: Amount due on 31st March, 2018	1,720
	24,800
Less: Amount due on 1st April, 2017	(-) 2,360
	22,440

3. Calculation of subscriptions accrued during the year

	Rs.
Subscriptions received as per receipts and payments account	42,840
Add: Outstanding on 31st March, 2018	3,920
	46,760
Less: Outstanding on 1 April, 2017	(-) 4,800
	41,960

4. Depreciation on club premises and its written down value on 31st March, 2018

	Rs.
Written down value on 1st April, 2017 (1,16,000 - 75,200)	40,800
Less: Depreciation for the year @ 5% p.a.	(-) 2,040
	38,760

5. Calculation of profit on sale of car

		Rs.
Sale proceeds of old car		12,000
Less: Written down value of old car:		
Cost of car on 1st April, 2017	48,760	
Less: Depreciation upto 1st April, 2017	(-) 41,160	(-) 7,600
		4,400

6. Deprecation on car and its written down value on 31st March, 2018

	Rs.
Cost of new car purchased (50,400 + 12,000)	62,400
Less: Depreciation for the yer @ 15% p.a.	9,360
Written down value on 31st March, 2018	53,040

Answer:

(b) **Rectification Entries**

	Particulars		Dr. Amount Rs.	Cr. Amount Rs.
(i)	Returns Inward A/c	Dr.	5,150 {1/2 M}	
	Sales A/c	Dr.	3,450 {1/2 M}	
	To Purchases A/c			5,150 {1/2 M}
	To Returns Outward A/c			3,450 {1/2 M}
	(Being sales return and purchases return wrongly included in purchases and sales respectively, now rectified)			
(ii)	Drawings A/c	Dr.	7,000	
	To Purchases A/c			7,000 {1/2 M}
	(Being goods withdrawn for own consumption included in purchases, now rectified)			
(iii)	Plant and machinery A/c	Dr.	900	
	To Wages A/c			900 {1/2 M}
	(Being wages paid for installation of plant and machinery wrongly debited to wages, now rectified)			
(iv)	Advertisement expenses A/c	Dr.	1,650	
	To Purchases A/c			1,650 {1/2 M}
	(Being free samples distributed for publicity out of purchases, now rectified)			

Trading and Profit and Loss Account of Mr. Shyam for the year ended 31st March, 2023

Dr. Cr.

	Rs.	Amount Rs.		Rs.	Amount Rs.
To Opening stock		64,500	By Sales	4,27,150 {1/2 M}	
To Purchases {1/2 M}	3,06,200	{1/2 M}	*Less*: Sales return	5,150	4,22,000 {1/2 M}
Less: Purchases return	3,450	3,02,750	By Closing stock		2,50,000 {1/2 M}

To Carriage inward			2,250			
To Wages			23,430			
To Gross profit c/d		{1/2 M}	2,79,070			
			6,72,000			6,72,000
To Salaries			45,100	By Gross profit b/d		2,79,070
To Rent			8,600	By Bad debts recovered		900
To Advertisement expenses			8,350			
To Printing and stationery			2,500			
To Bad debts			2,200			
To Carriage outward			2,700			
To Provision for doubtful debts						
5% of Rs. 2,40,000	12,000					
Less: Existing provision	6,400		5,600			
To Provision for discount on debtors						
2.5% of Rs. 2,28,000	5,700					
Less: Existing provision	2,750		2,950			
To Depreciation:						
Plant and machinery		6,000				
Furniture and fittings		2,050	8,050	{1/2 M}		
To Office expenses			20,320			
To Interest on loan			6,000			
To Net profit (Transferred to capital account)			1,67,600	{1/2 M}		
			2,79,970			2,79,970

Balance Sheet of Mr. Shyam as on 31st March, 2023

Liabilities	Rs.	Amount Rs.	Assets	Rs.	Amount Rs.
Capital account	1,30,000		Plant and machinery	40,000	
Add: Net profit	1,67,600		Less: Depreciation	6,000	34,000 {1/2 M}
	2,97,600	{1/2 M}	Furniture and fittings	20,500	
Less: Drawings	23,000	2,74,600	Less: Depreciation	2,050	18,450 {1/2 M}
Bank overdraft		1,60,000	Closing stock		2,50,000
Sundry creditors		95,000	Sundry debtors	2,40,000	
Payable salaries		4,900	Less: Provision for doubtful debts	12,000	{1/2 M}
			Provision for bad debts {1/2 M}	5,700	2,22,300
			Prepaid rent		600
			Cash in hand		2,900
			Cash at bank		6,250
		5,34,500			5,34,500

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