

Mock Test Paper - Series I: August,2026

Date of Paper: 10<sup>th</sup> August,2026

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

**FOUNDATION COURSE**

**PAPER – 1: ACCOUNTING**

**ANSWERS**

1. (a) (i) **False:** Trade Discount is a reduction granted by a supplier from the list price of goods or services on business considerations other than for prompt payment.
- (ii) **True:** The conservatism concept states that one shall not account for anticipated profits but shall provide all prospective losses. Valuing inventory at cost or net realisable value whichever is less, therefore is based on principle of conservatism.
- (iii) **False:** Amount spent for replacement of any worn- out part of a machine is revenue expense since it is part of its maintenance cost.
- (iv) **True:** All the receipts and payments whether of revenue or capital nature are included in Receipt and Payment account.
- (v) **False:** Legal heirs of a deceased partner are entitled to all the dues of deceased partner.
- (vi) **True:** As per Perpetual Existence company has existence independent of its members, it continues to be in existence despite the death, insolvency or change of members.
- (b) The difference between Book keeping and Accounting are as follows:

| S. No. | Book-keeping                                              | Accounting                                                               |
|--------|-----------------------------------------------------------|--------------------------------------------------------------------------|
| 1.     | It is a process concerned with recording of transactions. | It is a process concerned with summarising of the recorded transactions. |
| 2.     | It constitutes as a base for accounting.                  | It is considered as a language of the business.                          |

|    |                                                                                        |                                                                                           |
|----|----------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| 3. | Financial statements do not form part of this process.                                 | Financial statements are prepared in this process on the basis of book-keeping records.   |
| 4. | Managerial decisions cannot be taken with the help of these records.                   | Management takes decisions on the basis of these records.                                 |
| 5. | There is no sub-field of book keeping.                                                 | It has several sub-fields like financial accounting, management accounting etc.           |
| 6. | 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) (i) **Calculation of the value of Inventory as on 31-5-2026**

|         | Receipts |      |            | Issues |       |        | Balance |       |            |
|---------|----------|------|------------|--------|-------|--------|---------|-------|------------|
| Date    | Units    | Rate | Amount (₹) | Units  | Rate  | Amount | Units   | Rate  | Amount (₹) |
| 1-5-26  | Balance  |      |            |        |       |        | 100     | 15    | 1,500      |
| 2-5-26  | 300      | 21   | 6,300      |        |       |        | 400     | 19.5  | 7,800      |
| 5-5-26  |          |      |            | 250    | 19.5  | 4,875  | 150     | 19.5  | 2,925      |
| 16-5-26 | 500      | 22.8 | 11,400     |        |       |        | 650     | 22.04 | 14,326     |
| 21-5-26 |          |      |            | 100    | 22.04 | 2,204  | 550     | 22.04 | 12,122     |
| 25-5-26 |          |      |            | 450    | 22.04 | 9,918  | 100     | 22.04 | 2,204      |

Therefore, the value of Inventory is as follows:

Value as per Weighted Method as on 31-5-2026: 100 units @ ₹ 22.04  
= ₹ 2,204

**Working Note:**

(i) Per unit cost of raw material purchased on May 2,2026

$$= \frac{300 \times 18 + 600 + 300}{300} = ₹ 21$$

(ii) Per unit cost of raw material purchased on May 16,2026

$$= \frac{500 \times 21 + 600 + 300}{500} = ₹ 22.8$$

**Note:**

Freight and unloading charges are directly attributable cost and are necessary to bring the inventory into present location and condition hence are included in the cost of inventory.

2. (a)

**In the books of M/s. Surya Prakesh  
Machinery Account**

| Date       | Particulars        | Amount<br>₹ | Date       | Particulars                  | Amount ₹ |
|------------|--------------------|-------------|------------|------------------------------|----------|
| 1.4.2022   | To Bank A/c        | 1,60,000    | 31.03.2023 | By Depreciation A/c          | 24,000   |
|            | To Bank A/c        | 40,000      |            | (₹ 20,000 + ₹ 4,000)         |          |
|            | (Erection charges) |             | 31.03.2023 | By Balance c/d               | 2,56,000 |
| 1.10.2022  | To Bank A/c        | 80,000      |            | (₹ 1,80,000 + ₹ 76,000)      |          |
|            |                    | 2,80,000    |            |                              | 2,80,000 |
| 1.4.2023   | To Balance b/d     | 2,56,000    | 31.03.2024 | By Depreciation A/c          | 28,000   |
|            |                    |             |            | (₹ 20,000 + ₹ 8,000)         |          |
|            |                    |             | 31.03.2024 | By Balance c/d               | 2,28,000 |
|            |                    |             |            | (₹ 1,60,000 + ₹ 68,000)      |          |
|            |                    | 2,56,000    |            |                              | 2,56,000 |
| 1.4.2024   | To Balance b/d     | 2,28,000    | 1.10.2024  | By Bank A/c                  | 1,00,000 |
| 31.12.2024 | To Bank A/c        | 30,000      | 1.10.2024  | By Profit and Loss A/c       | 50,000   |
|            |                    |             |            | (Loss on Sale – W.N. 1)      |          |
|            |                    |             | 31.03.2025 | By Depreciation A/c          | 18,750   |
|            |                    |             |            | (₹ 10,000 + ₹ 8,000 + ₹ 750) |          |
|            |                    |             | 31.03.2025 | By Balance c/d               | 89,250   |
|            |                    |             |            | (₹ 60,000 + ₹ 29,250)        |          |
|            |                    | 2,58,000    |            |                              | 2,58,000 |
| 1.4.2025   | To Balance b/d     | 89,250      | 31.3.2026  | By Depreciation A/c          | 13,387.5 |
|            |                    |             |            | (₹ 9,000 + ₹ 4,387.5)        |          |
|            |                    |             | 31.3.2026  | By Balance c/d               | 75,862.5 |
|            |                    |             |            | (₹ 51,000 + ₹ 24,862.5)      |          |
|            |                    | 89,250      |            |                              | 89,250   |

**Working Notes:****Book Value of machines (Straight line method)**

|                                             | Machine I<br>₹ | Machine II<br>₹ | Machine III<br>₹ |
|---------------------------------------------|----------------|-----------------|------------------|
| Cost                                        | 2,00,000       | 80,000          | 30,000           |
| Depreciation for 2022-23                    | (20,000)       | (4,000)         |                  |
| Written down value as on 31.03.2023         | 1,80,000       | 76,000          |                  |
| Depreciation for 2023-24                    | (20,000)       | (8,000)         |                  |
| Written down value as on 31.03.2024         | 1,60,000       | 68,000          |                  |
| Depreciation for 2024-25 (Mach I- 6 months) | (10,000)       | (8,000)         | (750)            |
| Written down value as on 01.10.2024         | 1,50,000       |                 |                  |
| Written down value as on 31.03.2025         |                | 60,000          | 29,250           |
| Sale proceeds                               | (1,00,000)     |                 |                  |
| Loss on sale                                | 50,000         |                 |                  |

**(b)****Journal Entries in the books of Mr. Saket**

| S No.   | Particulars                                                                                                                                                    | Dr. (₹)          | Cr. (₹)                      |
|---------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------------------|
| (i) (a) | Somesh A/c Dr.<br>To Sales<br>To Output CGST<br>To Output SGST<br>(Being goods sold to Somesh at 10% trade discount, CGST and SGST is applicable at 6% each.)  | 2,01,600         | 1,80,000<br>10,800<br>10,800 |
| (b)     | Bank A/c Dr.<br>Cash A/c Dr.<br>To Somesh<br>(Being 50% of the amount due is received from Somesh, out of which 2/3rd is received by cheque and 1/3rd in cash) | 67,200<br>33,600 | 1,00,800                     |

|       |                                                                                                                           |        |        |
|-------|---------------------------------------------------------------------------------------------------------------------------|--------|--------|
| (ii)  | Mr. C Dr.                                                                                                                 | 4,500  |        |
|       | To Mr. Z<br>(Being Mr. Z paid his dues to Mr. C)                                                                          |        | 4,500  |
| (iii) | Misc Expenses A/c /Diwali Gift A/c Dr.                                                                                    | 84,000 |        |
|       | To Purchases A/c                                                                                                          |        | 75,000 |
|       | To Input CGST                                                                                                             |        | 4,500  |
|       | To Input SGST                                                                                                             |        | 4,500  |
|       | (Being inventory given to employees as Gift and GST input reversed)                                                       |        |        |
| (iv)  | Machinery A/c Dr.                                                                                                         | 40,500 |        |
|       | Depreciation A/c Dr.                                                                                                      | 4,500  |        |
|       | To Repairs and Maintenance<br>(Being overhauling charges wrongly debited to repairs and maintenance a/c now rectified)    |        | 45,000 |
| (v)   | Purchase A/c Dr.                                                                                                          | 136    |        |
|       | To Yash                                                                                                                   |        | 100    |
|       | To Suspense A/c                                                                                                           |        | 36     |
|       | (Being purchases of ₹ 151 from Yash wrongly posted in purchase book as ₹ 15 and posted to Mr. Yash as ₹ 51 now rectified) |        |        |
| (vi)  | Mr. C. Dass A/c Dr.                                                                                                       | 14,480 |        |
|       | To Purchases A/c<br>(Being Cheque issued to Mr. C. Dass wrongly debited to purchases now rectified)                       |        | 14,480 |
| (vii) | Rebate A/c Dr.                                                                                                            | 6,000  |        |
|       | Output CGST Dr.                                                                                                           | 360    |        |
|       | Output SGST Dr.                                                                                                           | 360    |        |
|       | To R<br>(Being rebate allowed to R for the goods supplied was found defective)                                            |        | 6,720  |

|        |                                                                                                                           |     |       |       |
|--------|---------------------------------------------------------------------------------------------------------------------------|-----|-------|-------|
| (viii) | Discount allowed A/c<br>To S<br>(Being credit given for making prompt payment for outstanding goods sold)                 | Dr. | 2,000 | 2,000 |
| (ix)   | Telephone exp. A/c<br>To Outstanding Expenses A/c<br>(Being telephone charges omitted to be recorded now rectified)       | Dr. | 1,410 | 1,410 |
| (x)    | Kamal Kumar<br>To Kamla Rani<br>(Being sale to Mr. Kamal Kumar has been wrongly debited to Mrs. Kamla Rani now rectified) | Dr. | 2,500 | 2,500 |

3. (a) **Statement showing Realization of Cash**

| Sr. No. | Particulars                                                              | Realization | Creditors | Partner's Loan | Partner's Capital |
|---------|--------------------------------------------------------------------------|-------------|-----------|----------------|-------------------|
| 1       | After taking into account cash balance and amount set aside for expenses | 1,500       | 1,500     | -              | -                 |
| 2       |                                                                          | 4,500       | 1,500     | 3,000          |                   |
| 3       |                                                                          | 5,850       | -         | 4,500          | 1,350             |
| 4       |                                                                          | 9,000       | -         | -              | 9,000             |
|         | Including Savings in Exp                                                 | 30,150      | -         | -              | 30,150            |
|         |                                                                          | 51,000      | 3,000     | 7,500          | 40,500            |

To ascertain the amount distributable out of each installment realized among the partners, the following table will be constructed:

**Statement of Distribution on Capital Accounts**

(1) **Calculation to determine the mode of distribution of ₹1,350**

| Particulars                 | Total    | X        | Y        | Z        |
|-----------------------------|----------|----------|----------|----------|
| Balance                     | 63,000   | 22,500   | 27,000   | 13,500   |
| Less: Maximum Loss in 2:2:1 | (61,650) | (24,660) | (24,660) | (12,330) |
|                             | +1,350   | -2,160   | +2,340   | +1,170   |

|                                                                                                                                  |  |  |         |       |
|----------------------------------------------------------------------------------------------------------------------------------|--|--|---------|-------|
| Deficiency of X's capital written off against those of Y and Z in the ratio of their capital 27,000: 13,500, (Garner vs. Murray) |  |  | (1,440) | (720) |
| Manner in which the first ₹ 1,350 should be distributed                                                                          |  |  | + 900   | + 450 |

**(2) Distribution of ₹ 9,000**

|                                   |          |          |          |          |
|-----------------------------------|----------|----------|----------|----------|
| Balance after (1)                 | 61,650   | 22,500   | 26,100   | 13,050   |
| Less : Maximum Loss in 2:2:1      | (52,650) | (21,060) | (21,060) | (10,530) |
| Balance available and distributed | 9,000    | 1,440    | 5,040    | 2,520    |

**(3) Distribution of ₹ 30,150**

|                             |                 |                |                |                |
|-----------------------------|-----------------|----------------|----------------|----------------|
| Balance after (2)           | 52,650          | 21,060         | 21,060         | 10,530         |
| Less: Maximum Loss in 2:2:1 | <u>(22,500)</u> | <u>(9,000)</u> | <u>(9,000)</u> | <u>(4,500)</u> |
| Distribution of ₹ 30,150    | 30,150          | 12,060         | 12,060         | 6,030          |
| <u>Summary:</u>             |                 |                |                |                |
| - Balance                   | 63,000          | 22,500         | 27,000         | 13,500         |
| - Total Amounts Paid        | 40,500          | 13,500         | 18,000         | 9,000          |
| - Loss                      | 22,500          | 9,000          | 9,000          | 4,500          |

**(b)**

**Manufacturing A/c**

| Particulars                                    | ₹         | Particulars                | ₹         |
|------------------------------------------------|-----------|----------------------------|-----------|
| To Raw Material Consumed<br>(Balancing Figure) | 9,15,000  | By Trading A/c<br>(W.N. 4) | 18,32,000 |
| To Wages (W.N. 2)                              | 3,15,000  |                            |           |
| To Depreciation (W.N. 1)                       | 3,95,000  |                            |           |
| To Direct Expenses<br>(W.N. 3)                 | 2,07,000  |                            |           |
|                                                | 18,32,000 |                            | 18,32,000 |

### Raw Material A/c

| Particulars               | ₹         | Particulars                                             | ₹         |
|---------------------------|-----------|---------------------------------------------------------|-----------|
| To Opening Stock A/c      | 1,27,000  | By Raw Material Consumed (from Manufacturing A/c above) | 9,15,000  |
| To Creditors A/c (W.N. 5) | 14,40,000 | By Closing Stock A/c (Balancing Figure)                 | 6,52,000  |
|                           | 15,67,000 |                                                         | 15,67,000 |

#### Working Notes:

- (1) Since purchase of Machinery worth ₹ 12,00,000 has been omitted.  
 So, depreciation omitted from being charged =  $12,00,000 \times 15\%$   
 $= ₹ 1,80,000$   
 Correct total depreciation expense = ₹ (2,15,000+1,80,000)  
 $= 3,95,000$
- (2) Wages worth ₹ 50,000 will be excluded from manufacturing account as they pertain to office and hence will be charged P&L A/c. So the revised wages amounting ₹ 3,15,000 will be shown in manufacturing account.
- (3) Expenses to be excluded from direct expenses:
- |                                            |               |
|--------------------------------------------|---------------|
| Office Electricity Charges (80,000 X 25%)  | 20,000        |
| Delivery Charges to Customers              | <u>22,000</u> |
| Total expenses not part of Direct Expenses | <u>42,000</u> |
- => Revised Direct Expenses = ₹ (2,49,000 - 42,000)  
 $= ₹ 2,07,000$

Fuel charges are related to factory expenses and also freight inwards are incurred for bringing goods to factory/ godown so they are part of direct expenses.

- (4) Revised Balance to be transferred to Trading A/c:

| Particulars                                    | ₹         |
|------------------------------------------------|-----------|
| Current Balance transferred                    | 17,44,000 |
| Add: Depreciation charges not recorded earlier | 1,80,000  |



|                         |        |        |        |                         |        |        |        |
|-------------------------|--------|--------|--------|-------------------------|--------|--------|--------|
| To Bharat's Capital A/c | 6,000  | 4,000  |        | By Ram's Capital A/c    |        |        | 6,000  |
| To Bank A/c             |        |        | 6,375  | By Laxman's Capital A/c |        |        | 4,000  |
| To Bharat's Loan A/c    |        |        | 3,187  |                         |        |        |        |
| To Bills Payable A/c    |        |        | 3,188  |                         |        |        |        |
| To Balance c/d          | 69,750 | 36,500 |        |                         |        |        |        |
|                         | 81,000 | 44,000 | 42,000 |                         | 81,000 | 44,000 | 42,000 |

**Balance Sheet as at 31<sup>st</sup> March, 2026**

| Liabilities          | ₹      | ₹        | Assets                               | ₹       | ₹        |
|----------------------|--------|----------|--------------------------------------|---------|----------|
| Capital accounts:    |        |          | Patent                               |         | 24,000   |
| Ram                  | 69,750 |          | Machinery                            |         | 54,000   |
| Laxman               | 36,500 | 1,06,250 | Closing stock                        |         | 42,650   |
| Bharat's loan A/c    |        | 3,187    | Sundry debtors                       | 50,000  |          |
| Trade creditors      |        | 37,000   | Less: Provision for doubtful debts   | (5,000) | 45,000   |
| Bills payable        |        | 3,188    |                                      |         |          |
| Workman compensation |        | 18,000   | Cash and bank balances (8,350-6,375) |         | 1,975    |
|                      |        | 1,67,625 |                                      |         | 1,67,625 |

**Working Notes:**

**1. Gaining ratio of existing partners:**

Ram  $3/5-3/6=3/30$

Laxman  $2/5-2/6=2/30$

(b)

**In the books of Hari Om Distributors**

**Trading Account  
for the year ended 31<sup>st</sup> March, 2026**

| Particulars      | Amount (₹) | Amount (₹) |          | Amount (₹) | Amount (₹) |
|------------------|------------|------------|----------|------------|------------|
| To Opening Stock |            | 5,12,400   | By Sales |            |            |
| To Purchases     |            |            | Cash     | 30,67,200  |            |

|                                            |                    |                    |                            |             |                    |
|--------------------------------------------|--------------------|--------------------|----------------------------|-------------|--------------------|
| Cash                                       | 28,45,200          |                    | Credit (W.N. 1)            | 2,60,68,800 | 2,91,36,000        |
| Credit (W.N. 2)                            | <u>2,28,31,200</u> | 2,56,76,400        | By Closing stock (bal fig) |             | 6,94,800           |
| To Gross profit c/d (12.5% of 2,91,36,000) |                    | 36,42,000          |                            |             |                    |
|                                            |                    | <u>2,98,30,800</u> |                            |             | <u>2,98,30,800</u> |

**Profit and Loss Account  
for the year ended 31<sup>st</sup> March, 2026**

| Particulars                                    | Amount (₹)              |                           | Amount (₹)       |
|------------------------------------------------|-------------------------|---------------------------|------------------|
| To Rent & taxes                                | 7,54,800                | By Gross profit b/d       | 36,42,000        |
| To Salaries (W.N. 3)                           | 12,55,800               | By Discount received      | 1,05,000         |
| To Sundry expenses                             | 4,15,200                | By Interest on investment | 10,800           |
| To Discount allowed                            | 1,87,500                |                           |                  |
| To Depreciation (10% on (3,30,000 & 2,20,500)) | 33,000<br><u>22,050</u> |                           |                  |
|                                                | 55,050                  |                           |                  |
| To Net Profit (b.f.)                           | 10,89,450               |                           |                  |
|                                                | <u>37,57,800</u>        |                           | <u>37,57,800</u> |

**Working Notes:**

**1. Trade Debtors Account**

|                             | ₹                 |                     | ₹                 |
|-----------------------------|-------------------|---------------------|-------------------|
| To Balance b/d              | 4,36,200          | By Cash/Bank        | 2,56,56,000       |
| To Credit sales (Bal. fig.) | 260,68,800        | By Discount allowed | 1,87,500          |
|                             |                   | By Balance c/d      | 6,61,500          |
|                             | <u>265,05,000</u> |                     | <u>265,05,000</u> |

**2. Trade Creditors Account**

|              | ₹          |                | ₹        |
|--------------|------------|----------------|----------|
| To Cash/Bank | 226,35,000 | By Balance b/d | 2,25,600 |

|                      |             |                               |             |
|----------------------|-------------|-------------------------------|-------------|
| To Discount received | 1,05,000    | By Credit purchases (bal fig) | 2,28,31,200 |
| To Balance c/d       | 3,16,800    |                               |             |
|                      | 2,30,56,800 |                               | 2,30,56,800 |

### 3. Computation of salary to be charged to Profit & Loss A/c

|                                            | ₹         |
|--------------------------------------------|-----------|
| Salary expenses paid (as per cash book)    | 12,38,400 |
| Less: Outstanding expenses as on 31.3.2025 | (27,000)  |
|                                            | 12,11,400 |
| Add: Outstanding expenses as on 31.3.2026  | 44,400    |
|                                            | 12,55,800 |

### 5. (a) Receipts and Payments Account of Club for the year ended 31<sup>st</sup> March, 2026

| Receipts                                             | Amount (₹)      | Payments                    | Amount (₹) |
|------------------------------------------------------|-----------------|-----------------------------|------------|
| To Balance b/d                                       | 60,000          | By Lawn maintenance         | 42,000     |
| To Subscriptions as per Income & Expenditure Account | 1,05,000        | By General Expenses         | 13,000     |
| Add: Outstanding for 2024-25                         | 10,000          | By Honorarium               | 10,400     |
| Less: Outstanding for 2025-26                        | <u>(15,000)</u> | By Tournament Expenses      | 14,000     |
| To Admission Fees                                    | 12,000          | By Sports material (W.N.2)  | 14,000     |
| To Entertainment Fees                                | 14,000          | By Stationary (W.N.1)       | 2,000      |
| To Donation for Building                             | 1,40,000        | By By balance c/d (bal fig) | 2,53,000   |
| To Tournament Income (6,000 + 14,000)                | 20,000          |                             |            |
| To Sale of sports material (Refer Note)              | 2,400           |                             |            |
|                                                      | 3,48,400        |                             | 3,48,400   |

**Working Notes:**

1. Stationary purchased during the year

**Stationary Account**

| Particulars        | Amount<br>(₹) | Particulars                | Amount<br>(₹) |
|--------------------|---------------|----------------------------|---------------|
| To Balance b/d     | 4,000         | By Depreciation            | 1,500         |
| To Cash -Purchases | 2,000         | By Balance c/d (bal. fig.) | 4,500         |
|                    | 6,000         |                            | 6,000         |

Total Stationary during the year on which 25% depreciation was charged = ₹ 1,500 / 25% = ₹ 6,000.

Since stationary worth ₹ 4,000 is the opening stock, stationary of ₹ 2,000 (6,000 - 4,000) would be considered as purchased during the year.

2. Sports material purchased during the year

**Sports Material Account**

| Particulars                                                          | Amount<br>(₹) | Particulars                                   | Amount<br>(₹) |
|----------------------------------------------------------------------|---------------|-----------------------------------------------|---------------|
| To Balance b/d                                                       | 30,000        | By Bank (Sale of Second hand sports material) | 2,400         |
| To Income and Expenditure A/c (Gain on sale of Second-hand material) | 2,400         | By Depreciation                               | 22,000        |
| To Cash -purchases                                                   | 14,000**      | By Balance c/d (bal fig)                      | 22,000        |
|                                                                      | 46,400        |                                               | 46,400        |

\*\*Total Sports Material during the year on which 50% of depreciation was charged = ₹ 22,000 / 50% = ₹ 44,000.

Since Sports Material worth ₹ 30,000 is the opening stock, Sports Material of ₹ 14,000 (44,000-30,000) would be considered as purchased during the year.

(b) (i) **Bank Reconciliation Statement as on 31<sup>st</sup> March, 2026**

| Particulars                                             | Details<br>(₹) | Amount<br>(₹) |
|---------------------------------------------------------|----------------|---------------|
| Balance as per Pass Book (Cr.)                          |                | 1,50,000      |
| Add: Cheque deposited but not yet cleared               | 22,000         |               |
| Add: Cheque recorded in Cash Book but not yet deposited | 5,000          |               |
| Add: Bank Charges debited by bank                       | 250            | 27,250        |
| Less: Cheque issued but not yet presented               | 48,000         |               |
| Less: Amount deposited but not recorded in Cash Book    | 15,700         |               |
| Less: Interest allowed by bank                          | 1,500          | (65,200)      |
| Balance as per Cash Book                                |                | 1,12,050      |

OR

(ii) **Journal Entries in the books of Mr. B**

| Date<br>2025           | Particulars                                                                                                                    |     | Amount (₹) | Amount (₹) |
|------------------------|--------------------------------------------------------------------------------------------------------------------------------|-----|------------|------------|
| 1 <sup>st</sup> June   | Bills receivable (No. 1) A/c                                                                                                   | Dr. | 3,00,000   |            |
|                        | Bills receivable (No. 2) A/c                                                                                                   | Dr. | 1,20,000   |            |
|                        | To Mr. A's A/c                                                                                                                 |     |            | 4,20,000   |
|                        | (Being drawing of bills receivable No. 1 due for maturity on 4.8.2025 and bills receivable No. 2 due for maturity on 4.9.2025) |     |            |            |
| 3 <sup>rd</sup> June   | Bank A/c                                                                                                                       | Dr. | 2,98,000   |            |
|                        | Discount A/c                                                                                                                   | Dr. | 2,000      |            |
|                        | To Bills receivable (No.1) A/c                                                                                                 |     |            | 3,00,000   |
|                        | (Being Bills receivable (No.1) discounted from bank)                                                                           |     |            |            |
| 2 <sup>nd</sup> August | Mr. A's A/c                                                                                                                    | Dr. | 4,20,000   |            |
|                        | To Bank A/c                                                                                                                    |     |            | 3,00,000   |
|                        | To Bills receivable (No.2) A/c                                                                                                 |     |            | 1,20,000   |

|                        |                                                                                                                                                                                              |            |                      |                   |
|------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|----------------------|-------------------|
|                        | (Being the reversal entry for cancellation of both the bills)                                                                                                                                |            |                      |                   |
| 2 <sup>nd</sup> August | Bills receivable (No. 3) A/c<br>To Interest A/c<br>To Mr. A's A/c<br>(Being the bill of exchange no. 3 drawn together with interest at 12 %p.a. in lieu of the original acceptance of Mr. A) | Dr.        | 4,28,400             | 8,400<br>4,20,000 |
| 3 <sup>rd</sup> Sep    | Mr. A's A/c<br>To Bills receivable (No. 3) A/c<br>(Being the amount due from Mr. A on dishonour of his acceptance on presentation on the due date)                                           | Dr.        | 4,28,400             | 4,28,400          |
| 3 <sup>rd</sup> Sep    | Bank A/c<br>Bad Debts A/c<br>To Mr. A's A/c<br>(Being the amount received from official assignee of Mr. A at 40 paise per rupee against dishonoured bill)                                    | Dr.<br>Dr. | 1,71,360<br>2,57,040 | 4,28,400          |

(c) **In the books of Nova tech System Limited**  
**Journal Entries**

| Particulars                                                                                                                                               |     | Dr. (₹)  | Cr. (₹)  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----------|----------|
| 12% Redeemable Preference Share Capital A/c                                                                                                               | Dr. | 3,60,000 |          |
| Premium on Redemption of Preference Shares A/c                                                                                                            | Dr. | 72,000   |          |
| To Preference Shareholders A/c<br>(Being the amount payable on redemption of 36,000 12% Redeemable Preference Shares transferred to Shareholders Account) |     |          | 4,32,000 |

|                                                                                                                                                                                                     |            |                    |                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|--------------------|-----------------|
| Preference Shareholders A/c<br>To Bank A/c<br>(Being the amount paid on redemption of 35,800 preference shares)                                                                                     | Dr.        | 4,29,600           | 4,29,600        |
| Bank A/c<br>To Equity Shares Capital A/c<br>To Securities Premium A/c<br>(Being the issue of 6,000 Equity Shares of ₹ 10 each at a premium of 10% as per Board's Resolution No..... Dated.....)     | Dr.        | 66,000             | 60,000<br>6,000 |
| General Reserve A/c<br>Profit & Loss A/c<br>To Capital Redemption Reserve A/c (Working Note)<br>(Being the amount transferred to Capital Redemption Reserve A/c as per the requirement of the Act.) | Dr.<br>Dr. | 2,40,000<br>60,000 | 3,00,000        |
| Capital Redemption Reserve A/c<br>To Bonus to Shareholders A/c<br>(Being the amount appropriated for issue of bonus share in the ratio of 5:2 as per shareholders Resolution No..... dated...)      | Dr.        | 2,40,000           | 2,40,000        |
| Bonus to Shareholders A/c<br>To Equity Share Capital A/c<br>(Being the utilisation of bonus dividend for issue of 24,000 equity shares of ₹ 10 each fully paid)                                     | Dr.        | 2,40,000           | 2,40,000        |
| Profit & Loss A/c<br>To Premium on Redemption of Preference Shares A/c<br>(Being premium on redemption of preference shares adjusted against to Profit & Loss Account)                              | Dr.        | 72,000             | 72,000          |

**Working Note:**

- (1) Partly paid-up preference shares cannot be redeemed.

- (2) Amount to be Transferred to Capital Redemption Reserve Account
- |                                                     |                   |
|-----------------------------------------------------|-------------------|
| Face value of share to be redeemed                  | ₹ 3,60,000        |
| Less: Proceeds from fresh issue (excluding premium) | <u>(₹ 60,000)</u> |
|                                                     | <u>₹ 3,00,000</u> |

- (3) No bonus shares on 6,000 equity shares issued for redemption.

**Note:** Bonus shares do not result in receipt of cash, and hence the increase in share capital on account of bonus issue cannot be considered in determination of amount to be transferred to Capital Redemption Reserve.

6. (a) **In the books of David Limited**

**Journal Entries**

| Particulars                                                                                                                                                                                                                                                                                                                                                                                                  | Dr. (₹)   | Cr. (₹)                            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|------------------------------------|
| Bank A/c (Note 1 – Column 3) Dr.<br>To Equity Share Application A/c<br>(Being application money received on 10,80,000 shares @ ₹ 3 per share)                                                                                                                                                                                                                                                                | 32,40,000 | 32,40,000                          |
| Equity Share Application A/c Dr.<br>To Equity Share Capital A/c<br>To Equity Share Allotment A/c (Note 1 Column 5)<br>To Bank A/c (Note 1 – Column 6)<br>(Being application money on 3,60,000 shares transferred to Equity Share Capital Account; out of the excess application money received, ₹ 13,20,000 is adjusted towards allotment and ₹ 8,40,000 refunded as per Board's Resolution No.....dated...) | 32,40,000 | 10,80,000<br>13,20,000<br>8,40,000 |
| Equity Share Allotment A/c Dr.<br>To Equity Share Capital A/c<br>To Securities Premium a/c<br>(Being allotment money due on 3,60,000 shares @ ₹ 5 each including premium at ₹ 2 each as per Board's Resolution No...dated...)                                                                                                                                                                                | 18,00,000 | 10,80,000<br>7,20,000              |

|                                                                                                                                                        |           |           |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| Bank A/c (Note 1 – Column 8) Dr.                                                                                                                       | 4,80,000  |           |
| To Equity Share Allotment A/c<br>(Being balance allotment money received)                                                                              |           | 4,80,000  |
| Equity Share First and Final Call A/c Dr.                                                                                                              | 14,40,000 |           |
| To Equity Share Capital A/c<br>(Being final call money due on 3,60,000 shares @ ₹ 4 per share as per Board's Resolution No... dated...)                |           | 14,40,000 |
| Bank A/c Dr.                                                                                                                                           | 14,35,920 |           |
| Calls in Arrears A/c Dr.                                                                                                                               | 4,080     |           |
| To Equity Share First and Final Call A/c<br>(Being final call money on 3,58,980 shares @ ₹ 4 each received)                                            |           | 14,40,000 |
| Equity Share Capital A/c Dr.                                                                                                                           | 10,200    |           |
| To Calls in Arrears A/c                                                                                                                                |           | 4,080     |
| To Forfeited Shares A/c<br>(Being forfeiture of 1,020 equity shares (WN-2) for non- payment of call money as per Board's Resolution No.....dated ....) |           | 6,120     |
| Bank A/c Dr.                                                                                                                                           | 13,260    |           |
| To Equity Shares Capital A/c                                                                                                                           |           | 10,200    |
| To Securities Premium A/c<br>(Being re-issue of 1,020 shares @ ₹ 13 each as per Board's Resolution No.....dated....)                                   |           | 3,060     |
| Forfeited Shares A/c Dr.                                                                                                                               | 6,120     |           |
| To Capital Reserve A/c<br>(Being profit on re-issue transferred to Capital Reserve)                                                                    |           | 6,120     |

**Working Note:**

**1. Calculation for Adjustment and Refund**

| Category | No. of Shares Applied for | No. of Shares Allotted | Amount Received on Application | Amount Required on Application | Amount adjusted on Allotment | Refund [3 - 4 + 5] | Amount due on Allotment | Amount received on Allotment |
|----------|---------------------------|------------------------|--------------------------------|--------------------------------|------------------------------|--------------------|-------------------------|------------------------------|
|          | (1)                       | (2)                    | (3)                            | (4)                            | (5)                          | (6)                | (7)                     | (8)                          |
| Rejected | 2,40,000                  | Nil                    | 7,20,000                       | Nil                            | Nil                          | 7,20,000           | Nil                     | Nil                          |
| (i)      | 4,80,000                  | 2,40,000               | 14,40,000                      | 7,20,000                       | 7,20,000                     | Nil                | 12,00,000               | 4,80,000                     |
| (ii)     | 3,60,000                  | 1,20,000               | 10,80,000                      | 3,60,000                       | 6,00,000                     | 1,20,000           | 6,00,000                | Nil                          |
| TOTAL    | 10,80,000                 | 3,60,000               | 32,40,000                      | 10,80,000                      | 13,20,000                    | 8,40,000           | 18,00,000               | 4,80,000                     |

Also,

(i) Amount Received on Application (3) = No. of shares applied for (1) x ₹ 3

(ii) Amount Required on Application (4) = No. of shares allotted (2) x ₹ 3

**2. Calculation of Forfeited Shares**

Number of Shares Applied for = 2,040 shares

Number of Shares Allotted under Category I =  $2,040 \times \frac{2,40,000}{4,80,000} = 1,020$  shares

(b) Measurement is vital aspect of accounting. Primarily transactions and events are measured in terms of money. Any measurement discipline deals with three basic elements of measurement i.e.

(1) Identification of objects and events to be measured;

(2) Selection of standard or scale to be used;

(3) Evaluation of dimension of measurement standard or scale.

There are four generally accepted measurement bases or valuation principles. These are:

(i) **Historical Cost:** It means acquisition price. According to this base, assets are recorded at an amount of cash or cash equivalent paid at the time of acquisition. Liabilities are recorded at the time of proceeds received in exchange for the obligation.

(ii) **Current Cost:** Assets are carried out at the amount of cash or cash equivalent that would have to be paid if the same or an equivalent asset

was acquired currently. Liabilities are carried at the undiscounted amount of cash or cash equivalents that would be required to settle the obligation currently.

- (iii) **Realizable Value:** As per realisable value, assets are carried at the amount of cash or cash equivalents that could currently be obtained by selling the assets in an orderly disposal and Liabilities are carried at their settlement values. Liabilities are carried out at settlement values.
- (iv) **Present Value:** As per present value, an asset is carried at the present discounted value of the future net cash inflows that the item is expected to generate in the normal course of business. Liabilities are carried at the present discounted value of future net cash outflows that are expected to be required to settle the liabilities in the normal course of business.