Time Allowed: 3 Hours **Full Marks: 100**

The figures in the margin on the right side indicate full marks.

SECTION – A (Compulsory)

I. Choose the correct option: **[15 x 2 = 30]**

(i) A resource owned by the business with purpose of using it for generating future profit, is known as_______.

a. Capital
b. Asset
c. Liability
d. Surplus

(ii) Original cost of a machine is ₹1,50,000, residual value ₹10,000, if depreciation is charged @ 10% per annum under WDV method then depreciation for 3rd year will be_________.

a. ₹12,240
b. ₹11,340
c. ₹12,150
d. ₹14,000

(iii) Memorandum Joint Venture Account is prepared ________

a. for determining the amount due to co-venturer
b. for determining the amount due from co-venturer
c. for ascertaining the profit/loss on venturer
d. None of Above

(iv) On dishonor of a bill of exchange that has been discounted, noting charges are initially paid by _______.

a. Bank
b. Drawer
c. Drawee
d. Acceptor

(v) If Kaveri's acceptance which was endorsed by us in favour of Saleem is dishonoured, then the amount will be debited in our books to _________

a. Saleem
b. Kaveri
c. Bill Receivable A/c
d. None of the above

(vi) If average inventory is ₹1,25,000 and closing inventory is ₹10,000 less than opening inventory, then the value of closing inventory will be:

a. ₹ 1,35,000
b. ₹ 1,15,000
c. ₹ 1,30,000
d. ₹ 1,20,000

(vii) A Charitable Institution has 250 members with a annual subscription of ₹5,000 each. The subscription received during 2023-24 were ₹11,25,000, which include ₹65,000 and ₹25,000 for the years of 2022-23 and 2023-24 respectively. Amount of outstanding subscription for the 2022-23 will be:

a. ₹90,000
b. ₹1,25,000
c. ₹2,15,000
d. ₹1,90,000

(viii) X and Y were partners sharing profit/losses as 3:2. They admit Z as a new partner, giving him 1/5th share of future profits. What should be the new profit sharing ratio?

a. 12:8:5
b. 3:2:1
c. 8:12:5
d. 5:8:12

(ix) Which of the following account is mainly prepared at the time of dissolution of the firm?

a. Revaluation A/c
b. Goodwill A/c
c. Realisation A/c
d. Memorandum Revaluation A/c

(x) Operating lease is a __________

a. Revocable contract
b. Non revocable contract
c. Operating contract
d. None of the above

(xi) In Hire Purchase system cash price plus interest is known as_______.

a. Capital value of asset
b. Book value of asset
c. Hire purchase price of asset
d. Hire purchase charges

(xii) **Arti Ltd. purchased a machine on hire purchase system for a cash price ₹5,00,000 to be paid as ₹78,700 cash down and the balance by three equal annual installment of ₹2,00,000 each. If interest is charged @ 20% per annum then amount of interest payable in second installment will be**

a. **₹1,00,000**
b. **₹61,112**
c. **₹33,328**
d. **₹84,260**

(xiii) **In case of a Club, the excess of expenditure over income is called as ________**

a. **Surplus**
b. **Deficit**
c. **Capital fund**
d. **Investment in Fixed Assets**

(xiv) **Shyam and Ramya are entered in the business of buy and sale of food grain for a period of one year and sharing the profit in the ratio of 2 :4, this agreement is a:**

a. **Partnership**
b. **Consignment**
c. **Joint venture**
d. **Lease**

(xv) **Which class of account is Consignment Account?**

a. **Personal Account**
b. **Real Account**
c. **Representative Personal Account**
d. **Nominal Account**

Answer:

i	ii	iii	iv	v	vi	vii	viii	ix	x
b	c	c	a	b	d	c	a	d	a
xi	**xii**	**xiii**	**xiv**	**xv**					
c	b	b	c	d					

Section – B

(Answer any five questions out of seven questions given. Each question carries 14 Marks)

[5 x 14 = 70]

2. (a) On 31st January, 2024, Sethi's cash book showed a bank overdraft of ₹2,50,000. On comparing with the passbook, the following differences were noted.

a. Cash and cheques amounting to ₹26,800 were sent to the bank on 27th January, but cheques worth ₹4600 were credited on 2nd February and one cheque for ₹900 was returned by them as dishonoured on 4th February.

b. During the month of January, Sethi issued cheques worth₹33,400 to his creditors. Out of these, cheques worth ₹27,400 were presented for payment on 5th February.

c. According to Sethi's standing orders, the bankers have made the following payments during the month of January:

i. Life insurance premium ₹3,840

ii. Television license fee ₹2,400

d. Sethi's bankers have collected ₹3,000 as dividend on his shares.

e. Interest charged by the bank ₹2,500

f. A bill receivable of ₹2,000 discounted with the bank in December, 2023, was dishonoured on 31st January, 2024. You are required to:

(i) Prepare the amended cash book balance as on 31st January, 2024

(ii) Prepare a Bank Reconciliation Statement from the amended cash book as on 31st January 2024 **[7]**

Answer:

In the book of Sethi
Cash book (Bank Column only)

Dr. **Cr.**

Date	Particulars	(₹)	Date	Particulars	(₹)
2024 Jan -31	To, Dividend on shares	3,000	2024 Jan- 31	By, Balance b/f	2,50,000
	To Bal c/d	2,57,740		By, Drawings (₹3840 + ₹ 2400)	6,240
				By, Interest	2500
				By, Debtors-discounted bill dishonoured	2000
		2,60,740			**2,60,740**
			2024 Feb:1	By, Bal b/d	2,57,740

Bank Reconciliation Statement as on 31.01.2024

Particulars	**(₹)**
Bank balance as per Cash Book (overdrawn)	2,57,740
Add: Cheques deposited but not credited in the Pass Book (4600+ 900)	5,500
	2,65,240
Less: Cheques issued but not presented for payment Bank balance as per Pass Book (overdrawn)	27,400
	2,35,840

(b) The books of accounts of A Co. Ltd. for the year ending 31.3.2024 were closed with a difference of ₹21,510 in books carried forward. The following errors were detected subsequently:

(A) Return outward book was under cast by ₹100.

(B) ₹1,500 being the total of discount column on the credit side of the cash book was not posted.

(C) ₹6,000 being the cost of purchase of office furniture was debited to Purchase A/c.

(D) A credit sale of ₹760 was wrongly posted as ₹670 to the customers A/c. in the sales ledger.

(E) The Sales A/c was under casted by ₹10,000 being the carry over mistakes in the sales day book.

(F) Closing stock was over casted by ₹10,000 being casting error in the schedule or inventory. Prepare rectification entries in the next year. **[7]**

Answer:

In the Books of A Co. Ltd.

Journal

Date	Particulars	L. F	Amount (₹) (Dr.)	Amount (₹) (Dr.)
(a) 2024 April 1	Suspense A/c Dr. To Profit & Loss Adjustment A/c (Returns outward book was under cast now rectified).		100	100
(b)	Suspense A/c Dr. To Profit & Loss Adjustment A/c (Discount received was not recorded, now rectified).		1,500	1,500
(c)	Office Furniture A/c Dr. To Profit & Loss Adjustment A/c (Office furniture purchased wrongly debited to Purchase A/c, now rectified.)		6,000	6,000
(d)	Debtors' A/c Dr. To Suspense A/c (Debtors account was posted ₹670 in place of ₹760, now rectified.)		90	90
(e)	Suspense A/c Dr. To Profit & Loss Adjustment A/c (Sales account was under casted, now rectified)		10,000	10,000
(f)	Profit & Loss Adjustment A/c Dr. To Closing Stock A/c		10,000	10,000

	(Closing Stock was overcastted, now rectified.)			

3. (a) **Hari and Om agreed for purchasing and selling furniture in a joint venture, their profit sharing ratio being 3:2respectively. Hari purchased 10 sofas at ₹10,000 per sofa. He sent those sofas to Om for sale after spending₹1,000 per sofa on insurance and transportation. He drew a bill of ₹50,000 on Om and this bill was discounted at a discount of ₹5,000 after acceptance. Om incurred further expenses of ₹2,000 on these sofas before sale. He sold all the sofas @ ₹15,000 per sofa, giving 5% commission to the dealer.**

Prepare Joint Venture with Om Account in the books of Hari. Also show the Memorandum Joint Venture Account. [7]

Answer:

In the Books of Hari

Memorandum Joint Venture Account

Dr. **Cr.**

Particulars	(₹)	Particulars	(₹)
To, Bank A/c [Purchase] (10,000 × 10)	1,00,000	By, Om A/c [Sales] (₹15,000 × 10)	1,50,000
To, Bank A/c [Expense] (1,000 × 10)	10,000		
To, Discount A/c (Bill discounted)	5,000		
To, Om A/c [Expenses]	2,000		
To, Om A/c [Commission] (1,50,000 × 5%)	7,500		
To, P/L A/c: Hari 15,300 Om 10,200	25,500		
	1,50,000		**1,50,000**

Dr. **Joint Venture with Om Account** **Cr.**

Particulars	(₹)	Particulars	(₹)
To, Bank A/c [Purchase]	1,00,000	By, Bills Receivable A/c	50,000
To, Bank A/c [Expense]	10,000	By, Balance c/d	80,300
To, Discount on Bill A/c	5,000		
To, P/L A/c [Share of profit]	15,300		
	1,30,300		**1,30,300**

3. (b) **A Transport purchased from Kolkata Motors 3 Tempos costing ₹50,000 each on the hire purchase system on 1.1.2022. Payment was to be made ₹30,000 down and the remainder in 3 equal annual installments payable on 31.12.2022, 31.12.2023 and 31.12.2024 together with interest @ 9%. p.a. A Transport writes off depreciation at the rate of 20% p.a. on the diminishing balance. It paid the installment due at the end of the first year i.e. 31.12.2022 but could not pay the next on 31.12.2023. Kolkata Motors agreed to leave one Tempo with the purchaser on 31.12.2023 adjusting the value of the other 2 Tempos against the amount due on 31.12.2023. The Tempos were valued on the basis of 30% depreciation annually on W.D.V. basis.**

Prepare the necessary accounts in the books of A Transport for the year 2022,2023, 2024. **[7]**

Answer:

In the Books of A Transport

Dr. **Tempos Account** **Cr.**

Date	Particulars	(₹)	Date	Particulars	(₹)
01.01.22	To Kolkata Motors' A/c (₹50,000 × 3)	1,50,000	31.12.22	By Depreciation A/c (20% on ₹1,50,000)	30,000
				By Balance c/d	1,20,000
		1,50,000			**1,50,000**
01.01.23	To Balance b/d	1,20,000	31.12.23	By Depreciation A/c	24,000
			31.12.23	By Kolkata Motors' A/c (Value of 2 tempos taken away)	49,000
			31.12.23	By P&L A/c (Loss on Default)	15,000
			31.12.23	By Balance c/d (value of one tempo left)	32,000
		1,20,000			**1,20,000**
01.01.24	To Balance b/d	32,000	31.12.24	By Depreciation A/c	6,400
			31.12.24	By Balance c/d	25,600
		32,000			**32,000**

Dr. **Kolkata Motor's Account** **Cr.**

Date	Particulars	(₹)	Date	Particulars	(₹)
01.01.22	To Bank A/c (Down Payment)	30,000	01.01.22	By Tempos A/c (₹50,000 ×3)	1,50,000
31.12.22	To Bank A/c	50,800	31.12.22	By Interest A/c (9% on ₹1,20,000)	10,800
31.12.22	To Balance c/d	80,000			
		1,60,800			**1,60,800**
31.12.23	To Tempos A/c	49,000	01.01.23	By Balance b/d	80,000
31.12.23	To Balance c/d	38,200	31.12.23	By Interest A/c (9% on ₹80,000)	7,200
		87,200			**87,200**
31.12.24	To Bank A/c	41,638	01.01.24	By Balance b/d	38,200
			31.12.24	By Interest A/c (9% on ₹38,200)	3,438
		41,638			**41,638**

Working Notes:

1. Value of a tempo left with the buyer = ₹50,000 × 80/100 × 80/100 = ₹32,000
2. Value of Tempos taken away by the seller = ₹50,000 × 2 × 70/100 × 70/100 = ₹49,000

3. Loss on Tempos taken away = Book Value – Agreed Value = [2×₹50,000×80/100×80/100]- ₹49,000 = ₹15,000.

4. Mr. Arvind Kumar has a small business enterprise. He has given the trial balance as at 31st March 2024

Particulars	Debit (₹)	Credit (₹)
Mr. Arvind Kumar's Capital		1,00,000
Machinery	36,000	
Depreciation on Machinery	4,000	
Repairs to Machinery	5,200	
Wages	54,000	
Salaries	21,000	
Income Tax of Mr. Arvind Kumar	1,000	
Cash in Hand	4,000	
Land & Building	1,49,000	
Depreciation on Building	5,000	
Purchases	2,50,000	
Purchase Returns		3,000
Sales		4,98,000
CC Bank		7,600
Accrued Income	3,000	
Salaries Outstanding		4,000
Bills Receivables	30,000	
Provision for Doubtful Debts		10,000
Bills Payable		16,000
Bad Debts	2,000	
Discount on Purchases		7,080
Debtors	70,000	
Creditors		62,520
Opening Stock (01.04.2023)	74,000	
Total	7,08,200	7,08,200

Additional information:

(1) Stock as on 31st March 2024 was valued at ₹60,000

(2) Write off further ₹6,000 as bad debt and maintain a provision of 5% for doubtful debt.

(3) Goods costing ₹10,000 were sent on approval basis to a customer for ₹12,000 on 30th March, 2024. This was recorded as actual sales.

(4) ₹2,400 paid as rent for office was debited to Landlord's A/c and was included in debtors.

(5) General Manager is to be given commission at 10% of net profits after charging his commission.

(6) Works manager is to be given a commission at 12% of net profit before charging General Manager's commission and his own.

Prepare final accounts in the books of Mr. Arvind Kumar, and also the Balance Sheet as on that date.

[14]

Answer:

Mr. Arvind Kumar

Dr. Trading Account for the year ended 31st March 2024 Cr.

Particulars	(₹)	(₹)	Particulars	(₹)	(₹)
To Opening stock:			By Sales A/c	4,98,000	
Finished goods		74,000	Less: Sent on Approval	(12,000)	4,86,000
To Purchases:	2,50,000				
Less: Purchases returns	(3,000)	2,47,000	By Closing stock A/c		
			Finished goods	60,000	
To Wages:		54,000	Add Sent on Approval	10,000	70,000
To P/L A/c (Gross Profit transferred)		181,000			
		5,56,000			**5,56,000**

Dr. Profit and Loss Account for the year ended 31st March 2024 Cr.

Particulars	(₹)	(₹)	Particulars	(₹)	(₹)
To Salaries		21,000	By Trading A/c		
To Repairs to Machinery		5,200	(Gross Profit transferred)		1,81,000
To Depreciation: on Machinery		4,000	By Discount Received		7,080
on Building		5,000			
To Rent		2,400			
To Bad Debts	2,000				
Add: Further Bad Debts	6,000				
Provision for Doubtful Debts	2,480				
Less: Provision Opening	(10,000)	480			
To Commission to Works Manager		18,000			
To Commission to General Manager		12,000			
To Capital A/c (Net Profit transferred)		1,20,000			
		1,88,080			**1,88,080**

Balance Sheet as on 31st March 2024

Liabilities	(₹)	(₹)	Assets	(₹)	(₹)
Arvind Kumar's Capital	1,00,000		Fixed Assets:		
Less: Drawings (income tax)	(1,000)		Land & Building		1,49,000
Add: Net Profit for the year	1,20,000	2,19,000	Machinery		36,000
Long term Liabilities:		-	Current Assets:		

Current Liabilities:			Stocks	60,000	
Sundry Creditors		62,520	Add: Sent on Approval	10,000	70,000
Outstanding Salaries		4,000	Sundry Debtors	70,000	
			Less: Goods on Approval	(12,000)	
CC Bank's Overdraft		7,600	Less: Bad Debts	(6,000)	
Bills Payable		16,000	Less: Related to Landlord	(2,400)	
Commission Payable		30,000	Less: Provision for Doubtful Debts	(2,480)	47,120
			Bills Receivable		30,000
			Cash in Hand		4,000
			Accrued Income		3,000
		3,39,120			**3,39,120**

Working Notes:

(1) Commission payable to works manager & general manager is computed as below:

Particulars	**₹**
Profit before charging any commission	1,50,000
Commission to works manager @ 12% on 1,50,000	18,000
Profit after works manager's commission	1,32,000
Commission to General Manager (1,32,000/110 × 10)	12,000

5. P, Q and R sharing profits and losses equally, had been trading for many years. R decided to retire on 31.3.2024 on which date Balance Sheet of the firm is as follows.

Liabilities	**(₹)**	**Assets**	**(₹)**
Capital accounts:		**Cash**	**36,000**
P	**1,20,000**	**Debtors**	**74,000**
Q	**85,000**	**Stock**	**60,000**
R	**75,000**	**Plant and Machinery**	**1,20,000**
Creditors	**85,000**	**Land and Building**	**75,000**
	3,65,000		**3,65,000**

Value of goodwill was agreed as ₹93,000. Land and building increased in value, it being agreed at ₹1,05,600, plant and machinery was revalued at ₹1,00,500 and it was agreed to provide 6% in respect of debtors. Prepare Revaluation Account, Capital Accounts and Balance Sheet. [14]

Answer:

In the Books of the Firm

Dr. Revaluation Account Cr.

Particulars	**(₹)**	**Particulars**	**(₹)**
To, Plant & Machinery A/c	19,500	By, Land & Building A/c	30,600
To, Provision for Bad Debts A/c	4,440		
To, Capital A/c (Profit)			
P 2,220			

Q 2,220			
R 2,220	6,660		
	30,600		**30,600**

Dr. Partner Capital A/c Cr.

Particulars	P (₹)	Q (₹)	R (₹)	Particulars	P (₹)	Q (₹)	R (₹)
To,Balance To,	1,06,720	71,720	—	By, Balance	1,20,000	85,000	75,000
Loan A/c	—	— 15,500	1,08220	By, Revaluation A/c	2,220	2,220	2,220
To, R	15,500			By, P & Q	—	—	31,000
	1,22,220	87,720	1,08,220		1,22,220	87,720	1,08,220

Balance Sheet as on 31.3.2024

Liabilities	**(₹)**	**Assets**	**(₹)**
Capital Accounts:		Cash	36,000
P	106720	Debtors 74,000 Less: Provision 4,440	69,560
Q	71720	Stock	60,000
Loan Account: R	1,08,220	Plant & Machinery	1,00,500
Creditors	85,000	Land & Building	1,05,600
	3,71,660		3,71,660

6. (a) Green Ltd. with their H.O. at Kolkata, invoiced goods to their Patna Branch at 20% less than the list price, which is Cost plus 100% with instruction that cash sales are made at invoice price and credit price at list price. From following particulars, prepare Branch Stock account and Branch Stock Adjustment Account for the year ended on 31.3.2024

Particulars	**(₹)**	**Particulars**	**(₹)**
Stock at cost (1.4.2023)	**4,800**	**Cash received from Debtors**	**34,254**
Debtors (1.4.2023)	**4,000**	**Expenses at Branch**	**6,946**
Goods received from H.O. (at IP)	**52,800**	**Remitted to H.O**	**48,000**
Goods returned to H.O.	**400**	**Debtor (31.3.2024)**	**9,746**
Sales: Credit	**40,000**	**Stock at IP (31.3.2024)**	**7,040**
Cash	**18,400**		

[7]

Answer:

Books of Green Ltd. (Kolkata H.O.)

Dr Patna Branch Stock Account Cr.

Particulars	(₹)	**Particulars**	(₹)
To Balance b/f [at IP]	4,800	By Goods Sent to Branch A/c	400
To Goods Sent to Branch A/c [at IP]	52,800	[Goods returned (at IP) – assumed]	
To Branch Adjustment A/c	8,000	By Branch Cash A/c	18,400

[Excess Contribution to Gross Profit - WN:3]		By Branch Debtors A/c	40,000
To Stock Surplus A/c [B/fig]	240	By Balance c/f [at IP]	7,040
	65,840		**65,840**

NB: Balancing figure appearing in the debit-side of Branch Stock A/c has been considered as 'Stock Surplus' as the problem involves 'Excess Contribution to Gross Profit'.

Dr. Patna Branch Adjustment Account Cr.

Particulars	(₹)	Particulars	(₹)
To Goods Sent to Branch A/c [Load: ₹400 × 60/160]	150	By Balance b/f [Load on opening stock: ₹4800 × 60/160]	1,800
To Branch P/L A/c [Gross Profit transferred – B/fig]	26,900	By Goods Sent to Branch A/c [Load on goods sent: ₹52,800 × 60/160]	19,800
To Balance c/f [Load on closing stock: ₹7,040 × 60/160]	2,640	By Branch Stock A/c [Excess Contribution to Gross Profit]	8,000
		By Stock Surplus A/c [Load: ₹240 × 60/160]	90
	29,690		**29,690**

Working Notes:

1. Relation between Cost Price(CP), Invoice Price(IP) and List Price(LP):

Considering CP=100, LP=100+100% thereof=200. Hence IP= LP Less 20% thereof = 200 – 20% =160.

2. Transactions relating to Branch Debtors:

Dr. Patna Branch Debtors Account Cr.

Particulars	(₹)	Particulars	(₹)
To Balance b/f	4,000	By Bank A/c [Cash received from Debtors]	34,254
To Branch Stock A/c [Credit sales]	40,000	By Balance c/f	9,746
	44,000		**44,000**

3. **Excess Contribution to Gross Profit:**

Here, the difference between the LP and IP results 'Excess Contribution to Gross Profit'. It arises only out of the credit sales which have been made at list price.

∴ Excess Contribution to Gross Profit = ₹40,000 × 40/200 = ₹8,000

6. (b) **On 1.4.2023, godown of Y Ltd. was destroyed by fire. The records of the company revealed the following particulars:**

	(₹)
Stock on 1.1.2023	**75,000**
Stock on 31.12.2023	**80,000**
Purchases during 2023	**3,10,000**
Sales during 2023	**4,00,000**
Purchase from 1.1.2024 to the date of fire	**75,000**
Sales from 1.1.2024 to the date of fire	**1,00,000**

In valuing Closing Stock of 2023, ₹5,000 was written off whose cost was ₹4,800. Part of this stock was sold in 2024 at a loss of ₹400, at ₹2,400. Stock salvaged was ₹5,000. The godown and the cost of which was fully insured.

Evaluate amount of claim to be made against the insurance company. **[7]**

Answer:

(a) For ascertaining the rate of Gross Profit

In the books of Y Ltd.

Dr. Trading Account for the year ended 31.12.2023 Cr.

Particulars	(₹)	(₹)	**Particulars**	(₹)	(₹)
To Opening Stock		75,000	By Sales		4,00,000
" Purchases	3,10,000		" Closing Stock	80,000	
Less: Purchase of Abnormal items of goods	4,800	3,05,200	Add: Loss on value of abnormal items (₹ 5,000 – ₹4,800)	200	80,200
" Gross Profit (bal. fig.)		1,00,000			
		4,80,200			**4,80,200**

Percentage of Gross Profit on sales = (1,00,000/4,00,000) × 100 = 25%

Memorandum Trading Account
for the period ended 31st March, 2024

Particulars	(₹)	**Particulars**	(₹)	(₹)
To Opening Stock	80,200	By Sales	1,00,000	
" Purchases	75,000	Less: Sale of abnormal Stock (₹2,400 – ₹400)	2,000	98,000
" Gross Profit (@25% on ₹ 98,000)	24,500	" Closing Stock (bal. fig.)		81,700
	1,79,700			**1,79,700**

Alternative approach

In a combined form
Trading Account
Dr. for the year ended 31st December, 2024 Cr.

Particulars	Normal Items	Abnormal Items	Total	Particulars	Normal Items	Abnormal Items	Total
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To Opening Stock	75,000	---	75,000	By Sales	4,00,000	---	4,00,000
,, Purchase				,,Closing Stock	80,200	(-) 200	80,000
,, Gross Profit @25% on sales	3,05,200	4,800	3,10,000				
	1,00,000	---	1,00,000		---	5,000	5,000

	4,80,200	4,800	4,85,000	,,Gross Loss	4,80,200	4,800	4,85,000

Memorandum Trading Account
for 3 months ending 31st March, 2024

Particulars	Normal Items	Abnormal Items	Total	Particulars	Normal Items	Abnormal Items	Total
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To Opening Stock	80,200	(-) 200	80,000	By Sales	98,000	2,000	1,00,000
				,, Closing Stock (bal. fig)	81,700	2,400	84,100
,, Purchase	75,000	---	75,000				
,, Gross Profit	24,500	4,600	29,100				
	1,79,700	**4,400**	**1,84,100**		**1,79,700**	**4,400**	**1,84,100**

1.50% of ₹ 4,800 i.e., remaining abnormal stocks are valued at cost.

Amount of Claim	(₹)
Value of Stock at the date of fire	84,100
Less: Stock Salvaged	5,000
	79,100

7. (a) During the financial year 2023-24, Zeds Ltd., an e-commerce firm entered into a foreign currency transaction relating to fees for technical services paid to a Lucas Ltd., an Atlanta based organisation in the USA. The transaction was for $24,000, which was entered into on 07.12.2022. The payment for the same was made on 20.05.2024. Given that the exchange rates are: on 07.12.2023: $1 = ₹73.80; on 01.01.2024: $1 = ₹73.95; on 31.03.2024: $1 =₹ 75.45; on 20.05.2024: $1 = ₹76.50.

You are required to:

(a) Evaluate the amount at which the transaction would get recognised in the books; and

(b) Evaluate amount of foreign exchange gain/ loss to be recorded in the financial statement for the years 2023-24 and 2024-25. **[7]**

Answer:

(a) As per AS 11, a foreign currency transaction should be recorded, on initial recognition in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

∴ Fees for technical services $24,000 would be recorded on 07.12.2023 applying the exchange rate existing on that date = 24,000 × ₹73.80 = ₹17,71,200.

(b) For 2023-24:

On 31.03.2024, Outstanding fess for technical services should be reflected in the balance sheet using the closing rate ($1 = ₹75.45) i.e. 24,000 × ₹75.45 = ₹18,10,800.

∴ Exchange loss to be charged to the Statement of Profit and Loss = ₹ (18,10,800 – 17,71,200) = ₹39,600. For 2024-25:

On 20.05.2024, Outstanding fess for technical services paid should be recognised using the existing rate ($1 = ₹76.50) i.e. 24,000 × ₹76.50 = ₹18,36,000.

∴ Exchange loss on settlement to be charged to the Statement of Profit and Loss = ₹(18,36,000 – 18,10,800) = ₹25,200.

(b) Z Ltd. has set up its business in designated backward area which entitles it to receive as per a public scheme announced by the Government of India, a subsidy of 25% of the cost of investment. Having fulfilled the conditions laid down under the scheme, the company on its investment of ₹100 lakhs in capital assets during its accounting year ending on 31st March,2024, received a subsidy of ₹ 25 lakhs in January, 2024 from the Government of India. The Accountant of the company would like to record the receipt as an item of revenue and to reduce the losses on the Profit and Loss Account for the year ended 31st March, 2024. Is his action justified? [7]

Answer:

As per AS-12, the Government grants related to depreciable fixed assets to be treated as deferred income which should be recognized in the Profit and Loss Account on a systematic and rational basis over the useful life of the asset. Such grants should be allocated to income over the periods and in proportions in which depreciation on those assets is charged.

The company has received ₹ 25 lakhs subsidy for investment in capital assets which are depreciable in nature. In view of the provisions under AS-12, the subsidy amount ₹ 25 lakhs received should not be credited to the Profit and Loss Account for the year ended 31st March, 2024. the subsidy should be recognized and credited to the Profit and Loss Account in the proportion of depreciation charge over the life of the subsidized assets.

8. (a) On 14.08.2023, Pushkar Ltd. obtained a loan from RAR Bank of ₹65 lakhs to be utilised as under:
Purchase of equipment: ₹19,50,000;
Construction of factory shed: ₹ 26,00,000;
Advance for purchase of delivery vehicle: ₹6,50,000; Working capital: ₹13,00,000.
In March, 2024 installation of the machinery was completed and also construction of factory shed was completed and the machinery installed. However, the truck was not delivered within 31.03.2024. Total interest charged by the bank for the year ending 31.3.2024 was ₹11.70 lakhs. Discuss how the interest amount would be treated in the financial statements of the company as per AS 16. [5]

Answer:

In this case, only the factory shed is a Qualifying Asset (QA) as per AS 16. The amount of interest on borrowings and its treatment is presented below:

Particulars	Nature of asset	Interest capitalised	Interest charged to Income Statement
Purchase of equipment	Not a QA		3,51,000 [11.7 × 19.5/65]
Construction of factory shed	QA	4,68,000 [11.7 × 26/65]	

Advance for purchase of delivery vehicle	Not a QA		1,17,000 [11.7 × 6.5/65]
Working capital	Not a QA		2,34,000 [11.7 × 13/65]
Total		**4,68,000**	**7,02,000**

(b) The City Sports Club of Surat had received in 2023-2024 ₹50,000 towards subscription. Subscription for 2022-23 unpaid on 1.4.2023 were ₹5,000.

Subscriptions paid in advance on 31.3.2023 were ₹1,250 and the same on 31.3.2024 was ₹1,000. Subscriptions for 2023- 2024 unpaid on 31.3.2024 were ₹ 2,250.

Calculate the amount of subscriptions that would appear in Income and Expenditure Account of the club for the year ended 31.03.2024. [5]

Answer:

Particulars	(₹)
Subscriptions received during the year 2023-2024	50,000
Add : Subscription outstanding on 31.3.2024	2,250
	52,250
Less : Subscription outstanding on 1.4.23	5,000
	47,250
Add : Subscription paid in advance on 31.3.2023	1,250
	48,500
Less : Subscription received in advance on 31.3.2024	1,000
Subscription for 2023-2024	47,500

(c) A and B are currently partners in a firm sharing Profit/Loss in the ratio of 4 : 3. A new partner C is admitted and after his admission new profit sharing ratio between A, B and C becomes 5: 3 : 2. Calculate the sacrifice ratio of A and B after admission of C. [4]

Answer:

Calculation of Sacrificing Ratio of A & B after C's admission

	A	:	B	:	C
Old Ratio	4	:	3		
New Ratio	5	:	3	:	2

A = 4/7 - 5/10 = 40 – 35/70 = 5/70

B = 3/7 - 3 /10 = 30 – 21/70 = 9/70

Sacrificing Ratio is 5 : 9