

MITTAL COMMERCE CLASSES

CA Foundation Course

DATE: 05.08.2024

(Mock Test Paper – Series : 1)

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) (1) **False:** Under 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.
- (2) **False:** The nature of business is a very important criteria in separating an expenditure between capital and revenue. For example- For a trader dealing in furniture, purchase of furniture is revenue expenditure but for any other trade, the purchase of furniture should be treated as capital expenditure and shown in the balance sheet as asset.
- (3) **False:** When it is probable that the firm will need to pay off the obligation, this gives rise to provision.
- (4) **False:** The allowance made for promoting sales is called 'Trade Discount and it may vary with the quantity purchased whereas cash discount is allowed for encouraging prompt payment.
- (5) **False:** Cash column of cash-book will always show a debit balance, because cash in hand can never be negative.
- (6) **True:** With every new partner, remaining old partners have to foregone a proportion in their share which is called as sacrificing ratio.

{1 Mark for Decision & 1 Mark for Reason}

Answer:

(b) **Statement of Calculation of Value of Inventory 31/03/17**

Opening Balance of Inventory as on 01.04.2016	3,50,000		
Less : Value of Abnormal item (1,00,000 – 30,0000) (1/2 M)	70,000	2,80,000	(1/2 M)
Add : Purchase b/w 01.04.2016 to 31.03.2017		17,30,000	
Add : Manufacturing Exps.		3,50,000	
Cost of normal goods available for sale		23,60,000	(1/2 M)
Less : Cost of goods sold			
Total Sales	26,10,000		
(-) Abnormal item sale (1/2 M)	80,000	25,30,000	
(-) GP @ 25% on cost or 20% on sales (1/2 M)	5,06,000	20,24,000	(1/2 M)
Value of Closing Stock as on 31.03.2017		3,36,000	(1 M)

Answer:

(c) **Journal Entries in the books of Preet Ltd**

			Rs.	Rs.
1-4-2022	Equity share final call A/c	Dr.	2,70,000	
	To Equity share capital A/c			2,70,000
	(For final calls of Rs. 2 per share on 1,35,000 equity shares due as per Board's Resolution dated....)			
20-4-2022	Bank A/c	Dr.	2,70,000	
	To Equity share final call A/c			2,70,000
	(For final call money on 1,35,000 equity shares received)			
	Securities Premium A/c	Dr.	37,500	{1/2 M}
	Capital Redemption Reserve A/c	Dr.	60,000	{1/2 M}

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	General Reserve A/c	Dr.	1,80,000	{1/2 M}
	Profit and Loss A/c (b.f.)	Dr.	60,000	{1/2 M}
	To Bonus to shareholders A/c			3,37,500 {1/2 M}
	(For making provision for bonus issue of one share for every four shares held)			
	Bonus to shareholders A/c	Dr.	3,37,500	{1/2 M}
	To Equity share capital A/c			3,37,500
	(For issue of bonus shares)			

Answer 2:

(a)

M/s Raghuram & Associates
Trading Account for the year ended 31st March 2018

Particulars	Details	Amount	Particulars	Details	Amount
		Rs.			Rs.
To Opening Stock		3,20,000	By Sales	15,00,000	
To Purchases	12,00,000		Less: Sales Returns	(24,000)	14,76,000 {1/2 M}
Less: Purchase Returns	(18,000)	11,82,000 {1/2 M}	By Closing Stock		4,10,000
To Freight		62,000			
To Gross Profit c/d		3,22,000 {1/2 M}			
		18,86,000			18,86,000

M/s Raghuram & Associates
Profit and Loss Account for the year ended 31st March 2018

Particulars	Details	Amount	Particulars	Details	Amount
		Rs.			Rs.
To Salaries		72,000	By Gross profit b/d		3,22,000
To Rent for Godown	55,000		By Discount received		12,000
Add: Outstanding	{1/2 M} 5,000	60,000 {1/2 M}			
To Provision for Doubtful Debts (W.N.4)		16,200 {1 M}			
To Rent and Taxes		24,000			
To Discount Allowed		7,500			
To Carriage outwards		8,500			
To Printing and stationery		6,000			
To Electricity charges		14,000			
To Insurance premium (W.N. 1)		4,800			
To Depreciation (W.N. 2)		80,000 {1 M}			
To General expenses		11,000			
To Bank Charges		3,800			
To Interest on loan	4,400				
Add: Outstanding (W.N. 3) {1/2 M}	100	4,500 {1/2 M}			
To Motor car expenses (Repairs)		13,000			
To Net Profit transferred to Capital A/c		8,700 {1 M}			
		3,34,000			3,34,000

Balance Sheet of M/s Raghuram & Associates as at 31st March 2018

Liabilities	Details	Amount	Assets	Details	Amount
		Rs.			Rs.

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Capital	14,11,400		Land & Building	5,00,000	
Add: Net Profit	8,700		Less: Depreciation	(25,000)	4,75,000
Less: Drawings	(20,000)		Motor Vehicles	1,00,000	
Less: proprietor's Insurance Premium	(42,000)	13,58,100 {1/2 M}	Less: Depreciation	(20,000)	80,000
Loan from Rajan	60,000		Office equipment	2,00,000	
Add: Outstanding Interest	100	60,100	Less: Depreciation	(30,000)	1,70,000
Sundry Creditors		62,000	Furniture & Fixture	50,000	
Outstanding rent		5,000	Less: Depreciation	(5,000)	45,000
			Stock in Trade		4,10,000
			Sundry Debtors	2,80,000	
			Less: Provision for doubtful debts	(14,000)	2,66,000
			Cash at hand		16,000
			Cash in bank		22,000
			Prepaid insurance (W.N. 1)		1,200
		14,85,200	{1/2 M}		14,85,200 {1/2 M}

Working Notes:

(1) Insurance premium

	Rs.	
Insurance premium as given in trial balance	48,000	}
Less: Personal premium	(42,000)	
Less: Prepaid for 3 months		
$\left(\frac{6,000}{15} \times 3 \right)$	(1,200)	
Transfer to Profit and Loss A/c	4,800	{1/2 M}

(2) Depreciation

Building @ 5% on 5,00,000	25,000	}
Motor Vehicles @ 20% on 1,00,000	20,000	
Furniture & Fittings @ 10% on 50,000	5,000	
Office Equipment @ 15% on 2,00,000	30,000	
Total	80,000	

{1/2 M}

(3) Interest on Loan

Interest on Loan Rs. 60,000 X 10% X 9/12	= 4,500	}
Less: interest as per Trial Balance	= (4,400)	
Amount (Outstanding)	100	

{1/2 M}

(4) Provision for bad debts A/c

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To bad debts a/c	12,200	By Balance b/d	10,000
To balance c/d (5% of 2,80,000)	14,000	By P&L A/c	16,200
	26,200		26,200

{1/2 M}

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Answer:
(b)

Trading & P&L A/c of Mr. Tilak for the year ending 31.3.2023

Particulars	Rs.	Particulars	Rs.
To Opening Stock	35,000	By Sales	2,49,000
To Purchases	2,01,000	By Closing Stock	75,000
To Gross Profit c/d {1 M}	88,000		
	3,24,000		3,24,000
To Expenses {1 M}	37,500	By Gross Profit b/d	88,000
To Petty Expenses	7,500		
To Depreciation	2,000		
To Net Profit	41,000		
	88,000		88,000

Balance Sheet as on 31.3.2023

Liabilities	Rs.	Rs.	Assets	Rs.
Capital A/c			Fixed Asset	18,000
Opening Capital	95,000		Stock	75,000
Add Net Profit	41,000		Sundry Debtors	27,000
Less: Drawings	(24,000)	{1 M} 1,12,000	Cash at Bank	13,500
Sundry Creditors		35,000	Cash in Hand	15,500
Expenses Payable		{1 M} 2,000		
		1,49,000		1,49,000

Working notes:

1. Sundry Debtors A/c

Particulars	Rs.	Particulars	Rs.
To Bal b/d	23,000	By Cash	55,000
{1 M} To Sales (credit)(b.f.)	2,49,000	By Bank	1,90,000
		By Bal c/d	27,000
	2,72,000		2,72,000

2. Sundry Creditors A/c

Particulars	Rs.	Particulars	Rs.
To Cash	26,000	By Bal B/d	15,000
To Bank	1,55,000	By Purchases (credit) (b.f.)	2,01,000
To Bal c/d	35,000		
	2,16,000		2,16,000

3. Cash A/c

Particulars	Rs.	Particulars	Rs.
To Balance b/d	4,000	By Sundry Creditors	26,000
To Sundry Debtors	55,000	By Petty expenses	7,500
		By Drawings	10,000
		By Balance c/d	15,500
	59,000		59,000

4. Bank A/c

Particulars	Rs.	Particulars	Rs.
To Balance b/d	28,000	By Sundry Creditors	1,55,000
To Sundry Debtors	1,90,000	By Expenses	35,500
		By Drawings	14,000
		By Balance c/d	13,500
	2,18,000		2,18,000

Answer 3:

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

Particulars	Rs.	Particulars	Rs.
To Balance b/d	(1/2 M) 400	By Bank charges	200
To Cheque deposited but not recor.	(1/2 M) 2,000	By Insurance premium	500
To Bills Receivables	(1/2 M) 2,000	By Cheques dishonored	1,000
To Interest allowed	(1/2 M) 100	By Bill discounted	4,000
To Cheques issued returned	(1/2 M) 300	By Cash receipt wrongly recor.	1,000
To Direct Payment by Customers	(1/2 M) 700		
To Cash Payment wrongly recor.	(1/2 M) 600		
To Balance c/d	(1/2 M) 600		
	6,700		6,700

BANK RECONCILIATION STATEMENT AS AT 31ST MARCH...

Particulars	Plus Items Rs.	Minus Items Rs.
A. Adjusted Bank Overdraft as per Amended Cash Book		600
B. Add: Cheques issued but not yet presented for payment (1/2 M)	2,500	
A wrong credit given by bank in Pass Book (1/2 M)	400	
C. Less: Cheques received and recorded in Bank column but not yet sent to Bank for collection		1,000
Cheques deposited but not yet collected by the Bank		1,500
A wrong debit given by Bank in Pass Book		800
	2,900	3,900
D. Overdraft as per Pass Book		1,000

Answer:

(b) (i) RECTIFICATION OF ERRORS JOURNAL

Date	Particulars	L.F.	Dr. (Rs.)	Cr. (Rs.)
(a)	Suspense A/c (1/2 M) Dr.		100	
	To Profit and Loss Adjustment A/c			100
	(Being Sales Book under cast, now rectified)			
(b)	Profit and Loss Adjustment A/c (1/2 M) Dr.		200	
	To Suspense A/c			200
	(Being wrong carrying forward, now rectified)			
(c)	Suspense A/c (1/2 M) Dr.		3,600	
	To X			3,600
	(Being wrong posting to X, now rectified)			
(d)	Profit and Loss Adjustment A/c (1/2 M) Dr.		3,600	
	To X			3,600
	(Being wrong recording, now rectified)			
(e)	Furniture A/c (1/2 M) Dr.		10,000	
	To Profit and Loss Adjustment A/c			10,000

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	(Being wrong recording, now rectified)			
(f)	Ys A/c (1/2 M) Dr.		1,000	
	To Furniture A/c			1,000
	(Being wrong recording, now rectified)			
(g)	Profit & Loss Adjustment A/c (1/2 M) Dr.		6,300	
	To Capital A/c			6,300
	(Being the transfer of Balance of P & L Adjustment A/c)			

(ii) Dr. **SUSPENSE ACCOUNT** Cr.

Particulars	Rs.	Particulars	Rs.
To Profit & Loss Adjustment A/c (1/2 M)	100	By Balance b/d	3,500 } (1/2 M)
To X's A/c (1/2 M)	3,600	By Profit & Loss Adjustment A/c	200 } (1/2 M)
	3,700		3,700

(iii) **EFFECT OF RECTIFICATION OF ERRORS ON LAST YEAR PROFITS**

Rectifying Entry	Decrease in Profit Rs.	Increase in Profit Rs.
(a)	---	100 } (1/2 M)
(b)	200 } (1/2 M)	--
(c)	No effect	No effect } (1/2 M)
(d)	3,600 } (1/2 M)	
(e)	---	10,000 } (1/2 M)
(f)	No effect } (1/2 M)	No effect
	3,800 } (1/2 M)	10,100 } (1/2 M)

Net Increase in Profit = Rs. 10,100 - Rs. 3,800 = Rs. 6,300. } (1/2 M)

Answer 4:

(a) **Books of P & Q LLP. Realization Account**

Particulars	Rs.	Particulars	Rs.
To Debtors	25,000	By Creditors	20,000
To Stock	35,000	By Bank loan	5,000
To Furniture	40,000	By Bank:	
To Machinery	60,000	Investment	25,000
To Bank:		Furniture	30,000
Creditors	20,000	Machinery	50,000
Bank loan	5,000	Debtors (90%)	22,500 } (1 M)
Outstanding bill	2,000	Stock	20,125
To Profit transferred to:	}(1 M)	Bad debts Recovered	1,245
P's capital (1 M)	1,310	By P's capital	}(1 M) 15,750 } (1 M)
Q's capital (1 M)	1,310	(stock taken over)	
	1,89,620		1,89,620

Partners' Capital Accounts

	P	Q		P	Q
To P's Current Account	16,940 } (1 M)		By Balance b/d	1,00,000	50,000
To Bank	83,060	68,810	By Q's current Account		18,810 } (1 M)
	1,00,000	68,810		1,00,000	68,810

Bank Account

	Rs.		Rs.
To Balance b/d	30,000	By Realization	27,000
To Realization	1,48,870	By P's capital	83,060 } (1 M)
		By Q's capital	68,810 } (1 M)
	1,78,870		1,78,870

Working Note:

Partners' Current Accounts

	P	Q		P	Q
To Balance b/d	10,000		By Balance b/d		10,000
To Realization	15,750		By Reserves	7,500	7,500
To Q's capital		18,810	By Realization (profit)	1,310	1,310
			By P's Capital	16,940	
	25,750	18,810		25,750	18,810

Answer:

(b)

JOURNAL ENTRIES

Date	Particulars.	L.F	DR. (Rs.)	CR. (Rs.)
2018 April 1	Revaluation A/c Dr.		1,400	
	To Stock A/c (1/2 M)			480
	To Provision for doubtful debts A/c			150
	To outstanding legal charges A/c			770
	(Decrease in the value of assets and increase in liabilities)			
	Land and Building A/c Dr.		5,000	
	To Revaluation A/c (1/2 M)			5,000
	(Increase in the value of assets)			
	Revaluation A/c Dr.		3,600	
	To A's Capital A/c (1/2 M)			1,600
	To B's Capital A/c			1,200
	To C's Capital A/c			800
	(Profit on revaluation transferred to partner's capital A/c)			
	Investments Fluctuation Reserve A/c Dr.		7,500	
	To Investment A/c			3,000
	To A's Capital A/c (1/2 M)			2,000
	To B's Capital A/c			1,500
	To C's Capital A/c			1,000
	(Decrease in the value of investments met out of Investments Fluctuation Reserve)			
	A's Capital A/c Dr.		1,950	
	C's Capital A/c (1/2 M) Dr.		1,650	
	To B's Capital A/c			3,600
	B's share of goodwill adjusted to the accounts of continuing partners in their gaining ratio 13:11)			
	B's Capital A/c Dr.		19,800	
	To B's Loan A/c (1/2 M)			19,800
	(The transfer of B's Capital A/c to B's Loan A/c)			
	A's Capital A/c ⁽²⁾ Dr.		2,150	
	To Bank A/c (1/2 M)			2,150
	(The amount returned to A, to bring his capital to profit sharing ratio)			
	Bank A/c ⁽³⁾ (1/2 M) Dr.		1,350	
	To C's Capital A/c			1,350
	(The amount brought in by C to raise his capital to profit sharing ratio)			

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Dr.	CAPITAL ACCOUNTS						CR.
Particulars	A	B	C	Particulars	A	B	C
To B's Capital		(1/2 M)		By Balance b/d	18,000	13,500	9,000
A/c	1950	-	1,650	By Revaluation			
(Goodwill)		-		A/c	1,600	1,200	800
To B's Loan A/c	-	19,800	(1/2 M)	By Investments			
To Balance c/d	19,650	-	9,150	Fluctuation			
				Reserve	2,000	1,500	1,000
				By A's Capital			
				A/c (goodwill)	-	1,950	-
				By C's Capital	(1/2 M)		
				A/c (Good wil)	-	1,650	-
	21,600	19,800	10,800		21,600	19,800	10,800
To Bank A/c				By Balance b/d	19,650	-	9,150
(Bal. fig.)	2,150	(1/2 M)	-	By Bank A/c	-	-	1,350
To Balance c/d	17,500	(1/2 M)	10,500	(Bal. Fig.)			
	19,650	-	10,500		19,650	-	10,500

BALANCE SHEET (After B's Retirement) as at 1st April, 2018

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	6,900	Cash at Bank ⁽⁴⁾	4,700
Outstanding legal charges	770	Sundry Debtors	5,000
B's Loan	(1/2 M) { 19,800	Less: Provision	250
Capital Accounts		Stock	7,520
A	17,500	Investments	8,500
C	10,500	Land and Building	30,000
	55,470		55,470

Working Notes:

(1) Calculation of Gaining Ratio on B's retirement:

Gaining Ratio = New Ratio - Old Ratio

$$A \text{ Gains} = \frac{5}{8} - \frac{4}{9} = \frac{45 - 32}{72} = \frac{13}{72}$$

$$C \text{ Gains} = \frac{3}{8} - \frac{2}{9} = \frac{27 - 16}{72} = \frac{11}{72}$$

Hence, Gaining Ratio between A and C = $\frac{13}{72} : \frac{11}{72}$ or 13 : 11 } (1/2 M)

(2) Adjustment of Capitals according to new profit sharing ratio :

Total Capital of the new firm = Rs. 28,000

Therefore, A's Capital in the new firm should be $\frac{5}{8}$ th of Rs. 28,000 = Rs. 17,500 } (1/2 M)

A's existing capital = Rs. 19,650

Hence, A will be returned = Rs. 2,150

(3) C's capital in the new firm should be $\frac{3}{8}$ th of Rs 28,000 = Rs. 10,500

C's existing capital = Rs. 9,150

Hence, C will bring = Rs 1,350

Calculation of Bank Balance is as follows:

Dr.	Bank Account		Cr.
Particulars	Rs.	Particulars	Rs.
To Balance b/d	5,500	By A's Capital A/c	2,150
To C's Capital A/c	1,350	By Balance c/d	4,700
	6,850		6,850

Answer 5:

(a)

Journal

Date	Particulars	Dr. (Rs.)	Cr. (Rs.)
	Bank A/c Dr.	75,000	
	To Share Application A/c		75,000
	(For application money received on 1500 shares @ Rs.50 per share)		
	Share Application A/c Dr.	75,000	
	To Equity Share Capital A/c		75,000
	(For disposition of application money received)		
	Preference Share Capital A/c Dr.	1,30,000	
	Premium on Redemption of Preference Shares A/c Dr.	13,000	
	To Preference Shareholders A/c		1,43,000
	(For amount payable on redemption of preference shares)		
	Bank A/c Dr.	30,000	
	Profit and Loss A/c (loss on sale) A/c Dr.	7,000	
	To Investment A/c		37,000
	(For sale of investments at a loss of Rs. 7,000)		
	Profit and Loss A/c Dr.	55,000	
	To Capital Redemption Reserve A/c		55,000
	(For transfer to CRR out of divisible profits an amount equivalent to excess of nominal value of preference shares over proceeds (face value of equity shares) i.e., Rs. 1,30,000 - Rs. 75,000)		
	Preference Shareholders A/c Dr.	1,43,000	
	To Bank A/c		1,43,000
	(For payment of preference shareholders)		
	Profit and Loss A/c Dr.	13,000	
	To Premium on Redemption of Preference Shares A/c		13,000
	(For writing off premium on redemption out of profits)		

Working Note:

Calculation of Number of Shares:	Rs.
Amount payable on redemption (Rs. 1,30,000 + 10% of Rs. 1,30,000)	1,43,000
Less: Sale price of investment	(30,000)
	1,13,000
Less: Available bank balance (62,000 - 24,000)	(38,000)
Funds from fresh issue	75,000
∴ No. of shares = 75,000/50=1500 shares	

Answer:

(b)

Dr.			MACHINERY ACCOUNT			Cr.		
Date	Particulars	Rs.	Date	Particulars	Rs.			
2005			2005					
April 1	To Balance b/d	5,00,000	Oct. 1	By Machinery Disposal A/c	1,00,000			
			2006					
			March 31	By Balance c/d	4,00,000			}(1 M)
		5,00,000			5,00,000			
2006								
April 1	To Balance b/d	4,00,000						

Dr.			PROVISION FOR DEPRECIATION ACCOUNT			Cr.		
Date	Particulars	Rs.	Date	Particulars	Rs.			
2005			2005					
Oct. 1	To Machinery Disposal A/c (WN 1)	42,400 } (1 M)	April 1	By Balance b/d	1,16,000			
			Oct. 1	By Depreciation A/c (WN 1)	6,400			}(1 M)
2006			2006					
March 31	To Balance c/d	1,44,000 } (1 M)	March 31	By Depreciation A/c (WN 2)	64,000			}(1 M)
		1,86,400			1,86,400			
			2006					
			April 1	By Balance b/d	1,44,000			

Dr.			MACHINERY DISPOSAL ACCOUNT			Cr.		
Date	Particulars	Rs.	Date	Particulars	Rs.			
2005			2005					
Oct. 1	To Machinery A/c	1,00,000	Oct. 1	By Provision for Depreciation A/c	42,400			
Oct. 1	To Gain (profit) on Sale (Bal. Fig.) (Profit and Loss A/c)	2,400 } (1 M)	Oct. 1	By Bank A/c – Sale	60,000			}(1 M)
		1,02,400			1,02,400			

Working Notes :

1.	Depreciation provided on Machinery sold till 1 st October, 2005:	Rs.
	For 2003-04 (Rs. 1,00,000 x 20/100)	20,000
	For 2004-05 (Rs. 1,00,000 – Rs. 20,000) x 20/100	16,000
	For 2005-06 (Rs. 1,00,000 – Rs. 20,000 – Rs. 16,000) x 20/100 x 6/12	<u>6,400 } (1 M)</u>
	Total Depreciation provided on Machinery sold	<u>42,400 } (1 M)</u>
2.	Calculation of Depreciation provided for 2005-06:	Rs.
	Balance of Provision for Depreciation on 1 st April, 2005	1,16,000
	Add: Depreciation provided on Machinery sold	<u>6,400</u>
		1,22,400
	Less: Accumulated Depreciation on Machinery sold (WN 1)	<u>42,400</u>
	Accumulated Depreciation on the remaining Machinery	<u>80,000</u>
	Cost of Remaining Machinery (Rs. 5,00,000 – Rs. 1,00,000)	4,00,000
	Less: Accumulated Depreciation on remaining Machinery (As above)	<u>80,000</u>
		<u>3,20,000</u>

Depreciation provided during 2005-06 = Rs. 3,20,000 x 20/100 = Rs. 64,000. } (1 M)

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Answer 6:

(a) BALANCE SHEET (as at 1st April, 2016)

Liabilities	Rs.	Assets	Rs.
Capital Fund (Balancing Figure)	(1 M) 64,900	Cash in hand	4,400
		Outstanding Subscription	
		(Rs. 1500+1,000)	2,500
		Furniture	40,000
		9% Investments	
		(Face Value Rs. 20,000)	18,000
	64,900		64,900

INCOME AND EXPENDITURE ACCOUNT for the year ending 31 st March, 2017

Dr. Expenditure		Rs.	Cr. Income		Rs.
To Salaries	44,000		By Subscriptions	96,000	
Add:	4,000	(1/2 M) 48,000	Add: Outstanding		
To Drama Expenses		18,400	for the year 2016-2017 ⁽¹⁾	4,000	1,00,000
To Newspapers		2,500	By Entrance		8,000
To Municipal Taxes		3,600	By Sale of Drama Tickets		24,000
To Refreshments		32,200	By Sale of waste paper		150
To Lighting and Heating		6,000	By Interest on Investments	1,350	
To Medicines Consumed:			Add: Accrued Interest	450	1,800
Purchases during the Year	4,000		(See Note3)		
Less: Closing Stock	1,000	3,000			
To Depreciation on Furniture:					
On Rs. 40,000 for one year	4,000				
On Rs. 10,000 for 3 months	(1 M) 250	4,250			
To Excess of Income over Expenditure		16,000			
		1,33,950			1,33,950

Liabilities	Rs.	Assets	Rs.
Outstanding Salary	(1/2 M) 4,000	Cash in Hand	19,200
Subscription received in advance	(1/2 M) 500	Outstanding Subscriptions	
Sports Fund	15,000	(Rs. 4,000 + Rs. 1,000 ⁽²⁾)	5,000
Less: Sports Expenses	(1/2 M) 11,000	Accrued Interest	450
Capital Fund	(1/2 M) 64,900	Stock of Medicines	1,000
Add : Excess of Income Over expenditure	16,000	investment (Face value Rs. 20,000)	18,000
		Furniture	50,000
	(1 M)	Less: Depreciation	4,250
	89,400		45,750
			89,400

MITTAL COMMERCE CLASSES

Notes:

- (1) Total members are 200, each paying an annual subscription of Rs 500.
Hence, total subscriptions receivable during the year 2016-2017:
 $200 \times \text{Rs. } 500 = 1,00,000$
 Less: Amount received during the year 2016-2017 96,000
 Outstanding Subscriptions for the year 2016-2017 4,000 } (1 M)
- (2) The outstanding subscription for 2015-2016 Rs. 1,000 is still in arrear at the end of 2016-2017 also. Hence, it will be shown on the assets side of the both year's Balance Sheets.
- (3) Interest is always calculated on the face value of Investments. Hence, Interest @9% on Rs 20,000 = Rs. 1,800 Out of this amount Rs. 1,350 has been received and the remaining **Rs. 450** is accrued. } (1 M)

Answer:

(b)

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Date	Particulars	Rs.	Rs.
2021			
	Bank A/c (Note 1 - Column 3) Dr.	14,20,000	
July 1	To Equity Share Application A/c		14,20,000
	(Being application money received on 7,10,000 shares @ Rs. 2 per share)		
July 10	Equity Share Application A/c Dr.	14,20,000	
	To Equity Share Capital A/c		4,00,000
	To Equity Share Allotment A/c (Note 1 Column 5)		8,60,000 } (1 M)
	To Bank A/c (Note 1 - Column 6)		1,60,000 } (1 M)
	(Being application money on 2,00,000 shares transferred to Equity Share Capital Account; on 4,30,000 shares adjusted with allotment and on 80,000 shares refunded as per Board's Resolution No.....dated...)		
	Equity Share Allotment A/c Dr.	10,00,000	
	To Equity Share Capital A/c		2,00,000 } (1 M)
	To Securities Premium a/c		8,00,000
	(Being allotment money due on 2,00,000 shares @ Rs. 5 each including premium at Rs. 4 each as per Board's Resolution No....dated....)		
	Bank A/c (Note 1 - Column 8) Dr.	1,40,000	
	To Equity Share Allotment A/c		1,40,000 } (1 M)
	(Being balance allotment money received)		
2022	Equity Share Final Call A/c Dr.	14,00,000	
	To Equity Share Capital A/c		14,00,000
	(Being final call money due on 2,00,000 shares @ Rs. 7 per share as per Board's Resolution No.....dated....)		
April 30	Bank A/c Dr.	14,00,000	
	To Equity Share Final Call A/c		14,00,000 } (1 M)
	(Being final call money on 2,00,000 shares @ Rs. 7 each received)		

OR

MITTAL COMMERCE CLASSES

Answer:

(b)

Calculation of number of equity shares to be allotted

	Number of debentures	
Total number of debentures	40,000	(1/2 M)
Less: Debenture holders not opted for conversion	(5,000)	(1 M)
Debenture holders opted for conversion	35,000	(1/2 M)
Option for conversion	20%	
Number of debentures to be converted (20% of 35,000)	7,000	(1 M)
Redemption value of 7,000 debentures at a premium of 5% [7,000 x (100 + 5)]	Rs. 7,35,000	(1 M)
Equity shares of Rs.10 each issued on conversion		
[Rs. 7,35,000/ Rs. 15]	49,000 shares	(1 M)

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