Mock Test Paper - Series II: December, 2025

Date of Paper: 29th December, 2025

Time of Paper: 2 P.M. to 5 P.M.

FOUNDATION COURSE

PAPER – 1: 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) A claim that an enterprise is pursuing through legal process, where the outcome is uncertain, is a Contingent Liability.

(ii) Cash book is a subsidiary book as well as a principal book.

(iii) Warehouse rent paid for storage of finished inventory should be included in the cost of finished inventory.

(iv) Promissory note is different from bill of exchange because the amount is paid by the maker in case of former and by the acceptor in the later.

(v) The business of partnership must be carried on by all the partners.

(vi) Debenture interest is payable after the payment of preference dividend but before the payment of equity dividend.

(6 Statements x 2 Marks = 12 Marks)

(b) Discuss the basic considerations in distinguishing between capital and revenue expenditure? **(4 Marks)**

(c) From the following information, draw up a Trial Balance in the books of Mr. Naman as on 31st March,2025:

Particulars	Amount (₹)	Particulars	Amount (₹)
Capital	4,20,000	Purchases	1,08,000

Discount Allowed	3,600	Carriage Inward	26,100
Carriage Outwards	6,900	Sales	1,80,000
Return Inward	900	Return Outwards	2100
Rent and Taxes	3,600	Plant and Machinery	2,42,100
Stock on 1st April 2024	46,500	Sundry Debtors	60,600
Sundry Creditors	36,000	Investments	10,800
Commission Received	5,400	Cash in Hand	300
Cash at bank	30,300	Motor Cycle	1,03,800
Stock on 31st March, 2025	61,500		

(4 Marks)

(12 + 4 + 4 = 20 Marks)

2. (a) The Machinery Account of a Factory showed a balance of ₹ 95 Lakhs on 1st April,2024. The Books of Accounts

Depreciation is written off of the Factory are closed on 31st March every year and @ 10% per annum under the Diminishing Balance Method. On 1st September,2024 a new machine was acquired at a cost of ₹ 14 Lakhs and ₹ 44,600 was incurred on the same day as installation charges for erecting the machine. On 1st September,2024 a machine which had cost ₹ 21,87,000 on 1st April,2022 was sold for ₹ 3,75,000. Another machine which had cost ₹ 21,85,000 on 1st April,2023 was scrapped on 1st September,2024 and it realized nothing.

Prepare Machinery Account for the year ended 31st March,2025. Allow the same rate of depreciation as in the past and calculate depreciation to the nearest multiple of a rupee. Also show all the necessary working notes. **(10 Marks)**

(b) Before preparation of the Trial Balance, the following errors were found in the books of Acer Associates. Give the necessary entries to correct them.

(i) Minor Repairs made to the building amounting to ₹ 1,850 were debited to the Building Account.

(ii) An amount of ₹ 3,000 due from Vijay, which had been written off as bad debts in the previous year, recovered in the current year, and had been posted to the personal Account of Vijay.

(iii) Furniture purchased for office use amounting to ₹ 20,000 has been entered in the purchase day book.

(iv) Goods purchased from Virat amounting to ₹ 8,000 have remained unrecorded so far.

(v) College fees of proprietor's son, ₹ 7,000 debited to the Audit fees Account.

(vi) Receipt of ₹ 4,500 from Sheena credited to the Meena.

(vii) Goods amounting to ₹ 6,200 had been returned by a customer and were taken into inventory, but no entry was made in the books.

(viii) ₹ 1050 paid for wages to workmen for making office furniture had been charged to wages account.

(ix) Salary paid to a clerk ₹ 12,000 has been debited to his personal account.

(x) A purchase of goods from Ankit amounting to ₹ 20,000 has been wrongly entered through the sales book. **(10 Marks)**

(10 + 10 = 20 Marks)

3. (a) The Receipts and Payments account of Unity Circle Club prepared on 31st March, 2025 is as follows:

Receipts and Payments Account

	Receipts		**Amount ₹**		**Payments**	**Amount ₹**
To	Balance b/d		9,000	By	Expenses (including Payment for sports material ₹ 54,000)	1,26,000
To	Annual Income from Subscription	91,800		By	Loss on Sale of Furniture (cost price ₹ 9,000)	3,600
	Add: Outstanding of last year received this year	3,600		By	Balance c/d	18,09,000
		95,400				
	Less: Prepaid of last year	1,800	93,600			
To	Other fees		36,000			
To	Donation for Building		18,00,000			
			19,38,600			19,38,600

Additional information:

Unity Circle Club had balances as on 1.4.2024:

Furniture ₹ 36,000; Investment at 5% ₹ 5,40,000;

Sports material ₹ 1,33,200;

Balance as on 31.3.2025: Subscription Receivable ₹ 5,400;

Subscription received in advance ₹ 1,800;

Stock of sports material ₹ 36,000.

Do you agree with above Receipts and Payments account? If not, prepare correct Receipts and Payments account and Income and Expenditure account for the year ended 31st March, 2025 and Balance Sheet on that date. **(10 Marks)**

(b) It was provided under the Partnership Agreement between Amar, Akbar and Anthony that in the event of death of a partner, the survivors would have to purchase his share in the firm on the following terms:

(i) Goodwill is to be valued at 3 year's purchase of simple average profits of last 4 completed years.

(ii) Outstanding amount due to the representative of a deceased partner shall be paid in 4 equal half yearly installments commencing 6 months after the death plus interest @ 5% p.a. on the outstanding dues.

They shared profit and loss in the ratio 9:4:3.

Amar died on 30th September 2025 and Partner's Capital account balances on that date were: Amar - ₹ 21,600, Akbar - ₹ 12,800 and Anthony - ₹ 7,200. Amar's current account on 30th September, 2025 after crediting his share of profit to that date, however showed a debit balance of ₹ 1,920.

Firm profits were for the year ended

-	31st March, 2022	₹ 70,400
-	31st March, 2023	₹ 56,320
-	31st March, 2024	₹ 48,160
-	31st March, 2025·	₹ 17,408

Show Amar's Capital Account and Executor's Account (of Amar) till full payment is made to Amar's Executor. Figures are to be rounded off to the nearest rupee.

(10 Marks)

(10 + 10 = 20 Marks)

4. (a) Ram and Shyam are partners, sharing profits and losses in the proportion of 3/4th and 1/4th As at 31st March, 2025, following is the Balance Sheet of Ram and Shyam.

Balance Sheet as at 31st March, 2025

Liabilities		(₹)	Assets	(₹)
Capital accounts			Cash in hand	1,15,000
Ram	2,85,000		Cash at bank	1,10,000
Shyam	1,55,000	4,40,000	Sundry Debtors	1,60,000
Creditors		3,75,000	Stock	2,00,000
General reserve		60,000	Bills receivable	30,000
			Land and building	2,50,000
			Office furniture	10,000
		8,75,000		8,75,000

They agreed to take Mohan into Partnership on 1st April, 2025 on the following terms:

(i) Goodwill is to be valued at ₹ 2,00,000. Mohan is unable to bring cash for his share of goodwill. So, it was decided that due credit for goodwill be given to Ram and Shyam for their sacrifice in favour of Mohan through Mohan's current account.

(ii) Mohan pays ₹ 1,40,000 as his capital for 1/5th share in the future profits.

(iii) Stock and Furniture to be reduced by 10%.

(iv) A provision @ 5% for doubtful debts to be created on debtors.

(v) Land and building to be appreciated by 20%.

(vi) Capital Accounts of the partners be readjusted on the basis of their profit sharing arrangement and any excess or deficiency is to be transferred to their Current Accounts.

Prepare Revaluation Account and Partners Capital Accounts. **(10 Marks)**

(b) Mr. Arun furnishes following information for his readymade garments business:

(i) Receipts and Payments during 2024-25:

Receipts	Amount ₹	Payments	Amount ₹
Bank Balance as on 1-4-2024	16,250	Payment to Sundry creditors	3,43,000
Received from Sundry debtors	4,81,000	Salaries	75,000
		General expenses	22,500
Cash sales	1,70,800	Rent and taxes	11,800
Capital brought in the business during the year	50,000	Drawings	96,000
		Cash purchases	1,22,750
Interest on Investment received	9,750	Balance at bank on 31-03-2025	36,600
		Cash in hand on 31-03-2025	20,150
	7,27,800		7,27,800

(ii) Particulars of other Assets and Liabilities are as follows:

	1st April, 2024	31st March, 2025
	(₹)	(₹)
Machinery	85,000	85,000
Furniture	24,500	24,500
Trade Debtors	1,55,000	?
Trade Creditors	60,200	?
Inventory	38,600	55,700
12% Investment	85,000	85,000
Outstanding Salaries	12,000	14,000

(iii) Additional information:

(1) 20% of total sales and 20% of total purchases are in cash.

(2) Of the debtors, a sum of ₹ 7,200 should be written off as Bad debt and further a provision for doubtful debts is to be provided @2%.

(3) Provide depreciation @10% p.a. on machinery and furniture

You are required to prepare Trading and Profit & Loss Account for the year ended 31st March, 2025, and Balance Sheet as on that date. **(10 Marks)**

(10+10 =20 Marks)

5. (a) Vishwanath & Co. employs a team of 9 workers who were paid ₹ 2,40,000 per month each in the year ending 31st December, 2023. At the start of 2024, the company raised salaries by 10% to ₹ 2,64,000 per month each.

On 1 July, 2024 the company hired 2 trainees at salary of ₹ 1,26,000 per month each. The workforce are paid salary on the first working day of every month, one month in arrears, so that the employees receive their salary for January on the first working day of February, etc.

You are required to calculate:

(i) Amount of salaries which would be charged to the profit and loss account for the year ended 31st December, 2024.

(ii) Amount actually paid as salaries during 2024.

(iii) Outstanding salaries as on 31st December, 2024 **(5 Marks)**

(b) From the following information, calculate the historical cost of closing inventories using adjusted selling price method:

Purchase during the year	-	₹ 15,00,000
Sales during the year	-	₹ 22,50,000
Opening Inventory		Nil
Closing Inventory at selling price	-	₹ 3,00,000

Or

The cash book of a firm showed an overdraft of ₹ 30,000 on 31st March, 2025. A comparison of the entries in the cash book and pass-book revealed that -

(i) On 22nd March, 2025, cheques totalling ₹ 6,000 were sent to bankers for collection. Out of these a cheque for ₹ 1,000 was wrongly recorded on the credit side of the cash book and a cheque amounting to ₹ 300 could not be collected by bank before 1st April, 2025.

(ii) A cheque for ₹ 4,000 was issued to a supplier on 28th March, 2025. The cheque was presented to bank on 4th April, 2025.

(iii) There were debits of ₹ 2,600 in the pass-book for interest on overdraft and bank charges, but the same had not been recorded in the cash book.

(iv) A cheque for ₹ 1,000 was issued to a creditor on 27th March, 2025 but by mistake the same was not recorded in the cash book. The cheque was, however, duly encashed by 31st March, 2025.

(v) As per standing instructions, the banker collected dividend of ₹ 500 on behalf of the firm and credited the same to its account by 31st March, 2025. The fact was, however, intimated to the firm on 3rd April, 2025.

You are required to prepare a bank reconciliation statement as on 31st March, 2025. **(5 Marks)**

(c) The following notes pertain to Destiny Ltd.'s Balance Sheet as on 31st March, 2025:

Notes		**₹ in Lakhs**
(1)	Share Capital	
	Authorised :	
	20 crore shares of ₹ 10 each	20,000
	Issued and Subscribed:	
	10 crore Equity Shares of ₹ 10 each	10,000
	2 crore 11% Cumulative Preference Shares of ₹ 10 each	2,000
	Total	12,000
	Called and paid up:	
	10 crore Equity Shares of ₹ 10 each, ₹ 8 per share called and paid up	8,000
	2 crore 11% Cumulative Preference Shares of ₹ 10 each, fully called and paid up	2,000
	Total	10,000
(2)	Reserves and Surplus :	
	Capital Reserve	485
	Capital Redemption Reserve	1,000
	Securities Premium	2,000
	General Reserve	1,040
	Surplus i.e. credit balance of Profit & Loss Account	273
	Total	4,798

On 2nd April 2025, the company made the final call on equity shares @ ₹ 2 per share. The entire money was received in the month of April, 2025.

On 1st June 2025, the company decided to issue to equity shareholders bonus shares at the rate of 2 shares for every 5 shares held and for this purpose, it decided to utilize the capital reserves to the maximum possible extent.

Pass journal entries for all the above mentioned transactions. Also prepare the notes on Share Capital and Reserves and Surplus relevant to the Balance Sheet of the company immediately after the issue of bonus shares. **(10 Marks)**

(5 + 5 + 10 = 20 Marks)

6. (a) Grey Limited issued 2,00,000 equity shares of, 10 each payable as ₹ 3 per share on application & ₹ 5 per share (including ₹ 2 as premium) on allotment and ₹ 4 per share on call. All these shares were subscribed. Money due on all shares was fully received except from Mr. Deepak, holding 5,000 shares who failed to pay ·the allotment and call money and Mr. Kishore, holding 10,000 shares, who failed to pay the call money. All these 15,000 shares were forfeited. Out of the forfeited shares, 10,000 shares (including whole of Deepak's shares) were subsequently re-issued to Mr. Manish as fully paid up at a discount of ₹ 1 per share.

Pass necessary journal entries in the books of Grey Limited. Also prepare Balance Sheet and notes to accounts of the company. **(15 Marks)**

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

(15 + 5 = 20 Marks)

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FOUNDATION COURSE

PAPER – 1: ACCOUNTING

SUGGESTED ANSWERS/HINTS

1. (a) (i) False: A claim that an enterprise is pursuing through legal process, where the outcome is uncertain, is a contingent asset.

(ii) True: Cash transactions are straightaway recorded in the Cash Book and on the basis of such a record, ledger accounts are prepared. Therefore, the Cash Book is a subsidiary book. But the Cash Book itself serves as the cash account and the bank account; the balances are entered in the trial balance directly. The Cash Book therefore, is part of the ledger also. Hence, it has also to be treated as a principal book. The Cash Book is thus both a subsidiary book and a principal book.

(iii) False: Warehousing costs related to finished goods are expensed when incurred and are not included in inventory costs unless storage is incurred for getting the inventory ready for sale i.e. until and unless storage is required as a part of process of production of inventory like in case of wine.

(iv) True: 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.

(v) False: The business of the partnership firm can be carried on by all the partners or by any one of them acting for all.

(vi) False: Debenture interest is payable before the payment of any dividend on shares.

(b) The basic considerations in distinction between capital and revenue expenditures are:

(a) **Nature of business:** 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. Therefore, the nature of business is a very important criterion in separating expenditure between capital and revenue.

(b) **Recurring nature of expenditure:** If the frequency of an expense is quite often in an accounting year then it is said to be an expenditure of revenue nature while non-recurring expenditure is infrequent in nature and do not occur often in an accounting year. Monthly salary or rent is the example of revenue expenditure as they are incurred every month while purchase of assets is not the transaction done regularly therefore, classified as capital expenditure unless materiality criteria defines it as revenue expenditure.

(c) **Purpose of expenses:** Expenses for repairs of machine may be incurred in course of normal maintenance of the asset. Such expenses are revenue in nature. On the other hand, expenditure incurred for major repair of the asset so as to increase its productive capacity is capital in nature.

(d) **Effect on revenue generating capacity of business:** The expenses which help to generate income/revenue in the current period are revenue in nature and should be matched against the revenue earned in the current period. On the other hand, if expenditure helps to generate revenue over more than one accounting period, it is generally called capital expenditure.

(e) **Materiality of the amount involved:** Relative proportion of the amount involved is another important consideration in distinction between revenue and capital.

(c) Trial Balance of Mr. Naman as on 31st March, 2025

Particulars	Dr. Amount ₹	Cr. Amount ₹
Capital		4,20,000
Purchases	1,08,000	
Discount Allowed	3,600	
Carriage Inward	26,100	
Carriage Outwards	6,900	
Sales		1,80,000
Return Inward	900	
Return Outwards		2,100
Rent and taxes	3,600	
Plant and Machinery	2,42,100	
Stock on 1st April,2024	46,500	
Sundry Debtors	60,600	
Sundry Creditors		36,000

Investments	10,800	
Commission Received		5,400
Cash in Hand	300	
Cash at Bank	30,300	
Motor Cycle	1,03,800	
	6,43,500	6,43,500

2. (a) Plant and Machinery Account for the year ended 31st March, 2025

		₹			₹
01-04-24	To Balance b/d	95,00,000	01-09-24	By Bank (Sales)	3,75,000
01-09-24	To Bank (14,00,000+44,600)	14,44,600	01-09-24	By Depreciation (on sold machine)	73,811
			01-09-24	By Loss on sale of machine	13,22,659
			01-09-24	By Loss on scrapping the machine	18,84,562
			01-09-24	By Depreciation (on Scrapped machinery)	81,938
			31-03-25	By Depreciation (Note iii)	6,60,471
			31-03-25	By Balance c/d	65,46,159
		1,09,44,600			1,09,44,600

Working Note:

(i)	Calculation of loss on sale of machine on 01-09-2024		₹
	Cost on 1-4-2022		21,87,000
	Less: Depreciation @ 10% on ₹ 21,87,000		(2,18,700)
	W.D.V. on 31-03-2023		19,68,300
	Less: Depreciation @ 10% on ₹ 19,68,300		(1,96,830)
	W.D.V. on 31-03-2024		17,71,470
	Less: Depreciation @ 10% on ₹ 17,71,470 for 5 months		(73,811)
	WDV on 1-9-2024		16,97,659
	Less: Sale proceeds on 01-09-2024		(3,75,000)
	Loss		13,22,659

(ii)	Calculation of loss on scrapped machine		
	Cost on 1-4-2023		21,85,000
	Less: Depreciation @ 10% on ₹ 21,85,000		(2,18,500)
	W.D.V. on 31-3-2024		19,66,500
	Less: Depreciation @ 10% on ₹19,66,500 for 5 months		(81,938)
	Loss		18,84,562
(iii)	Depreciation		
	Balance of machinery account on 1-4-2024		95,00,000
	Less: W.D.V of machinery sold	17,71,470	
	W.D.V. of machinery scrapped	19,66,500	(37,37,970)
	Balance of other machinery after sale and scrap on 1-4-2024		57,62,030
	Depreciation @ 10% on ₹ 57,62,030 for 12 months		5,76,203
	Depreciation @ 10% on ₹ 14,44,600 for 7 months		84,268
			6,60,471

Note: The figures are rounded off to nearest rupee.

(b) **In the books of Acer Associates**

Journal

	Particulars		L.F.	Dr. ₹	Cr. ₹
(i)	Repairs A/c	Dr.		1,850	
	To Building A/c				1,850
	(Correction of wrong debit to building A/c for repairs made)				
(ii)	Vijay A/c	Dr.		3,000	
	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	
	To Purchases A/c				20,000

	(Correction of wrong debit to Purchases A/c for furniture purchased)			
(iv)	Purchases A/c Dr.		8,000	
	To Virat A/c			8,000
	(Purchases of goods from Virat remained unrecorded)			
(v)	Drawings A/c Dr.		7,000	
	To Audit Fees A/c			7,000
	(Correction of wrong debit to Audit Fees A/c for college fees of proprietor's son)			
(vi)	Meena A/c Dr.		4,500	
	To Sheena A/c			4,500
	(Correction of wrong credit to Sheena. instead of Meena.)			
(vii)	Returns Inwards / Sales Return A/c Dr.		6,200	
	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.		1,050	
	To Wages A/c			1,050
	(Wages paid to workmen for office furniture wrongly charged to wages a/c now rectified)			
(ix)	Salaries A/c Dr.		12,000	
	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	
	Sales A/c Dr.		20,000	
	To Ankit A/c			40,000
	(Correction of wrong entry in the sales Book for purchases of goods from Ankit)			

3. (a) Corrected Receipts and Payments Account of Unity Circle Club

for the year ended 31st March, 2025

	Receipts	**₹**	**Amount ₹**		**Payments**	**Amount ₹**
To	Balance b/d		9,000	By	Expenses	
To	Subscription				(₹ 1,26,000 – ₹ 54,000)	72,000
	Annual Income	91,800				
	Less: Receivable as on 31.3.2025	(5,400)		By	Sports Material	54,000
				By	Balance c/d	18,14,400
	Add: Advance received for the year 2025–2026	1,800			(Cash in Hand and at Bank)	
	Add: Receivable as on 31.3.2024	3,600				
	Less: Advance received as on 31.3.2024	(1,800)	90,000			
To	Other Fees		36,000			
To	Donation for Building		18,00,000			
To	Sale of Furniture		5,400			
			19,40,400			19,40,400

Income and Expenditure Account of Unity Circle Club

for the year ended 31st March, 2025

	Expenditure	**₹**	**Amount ₹**		**Income**	**Amount ₹**
To	Sundry Expenses		72,000	By	Subscription	91,800
To	Sports Material			By	Other fees	36,000
	Balance as on 1.4.2024	1,33,200		By	Interest on investment (5% on ₹ 5,40,000)	27,000
	Add: Purchases	54,000		By	Deficit: Excess of Expenditure over Income	72,000
	Less: Balance as on 31.3.2025	36,000	1,51,200			
To	Loss on sale of Furniture		3,600			
			2,26,800			2,26,800

Balance Sheet of Unity Circle Club
as on 31st March, 2025

Liabilities		Amount (₹)	Assets		Amount (₹)
Capital Fund (W N)	7,20,000		Furniture	36,000	
Less: Excess of Expenditure over Income	72,000	6,48,000	Less: Sold	9,000	27,000
			5% Investment		5,40,000
Building Fund		18,00,000	Interest Accrued on Investment		27,000
Subscription Received in advance		1,800	Sports Material		36,000
			Subscription Receivable		5,400
			Cash in Hand and at Bank		18,14,400
		24,49,800			24,49,800

Working Note:

Balance Sheet of Unity Circle Club as on 1st April, 2024

Liabilities	Amount ₹	Assets	Amount ₹
Subscription Received in Advance	1,800	Furniture	36,000
Capital Fund (Balancing Figure)	7,20,000	Investment	5,40,000
		Sports Material	1,33,200
		Subscription Receivable	3,600
		Cash in Hand and at Bank	9,000
	7,21,800		7,21,800

(b) **Amar's Capital Account**

Date 2025	Particulars	₹	Date 2025	Particulars	₹
Sep. 30	To Amar's current Account	1,920	Sep. 30	By bal b/d	21,600
Sep. 30	To Amar's Executor A/c	1,00,802	Sep. 30	By Anthony Capital A/c and Akbar Capital A/c (Share of goodwill)	81,122
		1,02,722			1,02,722

Amar's executor Account

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
31.3.2025	To Bank A/c	27,720	1.10.2025	By Capital A/c	1,00,802
	(25,200+2,520)		31.3.2026	By Interest	2,520.00
	To Balance c/d	75,602		(1,00,802 x 2.5%)	
		1,03,322			1,03,322
30.9.2026	To bank A/c	27,090	1.4.2026	By Balance b/d	75,602
	(25,200+1,890)		30.9.2026	By Interest	1,890
31.3.2027	To bank A/c	26,460		(75,601 x 2.5%)	
	(25,200 +1,260)		30.3.2027	By Interest	1,260
31.3.2027	To balance c/d	25,202		(25,200 x 2) x 2.5%	
		78,752			78,752
30.9.2027	To bank A/c	25,832	1.4.2027	By balance b/d	25,202
	(25,200+630)		30.9.27	By Interest	630
				(25,200 x 2.5%)	
		25,832			25,832

Working notes

1.	Ascertainment of Value of Goodwill	
	2022	70,400
	2023	56,320
	2024	48,160
	2025	17,408
	Total Profit for 4 years	1,92,288
	Average Profit	48,072
	Goodwill - 3 years	
	Purchase of Average Profit	1,44,216
	Amar's Share of goodwill	
	(9/16 of ₹ 1,44,216)	81,122
*Profit sharing ratio between Amar, Akbar and Anthony = 9:4:3, Therefore Amar's share of Profit = 9/16		

2. Calculation of amount of each instalment (without interest) = ₹ 1,00,802 / 4 = 25,200.50 (Round off to ₹ 25,200)

4. (a) **Revaluation Account**

Particulars	Amount ₹	Particulars	Amount ₹
To Furniture	1,000	By Land and Building	50,000
To Stock	20,000		
To Provision for doubtful debts	8,000		
To Revaluation Profit Ram (21,000 x ¾) 15,750 Shyam (21,000 x ¼) 5,250	21,000		
	50,000		50,000

Partners' Capital Accounts

	Ram ₹	Shyam ₹	Mohan ₹		Ram ₹	Shyam ₹	Mohan ₹
To Shyam's Current A/c (bal fig)	-	45,250	-	By Balance b/d	2,85,000	1,55,000	–
To Balance c/d	4,20,000	1,40,000	1,40,000	By General reserve	45,000	15,000	-
				By Revaluation Profit	15,750	5,250	
				By Bank A/c	-	-	1,40,000
				By Mohan's Current A/c (Goodwill)	30,000	10,000	-
				By Ram's Current A/c (bal fig)	44,250	-	-
	4,20,000	1,85,250	1,40,000		4,20,000	1,85,250	1,40,000

Working Notes:

1. Calculation of total Capital

   Mohan's capital contribution of ₹ 1,40,000 consists of 1/5th of capital.

   Therefore, total capital of firm should be ₹ 1,40,000 x 5 = ₹ 7,00,000

Hence, ₹ 5,60,000 (7,00,000 -1,40,000) will be shared by Ram and Shyam in the ratio of 3:1 i.e., Ram's capital ₹ 4,20,000 and Shyam's capital ₹ 1,40,000

2. Calculation of New Profit Sharing ratio

Ram = ¾ x 4/5 = 12/20 = 3/5

Shyam = 1 /4 X 4/ 5 = 4/20 = 1/5

Mohan = 1/5= 4/20 = 1/5 or 3 : 1 : 1

OR

Calculation of sacrificing ratio

Partners	New share	Old share	Sacrifice	Gain
Ram	$\frac{3}{5}$	$\frac{3}{4}$	$\frac{-3}{20}$	-
Shyam	$\frac{1}{5}$	$\frac{1}{4}$	$\frac{-1}{20}$	-
Mohan	$\frac{4}{20}$	-	-	$\frac{1}{5}$

3. Goodwill

Mohan's share in Goodwill = 40,000 (2,00,000x1/5) is adjusted through Mohan's Current Account.

Account because capitals of old partners are also adjusted on the basis of Mohan's Capital.

Therefore, Journal entry for goodwill will be

Mohan's Current A/c Dr. 40,000

To Ram's Capital A/c 30,000

To Shyam's Capital A/c 10,000

(b) Trading and Profit & Loss Account for the year ended 31-03-2025

	₹	₹		₹
To Opening stock		38,600	By Sales (1,70,800/ 20%)	8,54,000
To Purchases (1,22,750x20%)		6,13,750	By Closing stock	55,700

To Gross profit c/d (b.f.)		2,57,350		
		9,09,700		9,09,700
To Salaries (75,000+14,000-12,000)		77,000	By Gross Profit b/d	2,57,350
To Rent and taxes		11,800	By Interest on investment (9,750+450)	10,200
To General expenses		22,500		
To Depreciation:				
Machinery @ 10%	8,500			
Furniture @ 10%	<u>2,450</u>	10,950		
To Bad Debts	7,200			
To Provision for doubtful debts	<u>7,000</u>	14,200		
To Balance being profit carried to Capital A/c (b.f.)		1,31,100		
		2,67,550		2,67,550

Balance Sheet as on 31st March, 2025

Liabilities	₹	₹	Assets	₹	₹
Arun's Capital			Machinery	85,000	
on 1st April, 2024	3,32,150		*Less:* Depreciation	<u>(8,500)</u>	76,500
Add: Fresh Capital	50,000		Furniture	24,500	
Add: Profit for the year	<u>1,31,100</u>		*Less:* Depreciation	<u>(2,450)</u>	22,050
	5,13,250				
Less: Drawings	<u>(96,000)</u>	4,17,250	Inventory-in-trade		55,700
			Sundry debtors	3,50,000	
Sundry creditors		2,08,200	*Less:* Provision for		
Outstanding expenses		14,000	Doubtful debts	<u>(7,000)</u>	3,43,000
			Investment (including accrued interest ₹ 450)		85,450
			Cash at bank		36,600
			Cash in hand		20,150
		6,39,450			6,39,450

Working Notes:

1. Balance sheet as at 1st April,2024

	₹		₹
Sundry creditors	60,200	Machinery	85,000
Capital (balancing figure)	3,32,150	Furniture	24,500
		Inventory	38,600
Outstanding salaries	12,000	Sundry debtors	1,55,000
		12% Investments	85,000
		Bank balance (from Cash statement)	16,250
	4,04,350		4,04,350

2. Total Debtors Account

		₹			₹
1.4.24	To Balance b/d	1,55,000	31.3.25	By Cash	4,81,000
31.3.25	To Credit sales (1,70,800/20x80)	6,83,200	31.3.25	By Bad debts	7,200
				By Balance c/d (Bal. Fig.)	3,50,000
		8,38,200			8,38,200

3. Total Creditors Account

		₹			₹
31.3.25	To Cash	3,43,000	1.4.24	By Balance b/d	60,200
31.3.25	To Balance c/d (Bal. Fig.)	2,08,200	31.3.25	By Credit Purchases (1,22,750/20x80)	4,91,000
		5,51,200			5,51,200

5. (a) (i) **Amount of salaries to be charged to P & L A/c for the year ended 31stDecember, 2024**

Employees	= 9 x ₹ 2,64,000 x 12 =	₹	2,85,12,000
Trainees	= 2 x ₹ 1,26,000 x 6 =	₹	15,12,000
Salaries charged to P & L A/c		₹	3,00,24,000

(ii) Amount actually paid as salaries during 2024

Employees	= 9 x ₹ 2,64,000 x 11 + 9 x ₹ 2,40,000	= ₹ 2,82,96,000
Trainees	= 2 x ₹ 1,26,000 x 5	= ₹ 12,60,000
Amount paid as salaries		₹ 2,95,56,000

(iii) Outstanding salaries as on 31.12.2024

Employees	= 9 x ₹ 2,64,000	= ₹ 23,76,000
Trainees	= 2 x ₹ 1,26,000	= ₹ 2,52,000
Outstanding salaries		₹ 26,28000

(b)

Sales	22,50,000
Add: Closing inventory (at selling price)	3,00,000
Selling price of goods available for sale:	25,50,000
Less: Cost of goods available for sale	15,00,000
Gross margin	10,50,000

Rate of gross margin $= \frac{10,50,000}{25,50,000} \times 100 = 41.18\%$

Cost of closing inventory = 3,00,000 less 41.18% of ₹ 3,00,000 = ₹ 1,76,460

*This rate may also be considered as 41.176% in that case, the closing inventory will be valued at ₹ 1,76,460

OR as 41.17% in that case, the closing inventory will be valued at ₹ 1,76,460

OR

Bank Reconciliation Statement as on 31st March, 2025

Particulars	**(₹)**	**(₹)**
Bank Overdraft as per cash book		30,000
Add:		
(i) Cheque deposited but not collected	300	
(ii) Interest on overdraft and bank charges not recorded in cash book	2,600	

(iii) Cheques issued to creditors but not recorded in cash book	1,000	3,900
Less:		
(i) Cheques wrongly recorded on the credit side of the cash book, ₹1000X 2	2,000	
(ii) Cheques issued but presented for payment on 4th April	4,000	
(iii) Dividend collected by bank but not yet recorded in cash book	500	(6,500)
Bank overdraft as per pass-book		27,400

(c) Journal Entries in the books of Destiny Ltd.

2025			Dr. ₹ in lakhs	Cr. ₹ in lakhs
April 2	Equity Share Final Call A/c	Dr.	2,000	
	To Equity Share Capital A/c			2,000
	(Final call of ₹ 2 per share on 10 crore equity shares made due)			
	Bank A/c	Dr.	2,000	
	To Equity Share Final Call A/c			2,000
	(Final call money on 10 crore equity shares received)			
June 1	Capital Redemption Reserve A/c	Dr.	1,000	
	Securities Premium A/c	Dr.	2,000	
	Capital Reserve A/c	Dr.	485	
	General Reserve A/c	Dr.	515	
	To Bonus to Shareholders A/c			4,000
	(Bonus issue of two shares for every five shares held, by utilising various reserves as per Board's resolution dated…….)			
	Bonus to Shareholders A/c	Dr.	4,000	
	To Equity Share Capital A/c			4,000
	(Capitalisation of profit)			

Notes to Accounts

			₹ in lakhs
1.	**Share Capital**		
	Authorised share capital		
	20 crore shares of ₹ 10 each		20,000
	Issued, subscribed and fully paid up share capital		
	14 crore Equity shares of ₹ 10 each, fully paid up		14,000
	(Out of the above, 4 crore equity shares @ ₹ 10 each were issued by way of bonus)		
	2 crore, 11% Cumulative Preference share capital of ₹ 10 each, fully paid up		2,000
			16,000
2.	**Reserves and Surplus**		
	Capital Reserves	485	
	Less: Utilized for bonus issue	(485)	-
	Capital Redemption reserve	1,000	
	Less: Utilized for bonus issue	(1,000)	-
	Securities Premium	2,000	
	Less: Utilized for bonus issue	(2,000)	-
	General Reserve	1,040	
	Less: Utilized for bonus issue	(515)	525
	Surplus (Profit and Loss Account)		273
	Total		798

6. (a) In the books of Grey Ltd.

Journal

Entry no.	Particulars	₹	₹
1	Bank A/c Dr.	6,00,000	
	To Equity Share Application A/c		6,00,000
	(Being application money on 2,00,000 shares @ ₹ 3 per share received)		

2	Equity Share Application A/c To Equity Share Capital A/c (Being transfer of application money to Equity Share Capital on 2,00,000 shares @ ₹ 3 per share as per Director's Resolution no… dated…)	Dr.	6,00,000	 6,00,000
3	Equity Share Allotment A/c To Equity Share Capital A/c To Securities Premium A/c (Being amount due from shareholders in respect of allotment on 2,00,000 shares @ ₹ 5 per share including premium ₹ 2 per share as per Director's Resolution no…dated……)	Dr.	10,00,000	 6,00,000 4,00,000
4	Bank A/c To Equity Share Allotment A/c (Being amount received against allotment on 1,95,000 shares @₹ 5 per share including premium @ ₹ 2 per share) **OR** Bank A/c Calls in Arrears A/c To Equity Share Allotment A/c (Being amount received against allotment on 2,00,000 share @ ₹ 5 per share including premium @ ₹ 2 per share, Mr. Deepak holding 5,000 shares failed to pay allotment money)	Dr. Dr. Dr.	9,75,000 9,75,000 25,000	 9,75,000 10,00,000
5	Equity Share Call A/c To Equity Share Capital A/c (Being amount due from shareholders in respect of call on 2,00,000 shares @ ₹ 4 per share as per Director's resolution no…dated…)	Dr.	8,00,000	 8,00,00
6	Bank A/c To Equity Share Call A/c (Being amount received against the call on 1,85,000 shares @ ₹ 4 per share)	Dr.	7,40,000	 7,40,000

	OR Bank A/c Dr. Calls in Arrears A/c Dr. To Equity Share Call A/c (Being amount received against the call on 1,85,000 shares @ ₹ 4 per share, Deepak holding 5,000 shares and Kishore holding 10,000 shares failed to pay call money)	7,40,000 60,000	 8,00,000
7	Equity Share Capital A/c (15,000 x ₹ 10) Dr. Securities Premium A/c (5000 x ₹ 2) Dr. To Equity Share Allotment A/c (5000 x ₹ 5) To Equity Share Call A/c (15,000 x ₹ 4) To Forfeited Shares A/c (Being forfeiture of 15,000 equity shares for non-payment of allotment and call money on 5,000 shares and for non-payment of call money on 10,000 shares as per Board's Resolution No.....dated ....) **OR** Equity Share Capital A/c (15,000 x ₹ 10) Dr. Securities Premium A/c (5000 x ₹ 2) Dr. To Calls in Arrears A/c (₹ 25,000 + ₹ 60,000) To Forfeited Shares A/c (Being forfeiture of 15,000 equity shares for non-payment of allotment and call money on 5,000 shares and for non-payment of call money on 10,000 shares as per Board's Resolution No......dated.......)	1,50,000 10,000 1,50,000 10,000	 25,000 60,000 75,000 85,000 75,000
8	Bank A/c Dr. Forfeited Shares A/c To Equity Share Capital A/c (Being re-issue of 10,000 shares @ ₹ 9 each as per Board's Resolution No……dated......)	90,000 10,000	 1,00,000

9	Forfeited Shares A/c Dr. To Capital Reserve A/c (Being profit on re-issue transferred to Capital Reserve)	35,000	 35,000

Balance Sheet of Grey as at……

Particulars	Notes No.	₹
EQUITY AND LIABILITIES		
Shareholders' funds		
Share Capital	1	19,80,000
Reserves and Surplus	2	4,25,000
Total		24,05,000
ASSETS		
Current assets		
Cash and Cash Equivalents	3	24,05,000
Total		24,05,000

Notes to accounts

		₹	₹
1.	Share Capital		
	Equity share capital		
	Issued share capital		
	2,00,000 Equity shares of ₹ 10 each	20,00,000	
	Subscribed, called up and paid up share capital		
	1,95,000 Equity shares of ₹ 10 each	19,50,000	
	Add: Forfeited shares (5,000x6)	30,000	19,80,000
2.	Reserves and Surplus		
	Securities Premium	3,90,000	
	Capital Reserve	35,000	4,25,000

3.	Cash and Cash Equivalents		
	Amount received on Share Application	6,00,000	
	Amount Received on Share Allotment	9,75,000	
	Amount Received on Share Call	7,40,000	
	Amount Received on Re-issue of Shares	90,000	24,05,000

Working Note:

(1) Calculation of Amount to be Transferred to Capital Reserve

Amount forfeited per share of Deepak	₹ 3	Amount forfeited per share of Kishore	₹ 6
Less: Loss on re-issue per share	(₹ 1)	*Less*: Loss on re-issue per share	(₹ 1)
Surplus	₹ 2	Surplus	₹ 5
Transferred to Capital Reserve: Deepak's share (5,000 x ₹ 2)		₹ 10,000	
Kishore's Share (5,000 x ₹ 5)		₹ 25,000	
Total		₹ 35,000	

(2) Balance of Security Premium

Total Premium amount receivable on allotment	=	4,00,000
Less: Amount reversed on forfeiture	=	(10,000)
Balance remaining	=	3,90,000

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

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

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

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

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

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

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

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

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

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