

CPF

Roll No. 6390

Total No. of Printed Pages : 16

Total No. of Questions : 6

Maximum Marks : 100

Time allowed : 3 Hours

INSTRUCTIONS TO CANDIDATES

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate who has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

Question No. 1 is compulsory.

Answer any **four** questions from the remaining **five** questions.

Working notes should form part of the answers.

1. (a) State with reasons, whether the following statements are True or False :
 - (i) If Closing Stock appears in the Trial Balance then it does not enter in Trading Account. It is shown only in the Balance Sheet.
 - (ii) If the amount is posted in the wrong account or it is written on the wrong side of the account, it is called error of principle.
 - (iii) Accounting Standards can override the statute.
 - (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) All errors are rectified by means of journal entries.
 - (vi) Revaluation Account is also known as Profit and Loss Adjustment account.

(6 × 2 = 12 Marks)

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- (b) (i) Define accounting policy. What are the conditions under which a company can change its accounting policy?
- (ii) Explain the following :
- (1) Cash Basis of Accounting
- (2) Going Concern concept

(2 × 2 = 4 Marks)

(c) Pass journal entries for the following transactions in the books of Mr. Kapil :

- (i) Purchased goods from Sonu for ₹1,50,000 at a trade discount of 10% plus CGST and SGST @ 6% each.
- (ii) Sold goods to Mohit for ₹50,000 and charged CGST and SGST @ 5% each. Out of the amount due 40% is received by cheque immediately.
- (iii) Goods costing ₹25,000 withdrawn for personal use. Such Goods were purchased by paying CGST and SGST @ 6% each.
- (iv) Machinery purchased from M/s Bright Industries for ₹2,00,000 plus CGST and SGST @ 9% each. Paid ₹1,00,000 immediately by cheque and balance to be paid after two months.

(4 × 1 = 4 Marks)

2. (a) The Trial Balance of Mr. Sarvesh Kumar as on 31st March, 2024 did not tally and the difference was posted to Suspense Account. On a scrutiny of the books, the following errors were detected :

- (i) The total of Sales Returns Book for January 2024 has been casted short by ₹1,000.
- (ii) Freight paid for installation of a Machine ₹6,500 was posted to the Freight Account as ₹5,600.
- (iii) Goods of the value of ₹2,500 returned by a customer were entered in the Sales day Book and posted therefrom to the credit of his account.

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- (iv) ₹18,000 paid for purchase of old Motorcycle for personal use of Mr. Sarvesh Kumar was debited to conveyance account.
- (v) A purchase of ₹6,700 had been posted to creditor's account as ₹6,000.
- (vi) Receipt of cash ₹5,000 from Mr. Avinash was posted to the debit of his account.
- (vii) A cheque for ₹2,500 received from Mr. Alok had been dishonoured and was posted to the debit of Mr. Ashok.
- (viii) Sale of ₹8,500 to Mr. Deepak was recorded in the sales book correctly but while posting in ledger credited to his account.
- (ix) The total of "Discount Allowed" column in the cash book for the month of December 2023 amounting to ₹3,800 was not posted.
- (x) Sale of old office table for ₹2,200 treated as sale of goods.

You are required to pass necessary journal entries with narrations to rectify the above errors.

(12 Marks)

- (b) On 1st April, 2022, LMP Co. which depreciates its machinery @ 10% p.a. on diminishing balance method, had ₹9,72,000 to the debit of Machinery Account. On 1st October, 2022, part of machinery purchased on 1st April, 2020 for ₹80,000 was sold for ₹45,000.

Also, a new machinery at a cost of ₹1,50,000 was purchased on 1st October, 2022 and installed on the same date and installation charges being ₹8,000.

The company changed the method of depreciation from diminishing balance method to straight line method with effect from 1st April, 2020 and adjusted the difference on 31st March, 2023. The rate of depreciation remains the same.

Show the Machinery Account and ascertain the amount chargeable to Profit and Loss Account as depreciation in 2022-23.

(8 Marks)

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3. (a) The Receipts and Payments Account of Vandana Sports Club for the year ended 31st March, 2024 are as follows :

Receipts and Payments Account

Receipts	Amount (₹)	Payment	Amount (₹)
To Balance b/d		By Salaries	1,55,000
Cash in hand 5,200		By Rent & Electricity	69,750
Cash at Bank <u>35,500</u>	40,700	By Library Books	10,500
To Subscriptions	2,95,000	By Newspaper & Magazines	16,600
To Entrance fees	50,000	By Sports Equipment	28,500
To Miscellaneous Income	19,850	By Sundry Expenses	71,050
To Interest on Investments	8,000	By Balance c/d	
		Cash in hand 8,750	
		Cash at Bank <u>53,400</u>	62,150
	<u>4,13,550</u>		<u>4,13,550</u>

Details of other assets and liabilities are furnished as follows :

Particulars	31 st March 2023 (₹)	31 st March 2024 (₹)
Salaries Outstanding	10,200	12,400
Outstanding Rent & Electricity	6,500	7,600
Investment (8% Govt. Bonds)	1,00,000	1,00,000
Interest Accrued on Bonds	2,000	2,000
Subscription receivable	18,700	20,600
Subscription received in advance	7,000	8,400
Furniture	65,500	
Sports Equipment	41,500	
Library Books	22,000	

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The closing values of furniture and sports equipment are to be determined after charging depreciation at 10% and 15% respectively inclusive of additions, if any during the year. The Club's library books are revalued at the end of every year and the value at the end of 31st March, 2024 was ₹30,000. 60% of the Entrance fee is to be capitalized.

You are required to prepare :

- (i) Income and Expenditure Account for the year ended 31st March, 2024
- (ii) Balance Sheet as on 31st March, 2024

(12 Marks)

- (b) P, Q, and R were partners sharing profit & losses in the ratio of 3:2:1. They decided to dissolve the business as on 31st March, 2024 when their Balance Sheet was as follows :

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital A/c :		Land & Building	4,85,000
P 3,55,000		Machinery	1,88,000
Q 2,20,000		Furniture	1,05,000
R 1,25,000	7,00,000	Stock	55,800
General Reserve	1,50,000	Trade Debtors	1,56,000
Employees Provident Fund	60,000	Cash & Bank	44,200
Trade Creditors	1,24,000		
	10,34,000		10,34,000

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The following information is given to you :

- (i) There was an unrecorded investment which was sold for ₹30,000.
- (ii) One of the creditors agreed to take over some items of furniture of Book value ₹25,000 at ₹24,000. The rest of the creditors were paid at a discount of 5%.
- (iii) Out of the Debtors ₹9,000 proved bad, remaining were fully realized.
- (iv) The other assets were realised as under :

Land & Building	₹5,25,000
Machinery	₹1,70,000
Furniture	Remaining taken over by P at ₹75,000
Stock	₹60,000

- (v) Expenses of dissolution amounted to ₹18,700.
- (vi) There was an outstanding bill for repairs which had to be paid for ₹3,500.

You are required to prepare

- (1) Realisation A/c
- (2) Cash & Bank A/c
- (3) Partner's Capital A/c in the books of partnership firm.

(8 Marks)

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4. (a) Anu and Manu are carrying on business in partnership and sharing profits & losses in the ratio of 5 : 3. The firm's Balance Sheet as on 31st March, 2024 was as follows :

Balance Sheet as on 31st March, 2024

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Accounts :		Building	3,80,000
Anu	2,80,000	Machinery	1,43,000
Manu	2,50,000	Furniture	85,000
Long Term Loan	2,00,000	Trade Receivables	1,64,000
Trade Payables	1,19,500	Inventories	48,400
Outstanding liabilities	16,200	Investments	15,200
		Cash & Bank	30,100
	8,65,700		8,65,700

They decided to admit Ranu as a partner with effect from 1st April, 2024 on the following terms :

- Ranu will be paid $\frac{1}{5}$ share in the future profits and new profit sharing ratio would be 5 : 3 : 2.
- Ranu will bring ₹ 1,00,000 as his capital.
- Goodwill of firm is to be valued at 2 years' purchase of average profit of past 3 years and Ranu will bring his share of goodwill in cash. The profits of past 3 years ending on 31st March were as under :

31 st March, 2022	₹ 87,000
31 st March, 2023	₹ 1,06,000
31 st March, 2024	₹ 1,22,000

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(iv) It was also agreed that the partners will not withdraw their share of goodwill nor will the goodwill appear in the books of account.

(v) It was also decided to value the assets :

Building is to be appreciated by ₹50,000 and Machinery is to be depreciated by 10%. Furniture is revalued at ₹80,000, Investments at ₹16,000 and Inventories at ₹47,500.

Provision for doubtful debts is to be created on debtors @ 5%.

You are required to prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the reconstituted firm as on 1st April, 2024.

(12 Marks)

(b) Harshit Traders are carrying on the retail business of electrical goods. They keep their books of account under single entry system. The Balance Sheet as on 31st March, 2023 was as follows :

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital A/c	6,05,000	Motor Vehicle	1,10,000
Trade Creditors	75,200	Furniture	73,500
Salary payable	9,000	Stock in trade	1,70,800
		Trade Debtors	1,45,400
		6% Investments	60,000
		Cash in hand & at Bank	1,29,500
	6,89,200		6,89,200

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The summary of Cash and Bank Book for the year ended 31st March, 2024 was given as below :

Receipts	Amount (₹)	Payments	Amount (₹)
Cash in hand & at Bank on 1 st April, 2023	1,29,500	Cash Purchases	9,48,400
Cash Sales	10,22,400	Payment to Trade Creditors	75,45,000
Receipts from Trade Debtors	85,52,000	Salaries	4,12,800
Interest on investments	3,600	Rent & taxes	2,51,600
		Sundry Expenses	1,38,400
		Drawings	2,40,000
		Cash in hand & at Bank on 31 st March, 2024	1,71,300
	97,07,500		97,07,500

Additional Information :

- (i) Gross Profit ratio of 12.5% on Sales is maintained throughout the year.
- (ii) During the year, discount allowed to Trade debtors was for ₹62,500 and discount received from Trade Creditors amounted to ₹35,000.
- (iii) As on 31st March, 2024, the closing balances of Trade Debtors and Trade Creditors were ₹2,20,500 and ₹1,05,600 respectively.
- (iv) On 31st March, 2024 an amount of ₹14,800 was outstanding towards Salary.
- (v) Depreciation @ 10% p.a. to be charged on Motor Vehicle and Furniture.

You are required to prepare Trading and Profit & Loss account for the year ended 31st March 2024, and Balance Sheet as on that date.

(8 Marks)

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5. (a) Manish closed his books of account on 31st March, each year. Inventory taking for the year ended 31st March, 2024 was completed by 10th April, 2024 on which date value of the stock available in godown was of ₹4,50,000 at cost.

Following are the details of transactions that took place between 31st March, 2024 and 10th April, 2024 :

- (i) Goods sold to customers ₹1,10,000.
- (ii) Sales return ₹10,000.
- (iii) Purchases ₹85,000 (Including Cash Purchases ₹10,000).
- (iv) Purchases return amounted to ₹2,500.
- (v) Goods costing ₹15,000 received in March, for sale on consignment basis, out of which 60% of goods had been sold by 10th April. These sales are not included in above sales.
- (vi) After the stock was taken, it was found that there was certain very old slow-moving items costing ₹14,850, which should be taken at ₹9,500 to ensure disposal to an interested customer.

Goods are sold at a profit margin of 25% on cost. Ascertain the value of inventory for inclusion in the final accounts for the year ended 31st March, 2024.

(5 Marks)

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(b) Attempt any ONE of the two sub-parts i.e. either (i) or (ii)

(i) Mr. Prakash runs a factory which produces Pressure Cookers. The following details were obtained about his manufacturing expenses for the year ended 31st March 2024 :

	Amount (₹)
Opening Work-in-Progress	6,25,000
Closing Work-in-Progress	7,15,000
Opening Inventory of Raw material	5,85,000
Closing Inventory of Raw material	4,70,000
Purchases	18,74,000
Purchase Returns	95,000
Indirect Material	1,88,000
Direct Wages	3,97,000
Indirect Wages	82,000
Power & Electricity	1,76,000
Repairs and Maintenance	2,65,000
Depreciation on Factory Shed	1,44,000
Depreciation on Plant & Machinery	1,62,000
Sale of scrap	36,000

You are required to prepare Manufacturing Account for the year ended 31st March, 2024.

(5 Marks)

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- (ii) From the following particulars, prepare the Bank Reconciliation Statement of businessman as on 31st March, 2024 :

Sl No.	Particulars	₹
1	Bank Overdraft as per cash book	24,000
2	Cheque deposited as per bank statement but not recorded in cash book	4,000
3	Cash received from Exe was entered in bank column of cash book.	3,150
4	Debit side of the bank column casted short	1,000
5	A cheque for ₹9,000 deposited but collection as per bank statement	8,950
6	Bills sent to the bank for collection, collected by the bank but not recorded in cash book	4,200
7	Bank charges recorded twice in cash book	40
8	Noting charges debited in Pass Book for Discounted bill dishonored	60
9	Cheques deposited on 25 th March, 2024 but collected by Bank on 5 th April, 2024	4,800
10	Cheques issued on 26 th March, 2024 but presented for encashment on 6 th April, 2024	3,000

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(5 Marks)

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- (c) The following is the abstract of Balance Sheet of Happy Ltd. as on 31st March, 2024 :

	₹
Issued and paid-up capital	
90,000 Equity shares of ₹ 10 each fully paid – up	9,00,000
Less : Calls-in-arrear (10,000 Equity shares of ₹ 2 each)	<u>20,000</u>
	8,80,000
40,000 Equity shares of ₹ 10 each, ₹ 4 cash paid up	1,60,000
<u>Reserves and Surplus :</u>	
Capital Reserve (realized in cash)	60,000
Capital Redemption Reserve	1,60,000
Securities Premium	1,00,000
General Reserve	1,20,000
Profit and Loss Account	7,00,000

On 1st April, 2024, the company makes final call @ 6 each on 40000 equity shares. The call money is duly received by 30th April, 2024.

On 1st May, 2024, the Board of Directors of the company decided :

- To forfeit the share on which final call of ₹ 2 each is due ;
- To re- issue the forfeited share @ ₹ 11 each as fully paid up ;
- To issue fully paid bonus shares in the ratio of one fully paid bonus share for every two fully paid shares held ; and
- To use minimum balance of Profit and Loss Account.

Pass necessary journal entries in the books of the company on the basis of the above decisions.

(10 Marks)

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6. (a) The following balances appeared in the Books of Mac Ltd. as on 31st December, 2023 :

	Amount (₹)
80,000, 10% Preference shares of ₹ 100 each, ₹ 75 paid up	60,00,000
2,00,000 Equity share of ₹ 100 each fully paid up	2,00,00,000
Securities Premium	6,50,000
Capital Redemption Reserve	42,00,000
General Reserve	85,00,000

Under the terms of their issue, the preference shares are redeemable on 31st March, 2024 at a premium of 5%. In order to finance the redemption, the company makes a right issue of 60,000 equity shares of ₹ 100 each at a premium of 10%, ₹ 25 being payable on application, ₹ 45 (including premium) on allotment and the balance on 1st August, 2024. The issue was fully subscribed and the allotment made on 1st March, 2024. The amount due on allotment was duly received by 25th March, 2024.

The preference shares were redeemed after fulfilling the necessary conditions of section 55 of the Companies Act, 2013.

You are required to pass the necessary Journal Entries (including narrations) to give effect to the above arrangement. Also prepare the Notes to accounts on Share Capital, Reserves and Surplus relevant to the Balance Sheet immediately after the redemption of preference shares as on 31st March, 2024. Ignore date column in Journal.

(15 Marks)

- (b) What are the advantages of Subsidiary Books?

(5 Marks)